AC Energy
An Ayala Company

(a corporation organized and existing under Philippine laws)

Primary Offer of 1,580,000,000 Common Shares
Secondary Offer of 330,248,617 Common Shares
With an Over-subscription Option of up to 100,000,000 Common Shares
Offer Price of ₱6.50 per Offer Share
To be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.

***Sole Global Coordinator, Underwriter and Joint Bookrunner*[1]**

BPI Capital Corporation

Joint Bookrunners

BPI Capital Corporation CLSA UBS

Selling Agents

PSE Trading Participants

The date of this Prospectus is 29 April, 2021.

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION (SEC) HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SEC.

1 BPI Capital Corporation is a wholly-owned subsidiary of the Bank of the Philippine Islands (BPI). AC Energy Corporation's parent company, AC Energy and Infrastructure Corporation, and BPI are affiliated companies, each with Ayala Corporation as a major shareholder.

AC ENERGY CORPORATION
4th Floor, 6750 Office Tower
Ayala Avenue, Makati City
1226 Philippines
Telephone No. (+632) 7730-6300; Fax No. (+632) 7751-6511

This Prospectus relates to the offer and sale of Two Billion Ten Million Two Hundred Forty-eight Thousand Six Hundred Seventeen (2,010,248,617) Common Shares at an offer price of ₱6.50per share (the "Offer," and such shares, the "Offer Shares") with a par value of ₱1.00 per share (the "Common Shares") of AC Energy Corporation, a corporation organized under the laws of the Republic of the Philippines (the "Issuer" or the "Company"). The Offer will comprise a firm offer of 1,910,248,617 Common Shares (the "Firm Offer," and such shares, the "Firm Offer Shares") and an over-subscription option of up to 100,000,000 Common Shares (the "Over-subscription Option", and such shares, the "Over-subscription Option Shares"). 1,580,000,000 new Common Shares will be issued and offered by the Company by way of a primary offer (the "Primary Offer Shares"), pursuant to the Firm Offer, and 330,248,617 existing Common Shares will be offered by AC Energy and Infrastructure Corporation ("ACEIC") and Bulacan Power Generation Corporation ("BPGC" and together with ACEIC, the "Selling Shareholders") pursuant to a secondary offer (the "Secondary Offer Shares") in connection with the Firm Offer. The Secondary Offer Shares comprise 300,000,000 existing Common Shares to be offered by ACEIC and 30,248,617 existing Common Shares to be offered by BPGC. The trading symbol of the Company is "ACEN."

See "***Plan of Distribution***" on page 82 of this Prospectus.

ACEIC beneficially owns an aggregate of 11,175,442,921 of the Company's Common Shares, representing 55.99% of the outstanding Common Shares of the Issuer as at 19 April 2021. On 22 June 2020, the Philippine Securities and Exchange Commission (the "SEC") approved the increase of the Company's authorized capital stock ("First SEC Approval") by ₱16,000,000,000 consisting of 16,000,000,000 Common Shares with a par value of ₱1.00 per Share, thereby increasing its total authorized capital stock from ₱8,400,000,000, consisting of 8,400,000,000 Common Shares with a par value of ₱1.00 per Share ("First Increase in ACS"). As of the date of this Prospectus, the authorized capital stock of the Company is ₱24,400,000,000.00 consisting of 24,400,000,000 Common Shares with a par value of ₱1.00 per Share, of which 19,960,037,644 Common Shares are outstanding and 19,974,537,644 Common Shares are issued, considering the 14,500,000 Common Shares held as treasury shares. On 18 March 2020, the Board approved the further increase of the Company's authorized capital stock to ₱48,400,000,000, consisting of 48,400,000,000 Common Shares with a par value of ₱1.00 per Share ("Second Increase in ACS"), which was confirmed by the Board in its regular meeting on 18 March 2021. On 20 April 2020, the stockholders of the Company approved the Second Increase in ACS, which was confirmed by the stockholders in its ASM held on 19 April 2021. The application for the Second Increase in ACS is expected to be filed with the SEC within the second quarter of 2021. Thereafter, after the approval of the Company's application for the Second Increase in ACS, the Offer (assuming the Over-subscription Option is exercised in full), and having considered the completion of the ACEIC International Transaction discussed in the section on "***Executive Summary –ACEIC International Transaction***," on page 24 of this Prospectus, the issued and outstanding Common Shares of the Company shall be at least 38,225,838,177 Common Shares.

The subscription to the First Increase in ACS was undertaken by ACEIC through a property-for-share swap effective on 9 October 2019 (the "ACEIC Philippine Transaction") and approved on 22 June 2020 by the SEC together with the First Increase in ACS. Under the ACEIC Philippine Transaction, discussed in the section on "***Executive Summary – ACEIC Philippine Transaction***" on page 21 of this Prospectus, ACEIC assigned to the Company its shares in certain Philippine companies ("ACEIC Assigned Associates") in exchange for 6,185,182,288 Common Shares of the Company, valued at ₱2.37 per Share. On 30 October 2020, the Bureau of Internal Revenue ("BIR") issued a ruling confirming that the ACEIC Philippine Transaction qualifies as a tax-free exchange. On 25 November 2020, the Company submitted to the SEC the stock certificates of the ACEIC Assigned Associates in the name of the Company as proof of transfer following the issuance by the BIR on 24 November 2020 of a certificate authorizing registration covering such shares in compliance with SEC's Memorandum Circular No. 14-2013 ("MC 14-2013"), in respect of the First Increase in ACS and the ACEIC Philippine Transaction. To comply with the standard post-transaction submission of proof that the transfer values of the shares of the ACEIC Assigned Associates that were transferred to the Company based on the Valuation Report have been attained, the Company submitted to the SEC a Special Audit Report on 18 December 2020. On 21 December 2020, the SEC issued its confirmation that the Company has complied with the conditions in MC 14-2013. See "***Executive Summary – ACEIC Philippine Transaction***" on page 21 of this Prospectus.

On 29 January 2021, the Company concluded the Rights Offer, whereby 2,267,580,434 primary Common Shares were issued to eligible shareholders of the Company, except ACEIC, as of 13 January 2021.

The Offer Shares shall be offered at an offer price of ₱6.50 per Offer Share (the "Offer Price"). The determination of the Offer Price is further discussed on page 87 of this Prospectus. Taking into account the results of the Offer, a total of 21,540,037,644 Common Shares will be outstanding after the Offer. See section on "***Dilution***" on page 88 of this Prospectus.

The Offer is conditioned on the listing of the Primary Offer Shares with the Philippine Stock Exchange ("PSE").

The Company expects to raise gross proceeds of approximately ₱10.27 billion from the sale of the Primary Offer Shares, at an Offer Price of ₱6.50 per Offer Share. The net proceeds from the sale of the Primary Offer Shares, determined by deducting from the gross proceeds the issue management and listing fees, taxes, and other related fees and expenses, (excluding any additional expenses that may be incurred in relation to the exercise of the Over-subscription Option) will be approximately ₱10.01 billion and will be used by the Company to partially fund the development of power projects in the pipeline and inorganic growth opportunities if and when they arise, repayment of loans and reduction of payables, and other general corporate requirements. The Company will not receive any proceeds from the sale of the Secondary Offer Shares by the Selling Shareholders. See "***Use of Proceeds***" on page 77 of this Prospectus.

ACEIC has granted the Joint Bookrunners an option, exercisable in whole or in part, to increase the Offer size up to an additional 100,000,000 Common Shares. In the event that the Over-subscription Option is exercised, the Joint Bookrunners, in consultation with the Company and ACEIC, have the discretion to allocate the Over-subscription Option Shares at the end of the Offer Period.

All Common Shares issued or to be issued pursuant to the Offer have or will have identical rights and privileges. The Philippine Constitution and laws limit foreign ownership of the Company to a maximum of 40% of its issued and outstanding capital stock entitled to vote because the Company owns land and explores, develops, and utilizes natural resources in the generation of electricity.

Each holder of Common Shares will be entitled to such dividends as may be declared by the Company's Board; provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds of the Company's total outstanding capital stock. Republic Act No. 11232 or the Revised Corporation Code of the Philippines ("Revised Corporation Code of the Philippines") has defined "outstanding capital stock" as "the total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares." Dividends may be declared only from the Company's unrestricted retained earnings. The Company's Common Shares are listed on the PSE under the symbol "ACEN." On 28 April 2021, the closing price of the Company's Common Shares on the PSE was ₱7.00.

The Company files quarterly financial reports, monthly shareholder and ownership reports, as well as other relevant disclosures as necessary, with the PSE. The information filed by the Company with the PSE does not form part of this Prospectus, is not incorporated by reference herein, and should not be relied on when making an investment decision with respect to the Offer Shares.

The Joint Bookrunners will receive a transaction fee from the Company and the Selling Shareholders of up to 2.00% of the gross proceeds from the sale of the Offer Shares. These are inclusive of the amounts to be paid to other participating underwriters and selling agents, where applicable. Any Offer Shares left unsubscribed after the Offer Period will be underwritten, on a firm commitment basis, by the Underwriters. For a more detailed discussion on the fees to be received by the Underwriters, see "***Plan of Distribution***" beginning on page 82 of this Prospectus.

The Company confirms that, as of the date of this Prospectus, the information contained herein relating to the Company and its operations, which are in the context of the Offer (including all material information required by the applicable laws of the Republic of the Philippines), is true and that there is no material misstatement or omission of facts which would make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same. The Company confirms that it has made all reasonable inquiries in respect of the information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. The Company, however, has not independently verified any such publicly available information, data or analysis.

Market data and certain industry data used throughout this Prospectus were obtained from market research, publicly available information and industry publications. Industry publications generally state that the information contained therein have been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Joint Bookrunners makes any representation or warranty, express or implied, as to the accuracy or completeness of such information. The Joint Bookrunners assume no liability for any information supplied by the Company in relation to this Prospectus.

Unless otherwise indicated, all information in this Prospectus is as at 31 December 2020. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

No person has been or is authorized to give any information or to make any representation concerning the Company or its Associates or the Offer Shares, which is not contained in this Prospectus and any information or representation not so contained herein must not be relied upon as having been authorized by the Company, the Joint Bookrunners or any of their respective Associates.

The contents of this Prospectus are not investment, legal or tax advice. In making any investment decision regarding the Offer Shares, applicants must rely on their own examination of the Company and the terms of the Offer, including, without limitation, the merits and risks involved, such applicant's own determination of the suitability of any such investment with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. Neither the Company nor any of the Joint Bookrunners makes any representation to any applicant regarding the legality of participating in the Offer under any law or regulation. Each person should be aware that it may be required to bear the financial risks of any participation in the Offer for an indefinite period of time. Applicants should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares, among others.

An application for listing of the Common Shares was approved on 21 April 2021 by the board of directors of the PSE, subject to the fulfillment of certain listing conditions. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. Moreover, the Securities and Exchange Commission (the "SEC") has issued its pre-effective clearance on 22 April 2021 and is expected to issue the Order of Effectivtiy and Permit to Sell on or about 30 April 2021. Such approvals are permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE or the SEC.

An application has been made to the SEC to register the Offer Shares under the provisions of the Securities Regulation Code of the Philippines or Republic Act No. 8799 (the "SRC").

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited.

In making an investment decision, investors are advised to carefully consider all the information contained in this Prospectus, including risks associated with an investment in the Offer Shares. These risks include:

- risks relating to the Company and its businesses;
- risks relating to the Philippines;
- risks relating to the Offer; and
- risks relating to statements in this Prospectus.

For a more detailed discussion on the risks in investing, see section on "***Risk Factors***" on page 56 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

THE OFFER SHARES ARE BEING OFFERED ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

No dealer, salesman or other person has been authorized by the Company or by the Joint Bookrunners to issue any advertisement or to give any information or make any representation in connection with the Offer other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or the Joint Bookrunners.

The Company and the Joint Bookrunners have exercised due diligence in ascertaining that all material representations contained in this Prospectus and any amendments and supplements are true and correct, and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

AC ENERGY CORPORATION
By:

JOHN ERIC T. FRANCIA
President and CEO

MARIA CORAZON G. DIZON
Treasurer and CFO, Compliance Officer, Chief Risk Officer

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

Before me, a notary public in and for the city named above, personally appeared the following:

Name	Competent Evidence of Identity	Issued On/At
John Eric T. Francia	[redacted]	
Maria Corazon G. Dizon		

who were identified by me through competent evidence of identity to be the same persons who presented the foregoing instrument and signed the instrument in my presence as their own free and voluntary act and deed and that of the corporation they represent, and who took an oath before me as to such instrument.

Witness my hand and seal this 29 April 2021 at Makati City.

Doc. No. 42 ;
Page No. 10 ;
Book No. IV ;
Series of 2021.

ATTY. MARK DEAN D.R. ITARALDE
NOTARY PUBLIC
ROLL NO. [redacted]
MAKATI CITY, PHILIPPINES

ATTY. MARK DEAN D.R. ITARALDE
Notary Public – Makati City
Appt. No. M-163 until December 31, 2021
[redacted]

[*Signature page to ACEN Prospectus*]

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NOTICE TO INVESTORS

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. Each of the Company and Joint Bookrunners has exercised diligence to the effect that, and the Company confirms that, to the best of its knowledge and belief and after having taken reasonable care to ensure that such is the case, the information contained in this Prospectus relating to the Company, its operations and those of its Associates is true and there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

No representation or warranty, express or implied, is made by the Company and the Joint Bookrunners, regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. No representation or warranty, express or implied, is made by the Joint Bookrunners as to the accuracy or completeness of the information herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Joint Bookrunners. The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of the Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited.

THE OFFER SHARES ARE BEING OFFERED ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

The Offer Shares have not been and will not be registered under the Securities Act. The Offer Shares may be subject to certain transfer restrictions as described herein.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company and the Joint Bookrunners. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The operating information used throughout this Prospectus has been calculated by the Company on the basis of certain assumptions made by it. As a result, this operating information may not be comparable to similar operating information reported by other companies.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. The Company and the Joint Bookrunners require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or resells the Offer Shares or possesses and distributes this Prospectus and must obtain any consents, approvals or permissions required for the purchase, offer, sale or resale by it of the Offer Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or resales, and none of the Company and the Joint Bookrunners shall have any responsibility therefor.

The Company reserves the right to withdraw the offer and sale of Offer Shares at any time and the Joint Bookrunners reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and the PSE. The Joint Bookrunners and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

CONVENTIONS WHICH APPLY TO THIS PROSPECTUS

In this Prospectus, unless otherwise specified or the context otherwise requires, terms shall have the meanings ascribed thereto in the "***Glossary of Terms***" beginning on page 7 of this Prospectus.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise stated, all financial information relating to the Company contained herein is stated on a consolidated basis and in accordance with Philippine Financial Reporting Standards ("PFRS").

SyCip Gorres & Velayo ("SGV & Co."), a member firm of Ernst & Young Global Limited, have audited ACEN's consolidated financial statements for fiscal years 2020, 2019, 2018, and 2017. Unless otherwise indicated, the description of ACEN's business activities in this Prospectus is presented on a consolidated basis. For further information on ACEN's corporate structure, see "***Corporate Structure***" beginning on page 182 of this Prospectus. See also "***Summary Financial Information***" beginning on page 45 of this Prospectus for a summary of the Company's consolidated financial statements as at and for the years ended 31 December 2020, 2019, 2018, and 2017.

INDUSTRY AND MARKET DATA

Market data used throughout this Prospectus, including in the section entitled "Industry," has been obtained from market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information has not been independently verified and is not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Company or the Joint Bookrunners make any representation as to the accuracy of that information.

FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus that are not statements of historical fact constitute "forward-looking statements." This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to the expectations of the Company regarding:

- future growth;
- general political, economic and business conditions in the Philippines and other markets that the Company intends to operate as part of the ACEIC International Transaction;
- results of operations and performance (both operational and financial);
- capital expenditure program and other liquidity and capital resources requirements;
- increasing competition in the industry in which the Company and its Associates operate;
- industry risk, including price and regulatory risk in the areas in which the Company and its Associates operate;
- business prospects;
- business opportunities;
- known and unknown risks; and
- risk factors discussed in this Prospectus as well as other factors beyond the Company's control.

Such forward-looking statements are based on assumptions regarding the present and future business strategies and the environment in which the Company will operate in the future. This Prospectus includes forward-looking statements, including statements regarding the expectations and projections of the Company or its management for future operating performance and business prospects. The words, including, but not limited to, "anticipate," "believe," "budget," "estimate," "expect," "continue," "forecast," "intend," and "plan," or similar expressions or statements that certain actions, events or results "can," "could," "may," "might," "will," or "would," be taken, occur or be achieved, have been used to identify these forward-looking statements. However, these words are not the exclusive means of identifying forward- looking statements. All statements regarding the Company's expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Company's business strategy, its revenue and profitability (including, without limitation, any financial or operating projections or forecasts), planned projects and other matters discussed in this Prospectus regarding matters that are not historical facts. These forward- looking statements and any other projections contained in this Prospectus involve known and unknown risks, uncertainties and other factors that may cause the Company's actual financial results, performance or achievements to be materially different from any future financial results, performance or achievements expressed or implied by such forward-looking statements or other projections.

Although the forward-looking statements contained in this Prospectus reflect the current beliefs of the Company based upon information currently available to management and what management believes to be reasonable assumptions, the Company cannot be certain that actual results will be consistent with these forward-looking statements.

Significant factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the nature of the energy market;
- competition;
- general political, economic and business conditions in the Philippines and other markets that the Company intends to operate as part of the ACEIC International Transaction;
- the regulatory environment, including, but not limited to, environmental, tax and acquisition-related rules and regulations;
- the availability and cost of electricity;
- weather conditions;
- natural disasters and other unforeseen events; and
- other risks and uncertainties described under "***Risk Factors***" and elsewhere in this Prospectus. See "***Risk Factors***" beginning on page 56 of this Prospectus.

Prospective investors in the Offer Shares are advised to consider these factors carefully in evaluating the forward-looking statements. Should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected as well as from historical results. Specifically, but without limitation, revenues could decline, costs could increase, capital costs could increase, capital investments could be delayed and anticipated improvements in performance might not be realized fully or at all. Although the Company believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, prospective investors are cautioned not to place undue reliance on the forward-looking statements herein. In any event, the forward-looking statements included herein are made only as of the date of this Prospectus or the respective dates indicated herein, and the Company and the Joint Bookrunners expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to such forward-looking statements contained herein to reflect subsequent events or circumstances. The Joint Bookrunners do not take any responsibility for, or give any representation, warranty, or undertaking in relation to any such forward-looking statements.

GLOSSARY OF TERMS

The following is a listing of some of the terms and abbreviations used throughout this Prospectus:

ACEIC Assigned Associates	-	the Philippine companies subject of the ACEIC Philippine Transaction
ACE Endevor	-	ACE Endevor, Inc. (formerly, AC Energy Development Inc.; San Carlos Clean Energy, Inc.)
ACE Enexor	-	ACE Enexor, Inc. (formerly PHINMA Petroleum and Geothermal Inc.; Trans-Asia (Karang Besar) Petroleum Corporation; Trans-Asia Petroleum Corporation (TAPET))
ACEIC	-	AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.)
ACEIC International Transaction	-	the issuance of additional 16,685,800,533 Common Shares of ACEN in favor ACEIC in exchange for property consisting of shares owned by ACEIC in its 100% subsidiary AC Energy International, which holds various international operating and development companies
ACEIC Philippine Transaction	-	the issuance of 6,185,182,288 Common Shares of ACEN in favor of ACEIC in exchange for property consisting of shares owned by ACEIC in its various onshore operating and development companies
AC Energy International	-	AC Energy International, Inc. (formerly Presage Corporation)
ACEN or the Company or the Issuer or the Parent Company	-	AC Energy Corporation (formerly, AC Energy Philippines, Inc.; PHINMA Energy Corporation; Trans-Asia Oil and Energy Development Corporation; Trans-Asia Oil and Mineral Development Corporation)
ACE Renewables	-	ACE Renewables Philippines, Inc. (formerly Moorland Philippines Holdings, Inc.)
ACTA	-	ACTA Power Corporation
Applicant	-	a person, whether natural or juridical, who seeks to subscribe for the Offer Shares
Application	-	an application to subscribe for Offer Shares pursuant to the Offer
ASM	-	Annual Stockholders' Meeting
ASPA	-	Ancillary Services Procurement Agreement, a contract with NGCP to replenish the contingency reserve services whenever a generating unit trips or a single transmission interconnection loss occurs

Arran	-	Arran Investment Pte Ltd, an affiliate of GIC Private Limited
Arran Investment	-	the subscription by Arran to primary shares in ACEN and/or purchase by Arran of secondary shares of ACEN from ACEIC, pursuant to and under the terms of the Investment Agreement dated 30 December 2020 and the Subscription Agreement dated 18 March 2021 and more particularly described in the section "***Material Contracts – Arran Investment Pte Ltd Investment***," on page 180 of this Prospectus
Associates	-	as defined under PFRS
Axia Power	-	Axia Power Holdings Philippines Inc.
Ayala	-	Ayala Corporation
Ayala Group	-	companies where Ayala Corporation has equity interests, currently engaged in the following sectors: real estate, financial services, telecommunications, water, industrial technologies, power, infrastructure, education, and technology ventures
Banking Day	-	any day, except Saturday, Sunday, and legal holidays, when banks and financial institutions are open for business in Makati City and the Philippine Clearing House Corporation is open for business
BCHC	-	Buendia Christiana Holdings Corp.
BIR	-	Bureau of Internal Revenue
Block	-	a petroleum contract area categorized under a block reference system established by the DOE to facilitate the establishment of the most effective exploration strategy and to further allow the DOE to evaluate the market value or true value of the area explored for petroleum that is being offered to contractors
Board or Board of Directors	-	the board of directors of the Company
BOI	-	Board of Investments
BPGC	-	Bulacan Power Generation Corporation (formerly PHINMA Power Generation Corporation; Trans-Asia Power Generation Corporation)
BPI	-	Bank of the Philippine Islands
BPI Capital	-	BPI Capital Corporation
BSP	-	Bangko Sentral ng Pilipinas, the central bank of the Philippines

BWPC	-	Bayog Wind Power Corp.
CAGR	-	compound annual growth rate
Captive Market	-	a market of electricity end-users who may not choose their supplier of electricity
Carried Interest	-	in the context of petroleum exploration, an ownership interest in the project that does not share in the costs up to a certain agreed point (*e.g.*, a carry up to the first exploratory well), but shares in the costs attributable to such interest thereafter
CIPP	-	CIP II Power Corporation
CLSA		CLSA Limited
COC	-	certificate of compliance issued by the ERC
COC-FIT	-	certificate of compliance for eligibility for FIT issued by the ERC under the FIT Rules
Common Shares or Shares	-	the shares of common stock of the Company with a par value of ₱1.00 per Share, including the Offer Shares
Consolidated Financial Statements	-	audited financial statements of the Parent Company and its subsidiaries
Contestable Market	-	the electricity end-users that have a choice of a supplier of electricity as may be determined by the ERC
COVID-19	-	novel coronavirus
CPCN	-	certificate of public convenience
Debt	-	total current and non-current liabilities
Diesel Power Plants	-	Power Barge 101, Power Barge 102, and plants operated by One Subic, BPGC and CIPP
DENR	-	the Philippine Department of Environment and Natural Resources
Distribution Code	-	the Philippine Distribution Code
DOE	-	the Philippine Department of Energy
Domestic Underwriting Agreement	-	the domestic underwriting agreement dated 29 April 2021 among the Issuer, the Selling Shareholders and the Sole Global Coordinator, Underwriter and Joint Bookrunner
ECC	-	an environmental compliance certificate issued by the DENR

Economic Zones or Ecozone	-	special economic zones and selected areas which are highly developed or have the potential to be developed into agro-industrial, industrial, tourist, recreational, commercial, banking, investment, and financial centers
EIA	-	Environmental Impact Assessment
EIS System	-	the Philippine Environmental Impact Statement System, a system requiring relevant government agencies to prepare an Environment Impact Assessment for any project or activity that affects the quality of the environment
ESOP/ESOWN	-	Employee Stock Option Plan/Employee Stock Ownership Plan; the issuance by the Company of Shares to qualified officers, employees, and consultants of the Company, its affiliates, and subsdiaries pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans
EPC	-	Engineering, Procurement and Construction Contract
ERC	-	the Philippine Energy Regulatory Commission
Farm-in	-	in the context of petroleum exploration, an agreement wherein one company drills wells or performs other activities on another company's petroleum concession in order to earn an interest in or acquire that petroleum concession
Farm-out	-	an agreement between oil operators whereby the owner of a petroleum concession not interested in drilling at the present time agrees to assign the petroleum concession or part of it to another operator that wants to drill the area explored for petroleum
Firm Offer	-	the offer and sale of the Primary Offer Shares and the Secondary Offer Shares
Firm Shares	-	the Common Shares relating to the Firm Offer
First Increase in ACS	-	the increase of the Company's total authorized capital stock to ₱24,400,000,000, consisting of 24,400,000,000 Common Shares with a par value of ₱1.00 per Share approved by the SEC on 22 June 2020
First SEC Approval	-	the approval of the SEC of the First Increase in ACS
FIT	-	Feed-in-Tariff
FIT-All	-	FIT Allowance
FIT Rate	-	guaranteed fixed price of RE-derived electricity sourced by electric power industry participants as mandated by the FIT scheme under the RE Law

FIT Rules	-	ERC Resolution No. 16-2010
FTI Consulting	-	FTI Consulting Philippines, Inc.
GDP	-	Gross Domestic Product
GigaAce8	-	Giga Ace 8, Inc.
Gigasol2	-	Gigasol 2, Inc.
Gigasol3	-	Gigasol 3, Inc.
Government	-	the Government of the Republic of the Philippines
Greencore 3	-	Greencore Power Solutions 3, Inc.
greenfield power project	-	new projects that are built from ground up, with the proponent undertaking activities from pre-development to commissioning
Grid Code	-	the Philippine Grid Code
grid operator	-	the party responsible for electricity generation dispatch to ensure safety, power quality, stability, reliability and security of the electrical grid. In the Philippines, the national grid operator is NGCP.
Group	-	the group of companies comprised of ACEN, its Associates and joint ventures
GWC	-	Guimaras Wind Corporation (formerly PHINMA Renewable Energy Corporation; Trans-Asia Renewable Energy Corporation; Trans-Asia Petroleum (Maratua) Corporation)
Guimaras Wind	-	A 54 MW wind farm in Guimaras, Philippines, owned and operated by GWC
HDP Bulk Water	-	HDP Bulk Water Supply, Inc
Ilocos Wind	-	Ilocos Wind Energy Holding Co., Inc.
Ingrid	-	Ingrid Power Holdings, Inc.
Institutional Offer	-	the offer for sale of the Institutional Offer Shares (i) outside the United States by the International Joint Bookrunners in offshore transactions in reliance on Regulation S, and (ii) to certain qualified buyers and other investors in the Philippines by the Sole Global Coordinator, Underwriter and Joint Bookrunner.
Institutional Offer Settlement Date	-	the date on which payment for the Institutional Offer Shares is made, as may be determined by the Joint Bookrunners, but in no case later than the Listing Date.

Institutional Offer Shares	-	1,528,198,817 Firm Shares (approximately 80% of the Firm Offer) that are (subject to re-allocation as described in "Plan of Distribution") being offered (i) outside the United States by the International Joint Bookrunners in offshore transactions in reliance on Regulation S, and (ii) to certain qualified buyers and other investors in the Philippines by the Sole Global Coordinator, Underwriter and Joint Bookrunner, pursuant to the Institutional Offer
International Joint Bookrunners	-	CLSA and UBS
International Purchase Agreement	-	the international purchase agreement dated 29 April 2021 among the Issuer, the Selling Shareholders and the International Joint Bookrunners
Joint Bookrunners	-	BPI Capital Corporation, CLSA, and UBS
IPP	-	independent power producer or an existing power generating entity which is not owned by NPC
IRRs	-	Implementing Rules and Regulations
Isla Bio	-	Negros Island Biomass Holdings, Inc.
IslaSol	-	Negros Island Solar Power, Inc.
kW	-	kilowatt, a unit of electrical power equal to 1,000 watts or 1.341 horsepower
kWh	-	kilowatt hour, a measure of energy equivalent to the expenditure of one kilowatt for one hour
LCC Bulk Water	-	LCC Bulk Water Supply, Inc.
Listing Date	-	The date on which trading of the Primary Offer Shares on the PSE begins, expected to be on or about 14 May 2021
Maibarara Project	-	the 32 MW geothermal power located in Maibarara, Santo Tomas, Batangas, owned and operated by MGI
MCV Bulk Water	-	MCV Bulk Water Supply, Inc
MERALCO	-	Manila Electric Company
MGI	-	Maibarara Geothermal, Inc.
MonteSol	-	Monte Solar Energy Inc.
MonteSol Project	-	the 18 MWdc solar power farm located in Bais City, Negros Oriental owned and operated by MonteSol
MSPDC	-	Manapla Sun Power Development Corp.
MW	-	megawatt, a unit of electrical power, equal to a thousand Kw

MWdc	-	megawatt of direct current
Net Attributable Capacity	-	the Company's effective economic interest in the relevant power project multiplied by the net capacity of the relevant power project. Net Attributable Capacity in solar plants is determined with reference to MWdc
NGCP	-	the National Grid Corporation of the Philippines or the corporation awarded the concession to operate the transmission facilities of the TransCo pursuant to Republic Act No. 9136, otherwise known as "Electric Power Industry Reform Act of 2001" and Republic Act No. 9511
NLREC	-	North Luzon Renewable Energy Corporation
North Luzon Renewables	-	the 81 MW wind farm in Barangay Caparispisan, Pagudpod, Ilocos Norte owned and operated by NLREC
NNBP	-	North Negros Biopower Inc
Northwind Power	-	the 52 MW wind farm in Bangui, Ilocos Norte owned and operated by NPDC
NPC	-	the National Power Corporation
NPDC	-	Northwind Power Development Corp.
NREB	-	the National Renewable Energy Board
Offer	-	the offer and sale of the Offer Shares.
Offer Price	-	₱6.50per Offer Share
Offer Shares	-	the Firm Shares and the Over-subscription Option Shares
One Subic or OSPGC	-	One Subic Power Generation Corporation
OSODC	-	One Subic Oil Distribution Corp., formerly Trans-Asia Gold and Minerals Development Corporation
Over-subscription Option Shares	-	up to 100,000,000 Common Shares of the Company owned by ACEIC granted pursuant to the Over-subscription Option
Over-subscription Option	-	the option, exercisable in whole or in part, granted by ACEIC to the Joint Bookrunners to increase the Offer size and allocate up to an additional 100,000,000 Over-subscription Option Shares at the end of the Offer Period.
Palawan55	-	Palawan55 Exploration & Production Corporation
PAMA	-	Power Administration and Management Agreement
PCC	-	Philippine Competition Commission

PCD	-	Philippine Central Depository, Inc
PCD Nominee	-	PCD Nominee Corporation, a corporation wholly-owned by the PDTC, which acts as trustee-nominee for all shares lodged in the PCD system. It was formerly known as PCD Nominee Corporation. The beneficial owners of such shares are the participants of PCD which holds the shares on their behalf or in behalf of their clients. PCD is a private institution established in March 1995 to improve operations in securities transactions. PCD seeks to provide a fast, safe and highly efficient system for securities settlement. The PCD was organized to implement an automated book-entry system of handling securities transactions in the Philippines.
P.D. 87	-	Presidential Decree No. 87, also known as the "The Oil Exploration and Development Act of 1972"
PDTC	-	the Philippine Depository and Trust Corporation, the central securities depositary of, among others, securities listed and traded on the PSE
Peso or ₱	-	the lawful currency of the Philippines
PEZA	-	the Philippine Economic Zone Authority
PFRS	-	the Philippine Financial Reporting Standards
Philippine Corporation Code	-	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
Philippine National	-	a citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals
PHI	-	PHINMA, Inc. (formerly Philippine Investment-Management (PHINMA), Inc.)
PHN	-	PHINMA Corporation
PINAI	-	Philippine Investment Alliance for Infrastructure
Price Determination Date	-	Offer Price Determination Date

Primary Offer	-	the offer and sale of the Primary Offer Shares
Primary Offer Shares	-	1,580,000,000 new Common Shares of the Company to be issued and offered by the Company pursuant to the Firm Offer
PSA	-	power supply agreement
PSALM	-	the Power Sector Assets and Liabilities Management Corporation
PSE Trading Participants	-	brokers and/or dealers who are authorized to operate trading rights in the PSE, pursuant to trading rules of the PSE
PSE or Exchange	-	The Philippine Stock Exchange, Inc., the corporate body duly organized and existing under Philippine law, licensed to operate as a securities exchange by the SEC
PSE Main Board	-	one of the two boards of the PSE, open to companies that have an authorized capital stock of at least ₱500 million, at least three years of operating history, EBITDA (as defined by the PSE) of at least ₱50 million for the three years prior to listing, and positive stockholders' equity for the fiscal year immediately preceding listing
PWHC	-	Philippine Wind Holdings Corp. (formerly UPC Philippine Wind Holdings Corp.)
PWPC	-	Pagudpud Wind Power Corp.
R.A. No. 6969	-	Republic Act No. 6969 or "The Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990"
R.A. No. 7611; SEP	-	Republic Act No. 7611 or the "Strategic Environment Plan for Palawan Act"
R.A. No. 7916; PEZA law	-	Republic Act No. 7916 or "The Special Economic Zone Act of 1995"
R.A. No. 7942; Mining Act	-	Republic Act No. 7942 or "The Philippine Mining Act of 1995"
R.A. No. 8371; IPRA	-	Republic Act No. 8371 or "The Indigenous Peoples' Rights Act (IPRA) of 1997"
R.A. No. 8749; Clean Air Act	-	Republic Act No. 8749 or the "Philippine Clean Air Act of 1999"
R.A. No. 9003	-	Republic Act No. 9003 or the "Ecological Solid Waste Management Act of 2000"
R.A. No. 9136; EPIRA	-	Republic Act No. 9136 or the "Electric Power Industry Reform Act (EPIRA) of 2001"

R.A. No. 9275	- Republic Act No. 9275 or the "Philippine Clean Water Act of 2004"
R.A. No. 9513; RE Law	- Republic Act No. 9513 or the "Renewable Energy Act of 2008"
R.A. No. 10173; DPA	- Republic Act No. 10173 or the "Data Privacy Act of 2012"
R.A. No. 10667; PCA	- Republic Act No. 10667 or the "Philippine Competition Act"
R.A. No. 11232; Revised Corporation Code of the Philippines	- Republic Act No. 11232, amending Batas Pambansa Blg. 68 or the Corporation Code of the Philippines
Receiving Agent	- BPI Stock Transfer Agency, in its capacity as receiving agent
Regulation S	Regulation S under the Securities Act
RE Law IRR	- Implementing Rules and Regulations of the RE Law
Renewable Energy	- energy derived from resources (*e.g.*, sunlight, wind, water, earth's heat, and plant and animal wastes) that are regenerative or, for all practical purposes, cannot be depleted
RES	- Retail Electricity Supplier or the non-regulated business segment of the distribution utility catering to the Contestable Market only within its franchise area, or persons authorized by appropriate entities to supply electricity within their respective Economic Zones
Rights Offer	the offering of 2,267,580,434 Common Shares in the Company to eligible shareholders of the Company, which was completed on 29 January 2021
SacaSol	- San Carlos Solar Energy, Inc.
SC	- service contract, an agreement entered into by the Government and a company which grants the latter the exclusive right to undertake petroleum exploration, development and production over a certain area, in exchange for a share by the Government on sales proceeds
SCBP	- San Carlos Biopower Inc.
SCC Bulk Water	- SCC Bulk Water Supply, Inc.
SEC or Commission	- the Philippine Securities and Exchange Commission
Second Increase in ACS	- the further increase of the Company's authorized capital stock to ₱48,400,000,000, consisting of 48,400,000,000 Common Shares with a par value of ₱1.00 per Share.

Second SEC Approval	-	the approval of the SEC of the Second Increase in ACS
Secondary Offer	-	the offer and sale of Secondary Offer Shares
Secondary Offer Shares	-	330,248,617 existing Common Shares of the Company to be offered by the Selling Shareholders pursuant to the Firm Offer
Securities Act	-	the U.S. Securities Act of 1933, as amended
Selling Agents	-	PSE Trading Participants
Selling Shareholders	-	ACEIC and BPGC
SGV & Co.	-	SyCip Gorres Velayo & Co.
SJLD	-	San Julio Land Development Corporation
SLTEC	-	South Luzon Thermal Energy Corporation
SNBP	-	South Negros Biopower Inc.
Sole Global Coordinator, Underwriter and Joint Bookrunner	-	BPI Capital Corporation
Solienda	-	Solienda Incorporated
SolarAce1	-	SolarAce1 Energy Corp
SRC	-	the Securities Regulation Code
Stock Transfer Agent	-	BPI Stock Transfer Agency, in its capacity as stock transfer agent
Tax Code	-	Republic Act No. 8424, otherwise known as the National Internal Revenue Code of 1997, as amended
ThomasLloyd	-	ThomasLloyd CTI Asia Holdings. Pte Ltd.
Trading Day	-	any day on which trading is allowed in the PSE
Trading Participants' Offer	-	the offer for sale of the Trading Participants' Offer Shares to be made by the Sole Global Coordinator, Underwriter and Joint Bookrunner in the Philippines, in reliance on Regulation S
Trading Participants' Offer Settlement Date	-	the date on which domestic subscriptions under the Trading Participants Offer are paid, expected to be on or about 7 May 2021
Trading Participants' Offer Shares	-	382,049,800 Firm Shares (approximately 20% of the Firm Offer) being offered pursuant to the Trading Participants' Offer. The Trading Participants' Offer Shares are being offered for sale by the Sole Global Coordinator,

		Underwriter and Joint Bookrunner to all of the PSE Trading Participants in the Philippines.
TransCo	-	the National Transmission Corporation
UBS	-	UBS AG Singapore Branch
USD or U.S.$	-	United States dollar
Valuation Report	-	the valuation report and fairness opinion dated 9 October 2019 rendered by FTI Consulting Philippines, Inc., an SEC and PSE accredited independent third party that issued its report on the value at which ACEIC transferred its on-shore renewable platform and projects to the Company in the ACEIC Philippine Transaction
VAT	-	Value added tax
VWAP	-	Volume Weighted Average Price.
Viage	-	Viage Corporation
VRC	-	Visayas Renewables Corp. (formerly Bronzeoak Clean Energy Inc.)
WESM	-	the Wholesale Electricity Spot Market
WESC	-	Wind Energy Service Contract
Working Interest	-	in the context of petroleum exploration, the percentage of ownership in an oil and gas concession or an interest in a petroleum company that fully participates in the costs and derives benefits corresponding to such interest in the event of success
WTG	-	wind turbine generator

EXECUTIVE SUMMARY

*The following summary does not purport to be complete and is taken from and qualified in its entirety by the more detailed information including the Company's financial statements and notes relating thereto appearing elsewhere in this Prospectus. For a discussion of certain matters that should be considered in evaluating any investment in the Offer Shares, see the section entitled "**Risk Factors**" on page 56 of this Prospectus. Terms defined elsewhere in this Prospectus shall have the same meanings when used in this summary.*

Prospective investors should read this entire Prospectus fully and carefully, including the Company's financial statements and related notes. In case of any inconsistency between this summary and the detailed information in this Prospectus, the more detailed portions, as the case may be, shall prevail.

The Company

ACEN is a corporation duly organized and existing under Philippine law with SEC Registration No. 39274, and listed with the PSE with ticker symbol "ACEN" (formerly "ACEPH" and "PHEN"). It was incorporated on 8 September 1969 and was originally known as "Trans-Asia Oil and Mineral Development Corporation," reflecting its original purpose of engaging in petroleum and mineral exploration and production. In order to diversify its product and revenue portfolio, the Company invested in power generation and supply, which eventually became its main business and revenue source. On 11 April 1996, the Company's name was changed to "Trans-Asia Oil and Energy Development Corporation." On 22 August 2016, the Company aligned its name with its then parent company, to become known as "PHINMA Energy Corporation," and extended its corporate life for another 50 years. On 11 October 2019, the Company changed its name to "AC Energy Philippines, Inc." to recognize its affiliation with its largest stockholder, ACEIC.

On 5 January 2021, the Company was renamed to "AC Energy Corporation" in consideration of the potential regional expansion of the Company following the ACEIC International Transaction.

Change in Principal Shareholders

On 8 February 2019, PHN, PHI, and ACEIC, signed an Investment Agreement under the terms of which PHN and PHI will sell their aggregate of 2,517,064,700 Common Shares in the Company (then PHINMA Energy Corporation or PHEN), constituting 51.476% of the total issued and outstanding Shares of the Company, to ACEIC. ACEIC also agreed to subscribe to 2,632,000,000 new Common Shares of the Company, constituting 34.9% of the total issued and outstanding shares of the Company after the said issuance ("PHEN Primary Issuance").

After securing corporate and regulatory approvals, including the conduct of a mandatory tender offer in accordance with Section 19 of the SRC Rules, the transactions closed on 19 June 2019.

Description of Business

The Company's principal product of power generation and supply is the electricity produced and delivered to the end-consumers. Power generation involves the conversion of fuel or other forms of energy to electricity. In power generation, the Company's operating assets as of 31 December 2020 include:

(i) 48 MW oil-fired power plant in Norzagaray, Bulacan through Bulacan Power Generation Corporation;

(ii) 20 MW oil-fired power plant in Bacnotan, La Union, through CIP II Power Corporation;

(iii) 108 MW diesel power plant in Subic Bay through One Subic Power Generation Corporation;

(iv) 48 MW Power Barge 101 and 102 directly owned by the Company and both located in Barrio Obrero, Iloilo City;

(v) 54 MW wind farm in San Lorenzo, Guimaras through Guimaras Wind Corporation;

(vi) 244 MW power plant in Calaca, Batangas through South Luzon Thermal Energy Corporation;

(vii) the joint venture of the 32 MW geothermal plant in Maibarara, Santo Tomas, Batangas, through Maibarara Geothermal, Inc. (17%);

(viii) the joint venture of the 52 MW wind farm in Bangui, Ilocos Norte through NorthWind Power Development Corporation (68%);

(ix) the joint venture of the 81 MW wind farm in Caparispisan, Ilocos Norte through North Luzon Renewables Energy Corporation (36%);

(x) the joint venture of the 80 MWdc solar power farm in Negros Occidental through Negros Island Solar Power, Inc. (60%);

(xi) 45 MWdc solar power farm in Negros Occidental through San Carlos Solar Energy, Inc.; and

(xii) 18 MWdc solar power farm in Negros Occidental through Monte Solar Energy, Inc.

The Company's power supply business comprises buying electricity from and selling electricity to the Wholesale Electricity Spot Market ("WESM") to produce trading gains. This allows the Company to meet electricity requirements of contracted customers, not only from its diversified power generation portfolio, but also by making purchases from the WESM. Alternatively, the Company can also supply to the spot market any excess capacity that it has generated.

The Company began its active participation in the WESM when it obtained membership as a Wholesale Aggregator on 20 September 2007. The WESM serves as a platform where electricity generated by power producers are centrally coordinated and traded like any other commodity in a market of goods. On 19 November 2012, the Company secured its Retail Electricity Supplier ("RES") license from the Philippine Energy Regulatory Commission ("ERC") under RES License No. SL-2012-11-009 to supply electricity to the Contestable Market. On 20 November 2019, the ERC issued to the Company RES License No. 11- 2019-0057RS valid until 19 November 2022. As of the period ended 31 December 2020, the revenue sales from power supply contracts reached ₱13.6 billion and contributed the bulk of total energy sold.

In support of the Company's efforts to provide grid reliability and stability through the reserve market, the Company's diesel plants such as One Subic, BPGC, and CIPP have existing approved non-firm Ancillary Services Procurement Agreements ("ASPAs") with the National Grid Corporation of the Philippines ("NGCP"). Each of these diesel power plants provide dispatchable reserve services to NGCP, as they are fast start generators that are readily available for dispatch when called by NGCP to replenish the contingency reserve services whenever a generating unit trips or a single transmission interconnection loss occurs.

For the Luzon grid, One Subic and BPGC have been providing dispatchable reserve services since 2013, while CIPP commenced providing dispatchable reserve services in 2017. Since 2013, revenues from ancillary services provide additional and substantial income to the Company, furthering providing an alternative market for the sale of electricity apart from the usual sale to customers through bilateral contracts, or sale to the WESM.

In oil and gas exploration, the Company continues to create and pursue upstream opportunities covering various risk-reward scenarios, success in which would lead to a significant, sustained contribution to the revenue stream of the Company. This segment currently provides a source of non-recurring income through the selling down of interests at various stages of development. The Company has also forged partnerships and expanded existing alliances with foreign and local companies that share its investment strategy and who can provide capital and technical expertise. By joining exploration consortia as a minority partner, the Company reduces the inherent risks in the businesses while maintaining any potential upside from the projects. Minority investments also increase the number of service contract areas the Company can get involved in.

Throughout the 50 years operations of the Company, it has earned a good reputation as a prudent operator with strong management and technical teams highly regarded in the energy industry. Its diversified investments have given the Company greater financial resources to support its commitment to energy development.

Under the Ayala Group, the Company continues to seek other business opportunities and investments that will help it optimize and utilize these financial resources. After the acquisition by ACEIC of a majority stake in the Company, the Company is in the process of integrating its assets and capabilities with ACEIC to form a strong and agile energy platform.

ACEIC Philippine Transaction

As part of the integration, ACEIC transferred its interests in various on-shore operating and development companies to the Company via the ACEIC Philippine Transaction.

On 14 May 2020, the Company and ACEIC executed the Second Amended and Restated Deed of Assignment effective as at 9 October 2019, whereby ACEIC transferred and conveyed to the Company its rights and interest in 10 corporations as payment for its subscription to the Company's Common Shares ("ACEIC Philippine Transaction") as detailed in the table below:

Company	Type of Share	Number of Shares	Par Value per Share (₱)	% of Ownership Transferred	No. of Exchange Shares
AC Energy Development, Inc.	Common A	2,000,000	100.00	7.08	504,543,447
	Founders	3,979,868	0.01	14.08	119,397
	Preferred	20,5800,905	100.00	72.83	822,001,346
Monte Solar Energy	Common A	12,000,000	0.06	2.52	42,240,000
	Preferred A	445,310,895	2.50	93.52	467,576,440
Ingrid Power Holdings, Inc.	Common	100,000	100.00	100.00	1,904,000
South Luzon Thermal Energy Corporation	Common	12,540,588	100.00	17.50	1,075,982,622
	Preferred	12,540,588	100.00	17.50	1,075,982,451
Philippine Wind Holdings, Inc.	Common	230,256	100.00	39.69	243,265,464
	Preferred A-1	15,088	15,866.51	2.60	292,757,293
	Preferred A-2	2,631	228,712.35	0.45	733,563,186
ACTA Power Corporation	Common	364,000	100.00	50.00	15,433,450
ACE Renewables Philippines, Inc.	Common	12,057,240	10.00	10.00	265,259,280
	Redeemable Preferred	108,515,160	10.00	90.00	401,506,092
Manapla Sun Power Development Corp.	Common	490,999	1.00	36.37	107,047,820

Company	Type of Share	Number of Shares	Par Value per Share (₱)	% of Ownership Transferred	No. of Exchange Shares
Viage Corporation	Common	1,250	100.00	100.00	100,000,000
NorthWind Power Development Corporation	Preferred	1,000,000	100.00	19.52	36,000,000
Total					**6,185,182,288**

In exchange for the above shares, ACEIC subscribed to a total of 6,185,182,288 Common Shares issued out of the First Increase in ACS at Two and 37/100 Pesos (₱2.37) per Share or a total transfer value of ₱14,658,882,022.56. Upon the issuance of the First SEC Approval on 22 June 2020, ACEIC acquired beneficial ownership of 6,185,182,288 Common Shares pursuant to the ACEIC Philippine Transaction with effective date as at 9 October 2019. As a condition subsequent to the First SEC Approval, the SEC required the Company to submit proof of the transfer of the shares in the Philippine companies subject of the ACEIC Philippine Transaction ("ACEIC Assigned Associates"), in accordance with MC 14-2013 (Guidelines Covering the Use of Properties that Require Ownership Registration as Paid-Up Capital of Corporations) ("SEC Condition Subsequent"). MC 14-2013 provides that "where the payment made consists of shares of stock, the applicant corporation shall submit to the Commission proof of the transfer of the registration thereon in the name of the transferee corporation, within ninety (90) days from the date of approval of the application and submission of proof/s that the transfer values of the shares that are being assigned, based on the Valuation Report have been attained, extendible for justifiable reasons."

In order to comply with the SEC Condition Subsequent, a certificate authorizing registration from the BIR was required. Pursuant to such requirement, on 25 November 2019, the Company submitted to the BIR a request for confirmation that the exchange of ACEIC's shareholdings in the ACEIC Assigned Associates to the Company pursuant to the ACEIC Philippine Transaction qualifies as a tax-free exchange under Section 40(C)(2) of the 1997 National Internal Revenue Code, as amended. On 30 October 2020, the BIR issued a ruling confirming that the ACEIC Philippine Transaction qualifies as a tax-free exchange. On the basis of such ruling, the Company obtained the relevant certificate authorizing registration of these shareholdings from the BIR and on 25 November 2020, the Company submitted to the SEC the stock certificates of the ACEIC Assigned Associates in the name of the Company in compliance with MC 14- 2013, in respect of the First Increase in ACS and the ACEIC Philippine Transaction. Further, to comply with the standard post-transaction submission of proof that the transfer values of the shares of the ACEIC Assigned Associates that were transferred to the Company based on the Valuation Report have been attained, the Company submitted to the SEC a Special Audit Report on 18 December 2020. On 21 December 2020, the SEC issued its confirmation that the Company has complied with the conditions in MC 14-2013.

On 23 May 2020, the Company filed with the PSE an application for listing of the 6,185,182,288 Common Shares pursuant to the ACEIC Philippine Transaction. On 18 December 2020, the PSE issued a Notice of Approval approving the listing of the said Common Shares, together with the listing of up to 2,267,580,434 Common Shares pursuant to the Rights Offer. The Common Shares issued pursuant to the ACEIC Philippine Transaction were listed with the PSE on 28 January 2021.

Through the ACEIC Philippine Transaction, the Company's power generating capacity expanded with the following operating assets transferred from companies formerly legally and/or beneficially owned by ACEIC:

Entity	Location	Project Type	Net Capacity (MW)[1]	Effective Economic Interest (%)[2]	Net Attributable Capacity (MW)[3]	Commercial Operations Date
Renewable Energy						
Monte Solar Energy, Inc.	Negros Oriental	Solar	18	100	18	Mar-16
NorthWind Power Development Corp.	Pagudpud, Ilocos Norte	Wind	52	68	35	Ph1: Jun-05 Ph2: Aug-08 Ph3: Sep-14
North Luzon Renewable Energy Corp.	Caparispisan, Ilocos Norte	Wind	81	36	29	Nov-14
Negros Island Solar Power, Inc.	Negros Occidental	Solar	80	2	2	Mar-16
San Carlos Solar Energy, Inc.	Negros Occidental	Solar	45	4	2	PhAB: May-14 PhCD: Sep-15
San Carlos Biopower Inc.	Negros Occidental	Biomass	18.7	7	1	2021 target
South Negros Biopower Inc.	Negros Occidental	Biomass	22.4	7	2	2021 target
North Negros Biopower Inc.	Negros Occidental	Biomass	22.4	6.12	1	2021 target
Thermal Energy						
South Luzon Thermal Energy Corp.	Batangas	Thermal	244	35	85	Unit1: Apr-15 Unit2: Feb-16

Notes:

(1) In MWdc for solar plants.
(2) Effective economic interest refers to the Company's economic interest directly and/or indirectly held in the project.
(3) Net Attributable Capacity refers to the product of the Company's effective economic interest in the relevant power project multiplied by net capacity of the relevant power project. In MWdc for solar plants.

The ACEIC Philippine Transaction further includes the assets of the former Bronzeoak group acquired from March 2017 through December 2018, which include:

- Renewable energy development, management and operations platform. The platform developed the solar projects – San Carlos Solar Energy Inc., Negros Island Solar Power Inc., and Monte Solar Energy Inc. ("MonteSol"); as well as biopower projects – San Carlos BioPower Inc., South Negros BioPower Inc., and North Negros BioPower Inc.;
- Land leasehold rights to the renewable projects in San Carlos City, Negros Occidental owned by Solienda Inc. ("Solienda"), development agreements with lessors of renewable projects in La Carlota City, Negros Occidental through San Julio Land Development Corp., and land in Barangay Sta. Teresa Manapla, Negros Occidental owned by Manapla Sun Power Development Corp ("MSPDC"); and
- Bulk water business operated through SCC Bulk Water Supply, Inc. ("SCC Bulk Water"), LCC Bulk Water Supply, Inc. ("LCC Bulk Water"), and MCV Bulk Water Supply, Inc. ("MCV Bulk Water"), and HDP Bulk Water Supply, Inc. ("HDP Bulk Water") supplying untreated water to the biomass plants in San Carlos City, La Carlota City, and Manapla, Negros Occidental, respectively.

The transfer likewise included interests in the development pipeline, including various projects under construction, such as the 120 MWdc solar farm in Alaminos, Laguna owned by SolarAce1 Energy Corp. ("SolarAce1"), the 60 MWdc solar farm in Palauig, Zambales owned by Gigasol3, Inc. ("Gigasol3"), and the 150 MW peaking plant in Pililia, Rizal owned by Ingrid Power Holdings Inc. ("Ingrid").

With the transfer of the assets and the Company's strong team having significant experience in development and operations, the Company is poised to be the leader in renewable energy in the country and sets its goal to reach 5,000 MW Net Attributable Capacity in renewables by 2025 in conjunction with the ACEIC International Transaction.

Rights Offer

On 29 January 2021, the Company completed the Rights Offer of 2,267,580,434 Common Shares. The net proceeds from the Rights Offer, after deducting the expenses related to the Rights Offer, were at ₱5,309,058,150.93, and are expected to be used to partially fund the development of power projects in pipeline and for other general corporate requirements.

ACEIC International Transaction

On 18 March 2020, the Board of Directors approved the consolidation of ACEIC's international business and assets into the Company via a tax-free exchange, whereby ACEIC will transfer 100% of its shares of stock in AC Energy International (ACEIC's 100%-owned subsidiary holding ACEIC's international business and investments), consisting of 1,701,284,345 common shares and 15,030,279,000 redeemable shares, to the Company in exchange for the issuance to ACEIC of additional Common Shares ("ACEIC International Transaction") by way of subscription to the Second Increase in ACS.

On 31 March 2020, the Executive Committee of the Company confirmed the recommendation of the Company's management that upon their independent valuation of AC Energy International and the Company, in exchange for the shares in AC Energy International, ACEIC shall subscribe to a total of 16,685,800,533 Common Shares at ₱2.97 per Share or a total transfer value of ₱49,556,827,583.01. The consideration for the Common Shares of ACEN was based on the fairness opinion issued by FTI Consulting based on information on the Company and AC Energy International as at 31 December 2019. These Common Shares are intended to be issued out of the Second Increase in ACS.

Following the lapse of the validity of the fairness opinion without the ACEIC International Transaction and the Second Increase in ACS having been filed, on 11 November 2020, the Board of Directors in its regular meeting approved the engagement of FTI Consulting as fairness opinion provider and other consultants for purposes of reissuing an independent valuation to the Company for the ACEIC International Transaction.

On 18 March 2021, the Board of Directors approved the issuance of 16,685,800,533 Common Shares at ₱5.15 per Share or a total transfer value of ₱85,931,872,744.95 in consideration for 100% of ACEIC's shares in AC Energy International by way of subscription to the Second Increase in ACS. The consideration for the Common Shares of ACEN was based on the updated fairness opinion issued by FTI Consulting based on information on the Company and AC Energy International as at 31 December 2020 and took into account:

- ACEN's existing operating projects with a net attributable capacity of 735 MW as of 31 December 2020, projects under construction with a net attributable capacity of 299 MW as of 31 December 2020, and selected pipeline with a gross capacity of 1,361MW[2] as of 31 December 2020.

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[2] Includes 226 MW gross capacity from pipeline projects, namely Bayog Wind and Arayat Solar.

- AC Energy International's existing operating projects with a net attributable capacity of 482 MW as of 31 December 2020, projects under construction with a net attributable capacity of 890 MW[3] as of 31 December 2020, selected pipeline with a gross capacity of 736 MW[4] expected to commence construction within 2021, and its share in international platforms with a selected pipeline having a total gross capacity of 4,524 MW projected to commence construction on or before 2025 as of 31 December 2020. The pipeline of the international platforms is spread across Vietnam 634 MW, Australia 3,432 MW, Indonesia 312 MW, and other countries in the Asia-Pacific 146 MW.

On 19 April 2021, the stockholders of the Company representing at least two-thirds of the outstanding capital stock of the Company approved the ACEIC International Transaction and Second Increase in ACS.

On 26 April 2021, the Company and ACEIC executed the Deed of Assignment effective as at 26 April 2021, whereby ACEIC transferred and conveyed to the Company its rights and interest in AC Energy International as payment for its subscription to the Company's Common Shares as detailed in the table below:

Company	Type of Share	Number of Shares	Par Value per Share (₱)	% of Ownership Transferred	No. of Exchange Shares
AC Energy	Common	1,701,284,345	1.00	100%	13,767,299,756
International, Inc.	Redeemable Preferred	15,030,279,000	1.00	100%	2,918,500,777
Total					**16,685,800,533**

In exchange for the above shares, ACEIC subscribed to a total of 16,685,800,533 Common Shares to be issued out of the Second Increase in ACS at ₱5.15 per Share or a total transfer value of ₱85,931,872,744.95.

On 26 April 2021, the Company submitted to the SEC its initial filing for the Second Increase in ACS together with the request for confirmation of valuation of the exchange.

In accordance with Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE"), which was signed into law on 26 March 2021, amending provisions of the Tax Code, a BIR ruling confirming that the ACEIC International Transaction qualifies as a tax-free exchange is no longer required.

The transactions are subject to further regulatory approvals, including listing with the PSE, and are expected to be completed within 2021.

Arran Primary Issuance

On 18 March 2021, ACEN and Arran signed a subscription agreement for the allotment and issuance by ACEN of 4 billion Common Shares via private placement, constituting 20.04% of the total outstanding Common Shares, at the subscription price of ₱2.97 per Share as more particularly described in the section "***Material Contracts – Arran Investment Pte Ltd Investment***," on page 180 of this Prospectus.

[3] Includes New England Solar Phase 1 which issued its notice to proceed in 2021.

[4] Excludes New England Solar Phase 1 which issued its notice to proceed in 2021 and includes New England Solar Phase 2, Masaya Solar, and Mui Ne Wind expansion (Hong Phong 2) Wind.

Recent Issuance of Unregistered or Exempt Securities

In the past three years, the Company entered into the following transactions exempt from the registration requirements of the Securities Regulation Code:

Transaction	Date and Securities Sold	Purchaser	Consideration	Exemption
PHEN Primary Issuance (see "***Change in Principal Shareholders***," on page 18 of this Prospectus)	19 June 2019 2,632,000,000 Common Shares	ACEIC	₱2,632,000,000 in cash	SRC 10.1(c) The Common Shares were issued pursuant to an isolated transaction with ACEIC for subscription unissued shares in the Company.
ACEIC Philippine Transaction	21 December 2020 6,185,182,288 Common Shares	ACEIC	Rights and interest in 10 corporations of ACEIC with a value of ₱14,658,882,022.56 (see section on "***ACEIC Philippine Transaction***" on page 18 of this Prospectus for a detailed description of the nature of the transaction and type and amount of consideration received by the Company)	SRC 10.1(i) The Common Shares were issued to ACEIC by way of subscription to the increase in the authorized capital stock of the Corporation. The request for approval of valuation required under Section 62 of the Corporation Code was deemed to include a request for confirmation of exemption (SRC Rule 10.1(4)(C)).
Rights Offer	29 January 2021 2,267,580,434 Common Shares	Stockholders of record as of 13 January 2021, underwritten by BPI Capital and China Bank Capital Corporation	Net proceeds from the Rights Offer, after deducting the expenses related to the Rights Offer, were at ₱5,309,058,150.93 in cash. No underwriting discounts or commissions.	SRC 10.1(e) and (l) SEC Confirmation of Exemption Transaction dated 9 December 2021. The Common Shares were issued only to stockolders of the Company. As the Rights Offer was fully subscribed by the stockholders of the Company, no Common Shares were issued pursuant to SRC 10.1(l).
Arran Primary Issuance (as described in the section "***Material Contracts – Arran Investment Pte Ltd***	18 March 2021 4,000,000,000 Common Shares	Arran	₱11,880,000,000 in cash	SRC 10.1(c) The Common Shares were issued pursuant to an isolated transaction with Arran for

Transaction	Date and Securities Sold	Purchaser	Consideration	Exemption
Investment," on page 173 of this Prospectus)				subscription to unissued shares in the Company.

Except for the Rights Offer, no confirmation of exemption from the SEC was secured for these transactions.

Competitive Strengths

The Company has a number of competitive strengths that it can use to enhance and leverage its position in the Philippine energy industry. Having positioned itself in various forms of power generation and having a balanced mix of supply and customer contracts, the Company sees expansion of its power generation portfolio via its upcoming projects to increase its flexibility in meeting the varying power generation requirements of its customers and stakeholders at the lowest possible cost. ACEIC, as its majority shareholder with a proven track record as the Ayala Group's platform for its investments in the power sector, also facilitates in strengthening the Company's balance sheet and ultimately, delivering the Company's vision of reaching 5,000 MW in 2025 to become the largest listed renewables platform in Southeast Asia.

The Company considers the following to be its principal competitive strengths:

- Portfolio of projects across regions, technologies and energy sources provides stable cash flows, diversification and a strong platform for growth;
- Strong pipeline of projects in partnership with recognized and accomplished power industry developers, operators and investors provides a visible path to growth;
- The Company is well positioned to capture future demand growth in various forms of power generation in the Philippines;
- Well-positioned to benefit from the Philippines increasingly embracing renewable energy sources to address its long-term energy needs;
- The Company has an optimal mix of supply and customer contracts;
- Strengthened balance sheet and good visibility of future cash flows;
- ACEIC as a majority shareholder with proven track record of delivering growth, rapid execution, performance and realizing value;
- The Company is supported by an ultimate shareholder fully committed to delivering the Company's vision;
- Led by a reputable and experienced board and management team with strong shareholder support;
- Highly motivated organization actively involved in the management of the energy portfolio with capabilities to anticipate and react to developing market thematics and trends rapidly; and
- ACEIC International Transaction expected to further bolster the Company's existing strengths.

*See the section entitled "**Competitive Strengths**" on page 121 of this Prospectus*

Listing

The Company has been listed on the PSE since 5 January 1970. As of 19 April 2021, the Company's major stockholders and their respective shareholdings (based on the total outstanding shares) are the following: PCD Nominee Corporation (23.30%, excluding ACEIC's lodged shares), Arran (20.04%) and ACEIC (55.99%).

The Offer

The Company is issuing and offering 1,580,000,000 new Common Shares and ACEIC and BPGC are offering 330,248,617 existing Common Shares. 382,049,800 Firm Shares (approximately 20% of the Firm Offer) are being offered for sale by the Sole Global Coordinator, Underwriter and Joint Bookrunner to all of the PSE Trading Participants in the Philippines. 1,528,198,817 Firm Shares (approximately 80% of the Firm Offer) are being offered for sale (i) outside the United States by the International Joint Bookrunners in offshore transactions in reliance on Regulation S and (ii) to certain qualified buyers and other investors in the Philippines, by the Sole Global Coordinator, Underwriter and Joint Bookrunner.

In addition, ACEIC has granted the Joint Bookrunners an option, exercisable in whole or in part, to increase the Offer size up to an additional 100,000,000 Common Shares. In the event that the Over-subscription Option is exercised, the Joint Bookrunners, in consultation with the Company and ACEIC, have the discretion to allocate the Over-subscription Option Shares at the end of the Offer Period.

The Primary Offer Shares will be issued out of the Company's unissued authorized Common Shares. After the completion of the Offer (assuming the Over-subscription Option is exercised in full), the issued and outstanding shares of the Company will increase to 21,540,037,644 Common Shares from the present issued and outstanding 19,960,037,644 Common Shares. See section on "***Dilution***" on page 88 of this Prospectus.

Details about the Offer can be found in the section entitled "***Terms of the Offer***."

Use of Proceeds

The Company and the Selling Shareholders expect to raise gross proceeds of ₱13.07 billion from the Primary Offer and the Secondary Offer at the Offer Price of ₱6.50 per share, assuming the Over-subscription Option is exercised in full. The net proceeds from the Offer, after deducting the expenses related to the Offer, are estimated to amount to ₱12.73 billion. The net proceeds from the sale of the Primary Offer Shares, determined by deducting from the gross proceeds the underwriting, selling and listing fees, taxes, and other related fees and expenses, will be approximately ₱10.01 billion and will be used by the Company to partially fund the development of power projects in the pipeline and inorganic growth opportunities if and when they arise, repayment of loans and reduction of payables, and other general corporate requirements. The Company will not receive any proceeds from the sale of the Secondary Offer Shares by the Selling Shareholders. See "***Use of Proceeds***" on page 77 of this Prospectus.

Risks of Investing

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Common Shares. These risks include: (i) risks relating to the Company and its businesses; (ii) risks relating to the Philippines; (iii) risks relating to the Offer; and (iv) risks relating to statements in this Prospectus.

Please refer to the section of this Prospectus entitled "***Risk Factors***," which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with the purchase of the Offer Shares.

Company Information

The registered office of the Company is at 4th Floor, 6750 Office Tower, Ayala Avenue, Makati City, Philippines. Its telephone number is +(632) 7730-6300 and its corporate website is http://www.acenergy.ph. The information on the Company's website is not incorporated by reference into, and does not constitute part of, this Prospectus.

Recent Developments

Filing of ACEIC International Transaction and Second ACS Increase

On 26 April 2021, the Company signed the Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685,800,533 Common Shares, out of the increase in capital stock of the Company, at a subscription price of ₱5.15 per Share, or an aggregate subscription price of ₱85,931,872,744.95 in exchange for ACEIC's 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in AC Energy International, Inc. (formerly Presage Corporation).

The Shares will be issued out of the increase in the Company's authorized capital stock to ₱48.4 billion, which increase was previously approved by the Board of Directors on 18 March 2020, approved by the stockholders holding at least 2/3 of the outstanding capital stock during the ASM held on 20 April 2020, reconfirmed by the Board of Directors on 18 March 2021, and approved by the stockholders holding at least 2/3 of the outstanding capital stock during the ASM held on 19 April 2021.

The increase in the Company's capital stock as well as the valuation of the property assigned by ACEIC to the Company are subject to the review and approval of the SEC.

For details, see the section on "***Executive Summary –ACEIC International Transaction***," on page 24 of this Prospectus.

Project Updates as of 26 April 2021

On 1 March 2021, ACRI and the AMI Group issued a notice to proceed for a 42 MW expansion of the Quang Binh Wind project located in Binh Thuan Province, Vitenam. The project's capacity is expanded to 252 MW and is targeted to be completed by October 2021.

On 24 April 2021, ACRI commissioned its 70 MWdc Paryapt Solar project, a joint venture with UPC Renewables. The project is located in the State of Gujarat, India, and is expected to achieve commercial operations within the 2nd quarter of 2021.

On 26 April 2021, ACEN issued a notice to proceed for its 72 MWdc Arayat Solar project located in Arayat and Mexico, Pampaga. The project is under Greencore, a joint venture between ACEN and Citicore Solar Energy Corporation, and is targeted to be completed by 2022.

On 26 April 2021, ACEN energized its Palauig Solar project located in Palauig, Zambales and with a final capacity of 63 MWdc. The Palauig Solar project is targeted to achieve full commercial operations by the 2nd quarter of 2021.

Board Approvals on 19 April 2021

On 19 April 2021, the Board of Directors in its organizational meeting approved the following material matters:

1. Appointment of officers;

2. Appointment of chairpersons and members of the Board Committees;

3. Recoveries of ACEIC covering the period 1 May to 31 December 2021;

4. Execution of a Power Suply Agreement between the Company and DirectPower Services, Inc., an affiliate of Ayala Land, Inc.;

5. Authorization of the Company's wholly-owned subsidiary, Buendia Christiana Holdings Corp., to execute an Option to Lease Agreement, and eventually, a Lease Agreement, with Tabangao Realty Inc. for properties in Brgy. Malaya, Pililla, Rizal and in Brgy. Libjo, Batangas City; and

6. Investment of ₱4.5 billion into Santa Cruz Solar Energy Inc. and the issuance of a notice to proceed for the development, mobilization, design and construction of the access and infrastructure and grid connection facilities of a solar power project to be located in San Marcelino, Zambales.

Stockholder Approvals on 19 April 2021

On 19 April 2021, the stockholders of the Company in its ASM approved the following material matters:

1. The Second Increase in ACS;

2. The increase in the number of Shares exempt from the pre-emptive right of shareholders in relation to Shares issued in exchange for property needed for corporate purposes or in payment of a previously contracted debt from 16,000,000,000 Shares to 24,000,000,000 shares and for this purpose, to amend the Seventh Article of the Articles of Incorporation;

3. The subscription for cash by Arran to, and the issuance to Arran of, 4,000,000,000 Shares from the authorized but unissued capital stock of the Company, at a subscription price of ₱2.97 per Share, or a total of ₱11,880,000,000.00, which subscription constitutes less than 35% of the resulting subscribed capital of the Corporation, which is not subject to pre-emptive rights of the stockholders;

4. The issuance of 1,580,000,000 Shares pursuant to the Offer at a price range of ₱ 6.00 to ₱8.20 per Share;

5. The ACEIC International Transaction;

6. The waiver of the requirement of Article V, Part A, Section 1 of the PSE's Consolidated Listing and Disclosure Rules for the Company to conduct a rights or public offering in relation to the ACEIC International Transaction (the "Rights Waiver");

7. The ESOP/ESOWN and the allocation of 960,000,000 Common Shares from the unsubscribed portion of the ACS;

8. The delegation to the Board of the power to amend the Company's By-laws and any portion thereof; and

9. The election of the following directors:

    a. Fernando Zobel de Ayala

    b. Jaime Augusto Zobel de Ayala

    c. Jose Rene Gregory D. Almendras

    d. Cezar P. Consing

    e. John Eric T Francia

    f. John Philip S. Orbeta

    g. Nicole Goh Phaik Khim

    h. Consuelo D. Garcia (Independent Director)

    i. Ma. Aurora D. Geotina-Garcia (Independent Director)

    j. Sherisa P. Nuesa (Independent Director)

    k. Melinda L. Ocampo (Independent Director)

In addition, at least a majority of the minority stockholders present or represented in the ASM approved the Rights Waiver.

Board Approvals on 18 March 2021

On 18 March 2021, the Board of Directors in its regular meeting approved the following material matters:

1. Ratification of the Executive Committee's approval of the Company's 2020 Consolidated Audited Financial Statements;

2. Acceptance of the resignation of Mr. Gerardo C. Ablaza, Jr. as director;

3. Election of Ms. Nicole Goh Phaik Khim as new director;

4. Appointment of Mr. Peter C. Buenaseda as Chief Human Resources Officer;

5. Approval of the Company's Parent Audited Financial Statements for the year ended 31 December 2020;

6. Approval of the declaration of cash dividends of six centavos (₱0.06) per Share on the 19,960,037,644 issued and outstanding shares of the Company, or a total dividend amount of ₱1,197,602,258.64 to be paid on or before 19 April 2021 to stockholders of record as of 5 April 2021;

7. Approval of the Balaoi wind project;

8. Approval of the agenda for the 2021 ASM;

9. Approval of the issuance of 1.58 billion primary Shares for the Offer;

10. Voluntary commitment to not issue, offer, sell or dispose of Shares of the Company for a period of 180 days from the completion of the Offer, subject to certain exceptions;

11. Approval of the Company's pro-forma financial statements for the year ended 31 December 2020 for purposes of the Offer;

12. Confirmation of previous approval to amend the Articles of Incorporation to increase the authorized capital stock to ₱48,400,000,000.00;

13. Approval of the ACEIC International Transaction for an issue price of ₱5.15 per Share;

14. Approval of the amendment to the Articles of Incorporation to increase the number of Shares exempt from the pre-emptive right of shareholders for issuance of Shares in exchange for property needed for corporate purposes or in payment of previously contracted debt from 16 billion Shares to 24 billion Shares; and

15. Approval of the Company's stock ownership plan.

Subscription by Arran to Common Shares in ACEN

On 18 March 2021, the Company and Arran signed a Subscription Agreement for the allotment and issuance by ACEN of 4 billion Common Shares via private placement, constituting 20.04% of the total outstanding Common Shares, at the subscription price of ₱2.97 per Share, and more particularly described in the section "***Material Contracts – Arran Investment Pte Ltd Investment***," on page 180 of this Prospectus.

Subscription by Axia to Ingrid

On 18 March 2021, Ingrid and Axia executed a Subscription Agreement for the subscription by Axia to 5 common B shares, 580,000 redeemable preferred F shares, and 5,219,995 redeemable preferred G shares of Ingrid. The issuance of the shares to Axia remains subject to the necessary regulatory approvals from the SEC on the increase in authorized capital stock of Ingrid.

Repayment of US$100 million loan from AC Renewables International

On 18 March 2021, the Company repaid the loan from AC Renewables International Pte. Ltd., an affiliate wholly-owned by ACEIC, amounting to US$100 million availed on 20 March 2020. The principal was originally payable on 16 September 2020 and subject to interest at the rate of 1.702%. The loan was extended from 16 September 2020 to 16 October 2020 with an interest rate of 0.90%, and further extended from 16 October 2020 to 20 March 2021 with an interest rate of 1.01%.

Subscription by the Company of Shares in ACE Endevor

On 15 March 2021, the Company signed a subscription agreement with wholly-owned subsidiary ACE Endevor for its subscription to 3,500,000 redeemable preferred shares at the subscription price of ₱100.00 per share for a total subscription price of ₱350,000,000.00, to be issued out of the increase in authorized capital stock of ACE Endevor. The subscription will be used by ACE Endevor to fund its projects' pre-development and equity funding requirements.

Subscription by the Company of Shares in Giga Ace 4, Inc.

On 5 March 2021, the Company signed a subscription agreement with wholly-owned subsidiary Giga Ace 4, Inc. ("GigaAce 4") for its subscription to (a) 43,975,374 Common A Shares at the subscription price of ₱219,876,870.00; and (b) 395,958,366 Redeemable Preferred A Shares at the subscription price of ₱1,979,791,830.00; or a total subscription price of ₱2,199,668,700.00, to be issued out of the increase in authorized capital stock of GigaAce4. The subscription will be used by GigaAce4 to fund the requirements of its 2x20 MW Alaminos Battery Energy Storage System Project.

Withdrawal from the Service Contract No. 6 Consortium by ACE Enexor

On 22 January 2021, the Executive Committee of ACE Enexor approved its withdrawal from the Service Contract No. 6 ("SC 6") Consortium. ACE Enexor is the Company's listed subsidiary engaged in resource exploration and development, particularly oil and gas, and holds 7.78% participating interests in SC 6 Block A, located in offshore North Palawan. SC 6 does not have any commercial operations.

Acquisition of Solar Philippines Central Luzon Corporation

On 22 January 2021, the Company signed the following:

a. Deed of Absolute Sale of Shares with Solar Philippines Power Project Holdings, Inc. ("SP"), for the acquisition by the Company of 244,000 common shares from SP in Solar Philippines Central Luzon Corporation ("SPCLC") with a par value of ₱1.00 per share for a total purchase price of ₱244,000.00.

b. Subscription Agreement with SPCLC for the subscription by the Company to 375,000 common shares with a par value of ₱1.00 per share for a total subscription price of ₱375,000.00, to be issued out of the unissued authorized capital stock of SPCLC.

The acquisition and subscription will allow the Company to have a significant ownership interest in SPCLC and is meant to implement the joint venture between ACEN and SP for the development of solar power projects in the Philippines.

Shareholders' Agreement among ACEN, ACE Endevor, and Citicore Solar Energy Corporation

On 4 February 2021, ACEN and ACE Endevor signed a Shareholders' Agreement with Citicore Solar Energy Corporation ("CSEC"), and Greencore Power Solutions 3, Inc. ("Greencore"), for the development, construction, and operation of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50MWac (72MWdc) (the "Project"). The Project is scheduled to start operations in November 2021.

The Shareholders' Agreement provides for the terms by which ACEN, ACE Endevor and CSEC (collectively, the "Shareholders") shall develop the Project and the terms and conditions governing the ownership, management and operation of Greencore. Under the Shareholders' Agreement, CSEC will have 50% of the shares in Greencore, the special purpose vehicle of the Project, while ACEN and Endevor will hold 45% and 5% interest, respectively. The board of Greencore shall consist of five members, ACEN and Endevor, collectively, and CSEC each will have the right to nominate two directors with the fifth director to be nominated jointly by ACEN and CSEC. CSEC undertakes (1) the provision of engineering, procurement and construction services thru its affiliated entities, including but not limited to, Megawide Construction Corporation or any of Megawide's designated subsidiaries or affiliates ("Megawide"), for the Project, and (2) the provision of project development and plant operations and maintenance ("O&M") thru its parent, Citicore Power, Inc., or any of its designated subsidiaries or affiliates designated to undertake the O&M services. ACEN has agreed to provide a term loan facility to Greencore to finance the construction of the Project. The Shareholders and Greencore agreed to execute the necessary loan and security agreement for this purpose.

Assuming the SEC's approval of the increase of Greencore's authorized capital stock, Greencore will have a total subscribed capital of approximately ₱832,100,000.00.

Subscription by ACEN to shares of Greencore

On 4 February 2021, ACEN signed a subscription agreement with Greencore for the subscription by ACEN to 2,250,000 common shares (the "Subscription Shares") with a par value of ₱1.00 per share or a total par value of ₱2,250,000.00 (the "Subscription Price"), to be issued out of the unissued authorized capital stock of Greencore. The subscription will be used by Greencore to partially fund the development and construction of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50MWac (72MWdc). ACEN has fully paid the Subscription Price.

Term Loan Facility with Greencore

On 4 February 2021, ACEN and ACE Endevor signed an Omnibus Agreement with Greencore and CSEC for the financing of Greencore's 50MWac (72MWdc) PV Solar Power Plant in Arayat and Mexico, Pampanga, and associated facilities.

Under the Omnibus Agreement, ACEN will be extending a term loan facility to Greencore in the amount of up to ₱2.675 billion to finance the design, engineering, financing, construction, procurement and supply, manufacturing, commissioning, start-up, testing, delivery, ownership, operation and maintenance of the power plant, which is expected to be operational in November 2021. The loan will be secured by (1) a real estate mortgage over Greencore's real assets in favor of ACEN, (2) a mortgage and pledge over the shareholding of the shareholders of ACEN, and (3) the cashflows of the project.

TERMS OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective investor must rely on its own appraisal of the Company and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether or not to invest in the Offer Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	AC Energy Corporation
Selling Shareholders..	ACEIC and BPGC
Sole Global Coordinator, Underwriter and Joint Bookrunner..	BPI Capital Corporation
International Joint Bookrunners	CLSA and UBS
Joint Bookrunners	BPI Capital Corporation, CLSA and UBS
Selling Agents	PSE Trading Participants
Governing Law...	The law of the Republic of the Philippines
Counsel for the Joint Bookrunners as to United States Federal and New York State law	Allen & Overy LLP
Counsel for the Joint Bookrunners as to Philippine law	Angara Abello Concepcion Regala & Cruz Law Offices
Firm Shares	The Common Shares relating to the Firm Offer
Firm Offer	The offer and sale of the Primary Offer Shares and the Secondary Offer Shares consisting in the aggregate 1,910,248,617 Common Shares of the Company
Primary Offer Shares.......................................	1,580,000,000 new Common Shares of the Company to be issued and offered by the Company pursuant to the Firm Offer
Primary Offer	The offer and sale of the Primary Offer Shares
Secondary Offer Shares...................................	330,248,617 existing Common Shares of the Company to be offered by the Selling Shareholders pursuant to the Firm Offer
Secondary Offer	The offer and sale of Secondary Offer Shares
Over-subscription Option Shares..................	Up to 100,000,000 Common Shares of the Company
Over-subscription Option	In the event of an over-subscription, the Joint Bookrunners, in consultation with the Company and ACEIC, reserve the right, but do not have the obligation, to increase the Offer size up to an additional 100,000,000 Common Shares. In the event that the Over-subscription Option is exercised, the Joint Bookrunners, in consultation with the

	Company and ACEIC, have the discretion to allocate the Over-subscription Option Shares at the end of the Offer Period.
Offer Shares	The Firm Shares and the Over-subscription Option Shares
The Offer..	The offer and sale of the Offer Shares
Offer Period..	The Offer Period shall begin at 9:00 a.m. (Manila time) on 3 May 2021 and end at 12:00 noon (Manila time) on 7 May 2021. The Company and the Sole Global Coordinator, Underwriter and Joint Bookrunner reserve the right to extend or shorten the Offer Period, subject to the approval of the PSE and the SEC.
Institutional Offer Shares	1,528,198,817 Firm Shares (approximately 80% of the Firm Offer) that are (subject to re-allocation as described in "Plan of Distribution") being offered (i) outside the United States by the International Joint Bookrunners in offshore transactions in reliance on Regulation S, and (ii) to certain qualified buyers and other investors in the Philippines by the Sole Global Coordinator, Underwriter and Joint Bookrunner, pursuant to the Institutional Offer.
Institutional Offer..	The offer for sale of the Institutional Offer Shares (i) outside the United States by the International Joint Bookrunners in offshore transactions in reliance on Regulation S, and (ii) to certain qualified buyers and other investors in the Philippines by the Sole Global Coordinator, Underwriter and Joint Bookrunner.
Trading Participants' Offer Shares..................	382,049,800 Firm Shares (approximately 20% of the Firm Offer) The Trading Participants' Offer Shares are being offered for sale by the Sole Global Coordinator, Underwriter and Joint Bookrunner to all of the PSE Trading Participants in the Philippines.
Trading Participants' Offer	The offer for sale of the Trading Participants' Offer Shares to be made by the Sole Global Coordinator, Underwriter and Joint Bookrunner in the Philippines.
Procedure for Application for the Offer	Application forms to purchase the Offer Shares may be obtained from the Sole Global Coordinator, Underwriter and Joint Bookrunner. Application forms will also be made available for download on the Company's website. Applicants shall complete the application form, indicating all pertinent information, such as the applicant's name, address, contact number, taxpayer's identification number, citizenship and all other information required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of the Offer Shares. Failure to complete the application form may result in the rejection of the application.

All applications shall be evidenced by the application to purchase form, in quadruplicate, duly executed in each case by the Applicant(s) (if the applicant(s) is(are) a natural person(s)) or an authorized signatory of the applicant (if the Applicant is an institution or corporate entity) and accompanied by the corresponding payment or proof of payment for the Offer Shares covered by the application and all other required documents.

If the Applicant is an individual or a natural person, the Application must be accompanied by the following documents:

- Two (2) duly executed specimen signature cards bearing the Applicant's specimen signatures, duly authenticated by the Applicant's nominated Depository Participant or the Joint Bookrunners (if the applicant is a client of the Joint Bookrunners);
- Photocopy of one (1) valid and current government-issued ID (*e.g.*, SSS, GSIS, Driver's License, Passport or PRC) of the Applicant (Note: For joint applications (*i.e.*, multiple Applicants in one Application), one (1) valid and current government-issued ID of each Applicant will be required); and
- Such other documents as may be reasonably required by the Joint Bookrunners in compliance with their respective internal policies regarding "knowing your customer" and anti-money laundering.

If the Applicant is a corporation, partnership, trust account, or any other legal person, the Application must be accompanied by the following documents:

- Two (2) duly executed specimen signature cards bearing the specimen signatures of the Applicant's authorized signatories, duly authenticated by the Applicant's corporate secretary (or the equivalent corporate officer);
- A certified true copy of the Applicant's latest articles of incorporation and by-laws (or equivalent documents) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or the equivalent corporate officer authorized to provide such certification);
- A certified true copy of the Applicant's SEC certificate of registration duly certified by its corporate secretary (or the equivalent

corporate officer authorized to provide such certification);

- A duly notarized corporate secretary's certificate (or equivalent document) setting forth the resolution of the Applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the Application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying to the percentage of the Applicant's capital or capital stock held by Philippine nationals;
- Photocopy of one (1) valid and current government-issued ID (*e.g.*, SSS, GSIS, Driver's License, Passport or PRC) of each of the Applicant's authorized signatory(ies); and
- Such other documents as may be reasonably required by the Joint Bookrunners in compliance with their respective internal policies regarding "knowing your customer" and anti-money laundering.

Foreign Applicants who qualify as eligible investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Offer Shares to which their Application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Offer Shares.

Payment Terms for the Offer ....

The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed Application form and specimen signature card, together with the requisite attachments.

For the Institutional Offer, payment of the Offer Shares shall be made through the relevant Joint Bookrunner, in accordance with the instructions to be provided by such Joint Bookrunner.

For the Trading Participants' Offer, payment of the Offer Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank having a clearing period of no more than one (1) Banking Day; (ii) a manager's or cashier's check issued by a BSP authorized bank having a clearing period of no more than one (1) Banking Day; or (iii) a direct deposit to the designated bank account to be indicated in a notice containing the final allocation of said Trading Participant to be delivered to such Trading Participant prior to the

Trading Participants' Offer Settlement Date. Proof of payment must be submitted to the Receiving Agent, together with the Application and attachments enumerated in the Procedure for Application for the Offer.

For check payments or check deposits, only cashier's or manager's, personal or corporate checks with a clearing period of no more than one (1) Banking Day, and drawn against any BSP authorized agent bank will be acceptable as valid mode of payment. All checks should be made payable to "ACEN FOO," crossed "Payee's Account Only," and dated the same date as the application.

Offer Price	₱6.50 per Offer Share.
Use of Proceeds	The Company and the Selling Shareholders expect to raise gross proceeds of ₱13.07 billion from the Primary Offer and the Secondary Offer, assuming the Over-subscription Option is exercised in full based on an Offer Price of ₱6.50 per Offer Share. The net proceeds from the Offer, after deducting the expenses related to the Offer, are estimated to amount to ₱12.73 billion based on an Offer Price of ₱6.50 per Offer Share. The net proceeds from the sale of the Primary Offer Shares, determined by deducting from the gross proceeds the underwriting, selling and listing fees, taxes, and other related fees and expenses, will be approximately ₱10.01 billion and will be used by the Company to partially fund the development of power projects in the pipeline and inorganic growth opportunities if and when they arise, repayment of loans and reduction of payables, and other general corporate requirements. The Company will not receive any proceeds from the sale of the Secondary Offer Shares by the Selling Shareholders. See "***Use of Proceeds***" on page 77 of this Prospectus for details of how the total net proceeds are expected to be applied.
Reallocation	The allocation of the Firm Shares between the Trading Participants' Offer and the Institutional Offer is subject to adjustment as agreed between the Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants' Offer, Firm Shares in the Institutional Offer may be reallocated to the Trading Participants' Offer (with the consent of the Joint Bookrunners). If there is an under-application in the Trading Participants' Offer and a corresponding over- application in the Institutional Offer, Firm Shares in the Trading Participants' Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application in both the Trading Participants' Offer and the Institutional Offer.

Eligible Investors..	The Institutional Offer Shares are being offered for sale (i) outside the United States by the International Joint Bookrunners in offshore transactions in reliance on Regulation S and (ii) to certain qualified buyers and other investors in the Philippines by the Sole Global Coordinator, Underwriter and Joint Bookrunner. The Trading Participants' Offer Shares may be purchased by any natural person of legal age residing in the Philippines regardless of nationality, or any corporation, association, partnership, trust account, fund, or entity residing in and organized under the laws of the Philippines, regardless of nationality, subject to the restrictions on ownership, as described below, and our right to reject an Application or reduce the number of our Firm Shares applied for subscription. Due to the constitutional limit on foreign ownership of companies utilizing national resources, the foreign shareholdings in the Company cannot exceed 40% of the issued and outstanding stock thereof. The Company reserves the right to reject or scale down Applications by foreign applicants if acceptance of such Applications will result in a violation of the Company's foreign ownership restrictions. Purchase of the Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.
Lock-up	The Company and ACEIC have agreed with the Joint Bookrunners that, except in connection with the ACEIC International Transaction, the Arran Investment, and ESOP/ESOWN, they will not, without the prior written consent of the Joint Bookrunners, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Common Shares or securities convertible or exchangeable into or exercisable for any Common Shares or warrants or other rights to purchase Common Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after

	the Listing Date. See "***Plan of Distribution — Voluntary Lock-Up***" on page 84 of this Prospectus.
Dividends	Each holder of the Common Shares will be entitled to such dividends as may be declared by the Board of Directors, provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds of the Company's total outstanding capital stock. The Philippine Corporation Code has defined "outstanding capital stock" as the total shares of stock issued, whether paid in full or not, except treasury shares. There can be no guarantee that the Company will pay any dividends in the future. See "***Dividends***" on page 86 of this Prospectus.
Voting Rights	The Offer Shares have full voting rights as Common Shares of the Company. Each holder of an Offer Share will be entitled to one vote for each Share held. See "***Description of the Shares***" on page 297 of this Prospectus.
Tax Considerations..	The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules, which may or may not be discussed in this Prospectus. See "***Philippine Taxation***" on page 307 of this Prospectus for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.
Risks of Investing..	Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "Risk Factors" and include: risks relating to the Company and its businesses, risks relating to the Philippines, risks relating to the Offer and risks relating to statements in this Prospectus
Minimum Subscription....................................	Each Application must be for a minimum of 500 Firm Shares, and thereafter, in multiples of 100 Firm Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at the Company's discretion.
Receiving Agent..	BPI Stock Transfer Agency
Stock Transfer Agent	BPI Stock Transfer Agency
Documentary Stamp Tax.................................	All documentary stamp taxes applicable to the issuance of the Offer Shares shall be for the account of the Company.
Acceptance and Rejections of Applications for the Offer	Applications for the Offer Shares are subject to the confirmation of Joint Bookrunners and the Company's

final approval. The Company, in consultation with the Joint Bookrunners, reserves the right to accept, reject or scale down the number and amount of Offer Shares covered by any application. The Company and the Joint Bookrunners have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as the Company and the Joint Bookrunners may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE for the allocation of the Trading Participants' Offer Shares.

Applications may be rejected if (i) the subscription price is unpaid; (ii) payments are insufficient or where checks, as applicable, are dishonored upon first presentment; (iii) the Applications are not received by the Receiving Agent or any of the Joint Bookrunners on or before the end of the Offer Period; (iv) the number of Offer Shares subscribed is less than the minimum number of shares for subscription; (v) the applications do not comply with the terms of the Offer; or (vi) the applications do not have sufficient information as required in the application form or are not supported by the required documents. The actual acquisition of the Offer Shares by an Applicant will be effective only upon the listing and crossing of the Offer Shares on the PSE.

Refunds of the Trading Participants' Offer ..... In the event that the number of Trading Participants' Offer Shares to be received by an Applicant, as confirmed by the Company and the Sole Global Coordinator, Underwriter and Joint Bookrunner, is less than the number covered by the Application, or if an application is rejected, then the Applicant is entitled to a refund, without interest, starting on the fifth (5th) Banking Day following the end of the offer period or on 14 May 2021, of all or a portion of the Applicant's payment corresponding to the number of Trading Participants' Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent at the Applicant's risk.

Registration of Foreign Investments .... The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance is to be sourced from the domestic banking system. Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

Required Lodgment with PDTC Trading Participant	The Offer Shares are required to be lodged with the PDTC. The Applicants must provide the required information in the space provided in the Application to effect the lodgment. Applicants who do not have accounts with an entity designated as a depository participant by the PDTC (a "Depository Participant") must designate a Depository Participant whose depository account will be credited with the Applicant's subscription to the Offer Shares on the Listing Date. The Applicant may request for the upliftment of his/her Offer Shares and to receive stock certificates evidencing his/her investment in the Offer Shares through his/her Depository Participant after full payment and lodgment of the Offer Shares, in accordance with existing upliftment procedures. Any expense to be incurred in connection with such issuance of certificates shall be borne by the Applicant, except for expenses to be incurred by the Stock Transfer Agent, which shall be borne by the Issuer.
Listing and Trading	The Company's application for the listing of the Primary Offer Shares was approved by the PSE on 21 April 2021. Subject to regulatory approvals, all of the Primary Offer Shares are expected to be listed on the PSE on or before 14 May 2021. Trading is expected to commence on the same date that the Primary Offer Shares are listed on the PSE. All of the Offer Shares are or will be listed on the PSE under the symbol "ACEN".
Expected Timetable..	The timetable of the Offer is scheduled as follows:

Pricing and Allocation of the Offer Shares	28 April 2021
Notice of final Offer Price to Philippine SEC and PSE	29 April 2021
Receipt of Permit to Sell from the Philippine SEC	30 April 2021
Public Offer Period..............	3 May to 7 May 2021
PSE Trading Participants' Commitment Period	3 May to 5 May 2021
Submission of Firm Order Commitment by PSE Trading Participants...........................	5 May 2021 (11:00AM)

Submission of Applications, Required Documents and Payments	7 May 2021 (12:00PM)
Listing Date	14 May 2021

The dates included above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed.

SUMMARY FINANCIAL INFORMATION

The following tables present a summary consolidated financial information for ACEN and should be read in conjunction with ACEN's audited consolidated financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary financial information presented below as of and for the years ended 31 December 2020, 2019, 2018, and 2017 was prepared in accordance with Philippine Financial Reporting Standards. The Company's consolidated financial statements as of 31 December 2020, 2019, 2018, and 2017 were audited by SyCip Gorres Velayo & Co.

The discussion presented below refers to the financial information for the years ended 31 December 2020, 2019, 2018 and 2017 prior to restatement.

The information below is not necessarily indicative of the results of future operations. Also, the financial information as at and for the year ended 31 December 2018 is not comparable to financial information as at and for the year ended 31 December 2019 because of the adoption of PFRS 16, Leases, as at 1 January 2019. The selected financial information set out below does not purport to project the results of operations or financial position of the Company for any future period or date. Please note that figures may not sum up due to rounding off; the complete financial statements of the Company can be found starting on page F-1 of this Prospectus.

	For the years ended 31 December			
(in millions of Pesos, except per share amounts)	**2020**	**2019**	**2018**	**2017**
	Audited			
CONSOLIDATED STATEMENTS OF INCOME				
REVENUES				
Revenue from sale of electricity	₱20,283.3	₱16,096.5	₱15,113.6	₱17,011.0
Rental income	86.6	3.1	0.7	0.7
Dividend income	–	14.7	9.1	8.5
Other revenue	69.5	–	–	–
	20,439.5	16,114.4	15,123.4	17,020.2
COSTS AND EXPENSES				
Cost of sale of electricity	13,420.5	15,302.5	15,109.5	16,929.2
General and administrative expenses	2,585.3	767.8	654.5	664.6
	16,005.8	16,070.4	15,764.0	17,593.8
INTEREST AND OTHER FINANCE CHARGES	(1,879.9)	(976.0)	(433.6)	(513.6)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES	898.5	207.0	532.5	1,025.0
OTHER INCOME – Net	908.0	736.2	120.3	105.6
INCOME (LOSS) BEFORE INCOME TAX	4,360.3	11.2	(421.6)	43.5
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	197.7	99.3	20.7	72.7
Deferred	293.1	(220.9)	150.9	(376.4)
	490.8	(121.6)	171.6	(303.7)
NET INCOME (LOSS)	3,869.5	132.9	(593.2)	347.2

(in millions of Pesos, except per share amounts)	For the years ended 31 December 2020	2019	2018	2017
		Audited		
CONSOLIDATED STATEMENTS OF INCOME				
Net Income (Loss) Attributable To:				
Equity holders of the Parent Company	3,753.8	57.7	(560.5)	353.8
Non-controlling interests	115.7	75.2	(32.7)	(6.6)
	3,869.5	132.9	(593.2)	347.2
Basic/diluted Earnings (Loss) per share	0.35	0.01	(0.11)	0.07
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods				
Net changes in the fair market value of AFS investments	-	–	–	(23.0)
Unrealized fair value losses on derivative instruments designated under hedge accounting	103.1	(21.1)	–	–
Income tax effect	(30.9)	6.3	–	(0.4)
Other comprehensive income (loss) not to be reclassified directly to profit or loss in subsequent periods				
Remeasurement gains (losses) on defined benefit plan	0.1	(10.8)	5.2	7.7
Net changes in the fair market value of equity instruments at FVOCI	(0.1)	(29.6)	1.5	–
Income tax effect	-	5.5	(0.9)	(2.3)
	72.1	(49.7)	5.8	5.4
Share in other comprehensive income (loss) of a joint venture and an associate – net of deferred income tax				
Share in other comprehensive income (loss) of an associate - net of deferred income tax	(0.6)	0.1	1.2	(3.1)
Net other comprehensive income (loss) to be reclassified directly to retained earnings in subsequent period				
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	71.5	(49.6)	7.0	(21.1)
TOTAL COMPREHENSIVE INCOME (LOSS)	3,941.0	83.3	(586.2)	326.0
Total Comprehensive Income (Loss) Attributable To:				
Equity holders of the Parent Company	3,825.3	8.1	(553.5)	332.6
Non-controlling interests	115.7	75.2	(32.7)	(6.6)
	3,941.0	83.3	(586.2)	326.0

(in millions of Pesos, except per share amounts)	For the years ended 31 December			
	2020	**2019**	**2018**	**2017**
		Audited		
CONSOLIDATED BALANCE SHEETS				
ASSETS				
Current Assets				
Cash and cash equivalents	₱5,135.5	₱9,593.2	₱1,022.4	₱1,301.0
Short-term investments	-	100.0	35.3	478.4
Receivables	6,095.0	3,122.4	2,627.3	2,738.3
Fuel and spare parts	1,391.3	938.5	413.7	321.5
Investments held for trading	-	–	–	1,483.5
Financial assets at fair value through profit or loss (FVTPL)	-	–	743.7	–
Current portion of:				
Input VAT	430.1	186.3	26.3	20.1
Creditable withholding taxes	649.3	179.0	79.4	598.5
Other current assets	453.2	212.8	182.8	281.6
	14,154.5	14,332.3	5,130.9	7,222.9
Assets held for sale	--	3.5	34.3	–
Total Current Assets	14,154.5	14,335.8	5,165.2	7,222.9
Noncurrent Assets				
Property, plant and equipment	31,837.9	25,438.9	5,761.0	6,130.2
Investments in associates and joint ventures	6,593.5	2,534.1	4,322.7	4,057.6
Financial assets at:				
Fair value through other comprehensive income (FVOCI)	1.2	533.1	258.0	–
FVTPL	-	–	5.5	–
Available-for-sale (AFS) investments	-	–	–	293.1
Investment properties	341.5	13.1	13.1	50.9
Goodwill and other intangible assets	2,537.1	441.1	320.2	380.1
Right of use assets	2,343.4	951.8	–	–
Deferred income tax assets – net	416.4	653.9	261.3	430.3
Net of current portion:				
Input VAT	1,177.8	372.9	335.8	335.8
Creditable withholding taxes	601.8	861.2	704.7	-
Other noncurrent assets	3,570.2	2,401.6	1,777.2	1,857.6
Total Noncurrent Assets	49,420.8	34,201.7	13,759.5	13,535.6
TOTAL ASSETS	63,575.3	48,537.5	18,924.7	20,758.5
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and other current liabilities	6,539.2	4,199.6	2,269.4	2,759.0
Short-term loan	9,438.6	3.6	400.0	–
Current portion of long-term loans	707.8	905.9	265.5	226.9
Current portion of lease liability	285.0	128.8	–	–
Income and withholding taxes payable	129.1	41.2	11.8	42.3
Due to stockholders	18.3	16.6	16.7	15.3

(in millions of Pesos, except per share amounts)	For the years ended 31 December			
	2020	**2019**	**2018**	**2017**
Total Current Liabilities	17,118.0	5,295.7	2,963.3	3,043.5
Noncurrent Liabilities				
Long-term loans - net of current portion	21,682.9	22,292.7	6,071.5	6,622.4
Lease liability- net of current portion	1,631.6	852.7	–	–
Pension and other employee benefits	50.9	71.0	40.2	36.1
Deferred income tax liabilities - net	127.7	350.5	95.2	111.4
Other noncurrent liabilities	1,609.1	3,289.9	1,383.1	1,805.5
Total Noncurrent Liabilities	25,102.3	26,856.9	7,590.0	8,575.5
Total Liabilities	42,220.3	32,152.5	10,553.2	11,619.0

(in millions of Pesos, except per share amounts)	For the years ended 31 December			
	2020	**2019**	**2018**	**2017**
Equity				
Capital stock	13,707.0	7,521.8	4,889.8	4,889.8
Additional paid-in capital	8,692.6	83.8	83.8	83.8
Other equity reserves	(7,541.2)	5,366.5	18.3	18.3
Unrealized fair value gains (losses) on equity instruments at FVOCI	(8.2)	(96.6)	59.8	–
Unrealized fair value losses on derivative instrument designated under hedging	57.4	(14.7)	–	–
Unrealized fair value gains on AFS investments – net of tax	-	–	–	85.9
Remeasurement gains (losses) on defined benefit plan	(7.0)	9.2	0.5	(3.1)
Accumulated share in other comprehensive loss of a joint venture and associates	(2.7)	(2.1)	(2.2)	(3.4)
Retained earnings	5,167.7	3,296.3	3,303.7	4,019.0
Treasury shares	(40.9)	(27.7)	(27.7)	(28.8)
Total equity attributable to equity holders of Parent Company	20,024.6	16,136.4	8,326.0	9,061.4
Non-controlling interests	1,330.5	248.6	45.5	78.1
Total Equity	21,355.1	16,385.0	8,371.5	9,139.5
TOTAL LIABILITIES AND EQUITY	63,575.3	48,537.5	18,924.7	20,758.5

	For the years ended 31 December			
(in millions of Pesos, except per share amounts)	**2020**	**2019**	**2018**	**2017**
		Audited		
CONSOLIDATED STATEMENTS OF CASHFLOWS				
Net cash flows from (used in) operating activities	₱3,814.2	603.4	(₱1,003.9)	(₱738.9)
Net cash flows from (used in) investing activities	(14,337.8)	3,188.3	1,657.2	2,013.8

	For the years ended 31 December			
(in millions of Pesos, except per share amounts)	**2020**	**2019**	**2018**	**2017**
		Audited		
Net cash flows from (used in) financing activities	6,101.1	4,792.0	(935.4)	(369.7)
Net effect of foreign exchange rate changes on cash and cash equivalents	(35.3)	(12.9)	3.5	0.2
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,457.8)	8,570.9	(278.6)	905.4
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,593.2	1,022.4	1,301.0	395.6
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱5,135.5	₱9,593.2	₱1,022.4	₱1,301.0

	For the years ended 31 December			
KEY PERFORMANCE INDICATORS*	2020	2019	2018	2017
Current ratio	0.83	2.71	1.74	2.37
Current assets to total assets	0.22	0.30	0.27	0.35
Net bank debt to equity ratio	1.25	0.83	0.68	0.61

Note:

* Refer to the computations under ***Management's Discussion and Analysis of Financial Condition and Results of Operation***

SUMMARY PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*The following tables present a summary of the pro forma condensed consolidated financial information of the Company based on the consolidated financial statements of the Company, adjusted to give pro forma effect to (i) the Second Increase in ACS, and (ii) the ACEIC International Transaction, as if such investment, acquisition and other significant transactions had occurred as at 31 December and 1 January of each of the periods presented. This summary should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended 31 December 2020 included in this Prospectus and the section entitled "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" The unaudited pro forma condensed consolidated financial information is based on the historical information of the Company and ACEIC assets as shown in the audited consolidated financial statements of the Company as at and for the year ended 31 December 2020 and after giving effect to certain assumptions, and pro forma adjustments.*

*The pro forma financial information have not been reviewed or audited. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. The summary pro forma condensed consolidated financial information does not purport to represent what the results of operations and financial position of the Company would have been had significant transactions occurred as at January 1 of the period presented or 31 December 2020 as the case may be, nor does it purport to project the results of operations of the Company for any future period or date. Investors should not place undue reliance on the summary pro forma condensed consolidated financial information as they do not reflect any results of operations from ACEIC assets. For additional information regarding financial information presented in this Prospectus, see "**Financial Information**" beginning of page 314 of this Prospectus.*

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020
(In millions of Pesos, except per share amounts)

	AC Energy Corporation and Subsidiaries (Audited)	**Pro Forma Balances (Unaudited)**
REVENUES		
Revenue from sale of electricity	₱20,283.3	₱20,283.3
Rental income	86.6	86.6
Dividend income	-	14.0
Other revenue	69.5	104.3
	20,439.5	20,488.2
COST AND EXPENSES		
Cost of sale of electricity	13,420.5	13,420.5
General and administrative expenses	2,585.3	3,017.7
	16,005.8	16,438.2
INTEREST AND OTHER FINANCE CHARGES	(1,879.9)	(1,988.1)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES	898.5	1,490.2
OTHER INCOME	908.0	3,551.9
INCOME BEFORE INCOME TAX	4,360.3	7,104.0

	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Balances (Unaudited)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	197.7	404.1
Deferred	293.1	297.8
	490.8	701.9
NET INCOME	₱3,869.5	₱6,402.2
Net Income Attributable to:		
Equity holders of the Parent Company	₱3,753.8	₱4,288.1
Non-controlling interests	115.7	2,114.1
	₱3,869.5	₱6,402.2
Basic/Diluted Earnings Per Share (Note 5)	₱0.35	₱0.16
NET INCOME	₱3,869.5	₱6,402.2
OTHER COMPREHENSIVE INCOME LOSS		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Cumulative translation adjustment	–	(5,980.0)
Unrealized fair value losses on derivative instrument designated under hedge accounting – net of tax	72.2	72.2
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		
Net changes in the fair value of equity instruments at FVOCI	-	81.7
Remeasurement gain on defined benefit plan – net of tax	-	-
	72.1	(5,826.1)
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Unrealized fair value loss on derivative instruments designated as hedges - net of tax	-	(28.1)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		
Remeasurement loss on defined benefit obligation - net of tax	(0.6)	(33.6)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	71.5	(5,887.8)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱3,941.0	514.3
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the Parent Company	₱3,825.3	(1,597.3)
Non-controlling interest	115.7	2,111.7
	₱3,941.0	514.3

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019
(In millions of Pesos, except per share amounts)

	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Balances (Unaudited)
REVENUES		
Revenue from sale of electricity	₱16,096.5	₱16,096.5
Dividend income	14.7	14.7
Rental income	3.1	3.1
Other revenue	–	135.6
	16,114.4	16,250.0
COST AND EXPENSES		
Cost of sale of electricity	15,302.5	15,302.5
General and administrative expenses	767.8	1,027.6
	16,070.4	16,330.2
INTEREST AND OTHER FINANCE CHARGES	(976.0)	(1,004.0)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES	207.0	1,041.5
OTHER INCOME - NET	736.2	24,075.6
INCOME BEFORE INCOME TAX	11.2	24,033.0
PROVISION FOR INCOME TAX		
Current	99.3	167.1
Deferred	(220.9)	(220.9)
	(121.6)	(53.8)
NET INCOME	₱132.9	₱24,086.8
Net Income (Loss) Attributable to:		
Equity holders of the Parent Company	₱57.7	₱24,011.8
Non-controlling interests	75.2	75.0
	132.9	₱24,086.8
Basic/Diluted Earnings Per Share (Note 4)	₱0.01	₱1.05
NET INCOME	₱132.9	₱24,086.8
OTHER COMPREHENSIVE INCOME LOSS		
Other comprehensive (loss) to be reclassified to profit or loss in subsequent periods		
Cumulative translation adjustment	–	1,660.4
Unrealized fair value losses on derivative instrument designated under hedge accounting - net of tax	(14.7)	(14.7)

	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Balances (Unaudited)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Remeasurement gain on defined benefit plan - net of tax	(7.6)	(7.6)
Net changes in the fair value of equity instruments at FVOCI	(27.4)	(27.4)
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES		
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		
Remeasurement loss on defined benefit obligation - net of tax	0.1	0.1
OTHER COMPREHENSIVE (LOSS), NET OF TAX	(49.6)	1,610.8
TOTAL COMPREHENSIVE INCOME (LOSS)	₱83.3	₱25,897.6
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the Parent Company	₱8.1	₱25,622.6
Non-controlling interest	75.2	75.0
	₱83.3	₱25,897.6

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020
(In millions of Pesos)

	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Balances (Unaudited)
ASSETS		
Current Assets		
Cash and cash equivalents	5,135.5	28,077.2
Receivables	6,095.0	16,611.7
Fuel and spare parts	1,391.3	1,391.3
Financial assets at fair value through other comprehensive income (FVOCI)	-	12,620.8
Current portion of:		
Input value added tax (VAT)	430.1	438.7
Creditable withholding taxes	649.3	649.3
Other current assets	453.2	453.4
Total Current Assets	14,154.5	60,242.4
Noncurrent Assets		
Investments in:		
Financial asset at FVOCI	1.2	381.2
Associates and joint ventures	6,593.5	18,795.1
Other financial assets at amortized cost	-	15,297.1
Property, plant and equipment	31,837.9	31,838.0

	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Balances (Unaudited)
Investment properties	341.5	341.5
Goodwill and other intangible assets	2,537.1	2,537.1
Right-of-use assets	2,343.4	2,343.4
Deferred income tax assets - net	416.4	416.4
Net of current portion:		
Input VAT	1,177.8	1,177.8
Creditable withholding taxes	601.8	601.8
Other noncurrent assets	3,570.2	7,844.0
Total Noncurrent Assets	49,420.8	81,573.4
TOTAL ASSETS	₱63,575.3	141,815.8
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	₱6,539.2	6,490.2
Short-term loans	9,438.6	4,635.0
Current portion of long-term loans	707.8	707.8
Current portion of lease liability	285.0	285.0
Income and withholding taxes payable	129.1	345.3
Due to stockholders	18.3	18.3
Total Current Liabilities	17,118.0	12,481.5
Noncurrent Liabilities		
Long term loans - net of current portion	21,682.9	21,546.4
Lease liabilities - net of current portion	1,631.6	1,631.6
Pension and other employee benefits	50.9	50.9
Deferred income tax liabilities – net	127.7	131.0
Other noncurrent liabilities	1,609.1	1,695.0
Total Noncurrent Liabilities	25,102.3	25,055.0
Total Liabilities	42,220.3	37,536.5
Equity		
Capital stock	₱13,707.0	30,392.8
Additional paid-in capital	8,692.6	77,938.6
Other equity reserves	(7,541.2)	(59,617.4)
Unrealized fair value loss on equity instruments at FVOCI	(8.2)	(8.2)
Unrealized fair value loss on derivative instruments designated under hedging	57.4	(57.4)
Remeasurement gain (loss) on defined benefit plans	(7.0)	(7.0)
Accumulated share in other comprehensive loss of associates and a joint venture	(2.7)	(2.7)
Retained earnings	5,167.7	5,167.7
Treasury shares	(40.9)	(40.9)
Total equity attributable to equity holders of the Parent Company	20,024.6	53,880.3
Non-controlling interests	1,330.5	50,399.1
Total Equity	21,355.1	104,279.3
TOTAL LIABILITIES AND EQUITY	₱63,575.3	141,815.8

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 December 2020
(In millions of Pesos)

	AC Energy Corporation and Subsidiaries (Audited)	**Pro Forma Balances (Unaudited)**
Net cash flows from (used in) operating activities	₱3,814.2	1,329.3
Net cash flows used in investing activities	(14,337.8)	22,307.9
Net cash flows from financing activities	6,101.1	10,864.2
Effect of foreign exchange rate changes on cash and cash equivalents	(35.3)	(1,438.7)
Net decrease in cash and cash equivalents	(4,457.8)	(11,553.1)
Cash and cash equivalents at beginning of year	9,593.2	39,630.3
Cash and cash equivalents at end of year	₱5,135.5	28,077.2

PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019
(In millions of Pesos)

	AC Energy Corporation. and Subsidiaries (Audited)	**Pro Forma Balances (Unaudited)**
Net cash flows from operating activities	₱603.4	₱619.9
Net cash flows from (used in) investing activities	3188.3	(2,164.3)
Net cash flows from financing activities	4,792.0	38,572.3
Effect of foreign exchange rate changes on cash and cash equivalents	(12.9)	(26.9)
Net increase in cash and cash equivalents	8,570.9	37,001.0
Cash and cash equivalents at beginning of year	1,022.4	2,629.3
Cash and cash equivalents at end of year	₱9,593.2	₱39,630.3

RISK FACTORS

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profits made as a result of buying and selling securities. Past performance is not indicative of future performance and results, and there may be a large difference between the buying price and the selling price of the Offer Shares.

Investors deal in a range of investments, each of which may carry a different level of risk. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the Company's business, financial condition and results of operations and cause the market price of the Offer Shares to decline or may cause investors to lose all or part of their investment in the Offer Shares.

This risk factor discussion does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the Offer or the nature of risks involved in the trading of securities, and specifically those of high-risk securities. Investors may request publicly available information on the Common Shares and the Company from the SEC.

The risk favors discussed in this section are of equal importance and are only separated into categories for easy reference.

Risks Relating to the Company and its Businesses

Increased competition in the power industry, including competition resulting from legislative, regulatory and industry restructuring efforts could have a material adverse effect on the Company's operations and financial performance.

The Company's success depends on its ability to identify, invest in and develop new power projects, and the Company faces competition to acquire future rights to develop power projects and to generate and sell power. No assurance can be given that the Company will be able to acquire or invest in new power projects successfully.

In recent years, the Philippine government has sought to implement measures designed to establish a competitive power market. These measures include the planned privatization of at least 70% of the NPC-owned-and-controlled power generation facilities and the grant of a concession to operate transmission facilities. The move towards a more competitive environment could result in the emergence of new and numerous competitors. These competitors may have greater financial resources, and have more extensive experience than the Company, giving them the ability to respond to operational, technological, financial and other challenges more quickly than the Company. These competitors may therefore be more successful than the Company in acquiring existing power generation facilities or in obtaining financing for and the construction of new power generation facilities. The type of fuel that competitors use for their generation facilities may also allow them to produce electricity at a lower cost and to sell electricity at a lower price. The Company may therefore be unable to meet the competitive challenges it will face.

The impact of the ongoing restructuring of the Philippine power industry will change the competitive landscape of the industry and such changes are expected to affect the Company's financial position, results of operations and cash flows in various ways.

Any decision to develop and construct power projects in various jurisdictions, including, but not limited to, the Philippines, and following the completion of the ACEIC International Transaction, Indonesia, Vietnam, India and Australia, will be made after careful consideration of regulatory requirements, availability of fiscal incentives, market conditions (including the demand and supply conditions), land availability, and other considerations. For those jurisdictions that require participation through a competitive bidding process or through the submission of a formal proposal, in which the Company will need to compete for projects based on pricing, technical and engineering qualifications, the financial condition of the Company, availability of land, access to financings, track record and other specifications of the proposed project, the bidding or proposal submission process and selection process may be affected by a number of factors, including factors which may be beyond the Company's control, such as market conditions or government incentive programs. In such cases, the Company may not acquire the rights to develop new power projects in the event that the Company misjudges its competitiveness when submitting its bids or proposals or, where bidding includes price competition, if the Company's competitors have more competitive pricing. The ability of the Company's competitors to access resources that it does not have access to, including labor and capital, may prevent the Company from acquiring additional power projects in strategic locations or from increasing its generating capacity, and the Company may not be able to expand its business as a result.

To be able to adapt with the potential changes, the Company continues to develop a pipeline of projects particularly in securing potential sites, continuously looking into technology that will allow the projects to be economically viable while being competitive in terms of offer and negotiating with adequate coverage in terms of unexpected changes on the regulations. The Company monitors developments in the industry, competition and regulatory environment to ensure that it can adapt as necessary to any change.

The Company may not successfully implement its growth strategy and the impact of acquisitions and investments could be less favourable than anticipated.

As part of its business strategy, the Company continues to carry out acquisitions and investments of varying sizes, some of which are significant, as well as develop additional power projects. This strategy may require entering into strategic alliances and partnerships and will involve substantial investments. The Company's success in implementing this strategy will depend on, among other things, its ability to identify and assess potential partners, investments and acquisitions, successfully finance, close and integrate such investments and acquisitions, control costs and maintain sufficient operational and financial controls.

This growth strategy could place significant demands on the Company's management and other resources. The Company's future growth may be adversely affected if it is unable to make these investments or form these partnerships, or if these investments and partnerships prove unsuccessful. Further, acquisitions and investments involve numerous risks, including, without limitation, the following: (i) the assumptions used in the underlying business plans may not prove to be accurate, in particular with respect to synergies and expected demand; (ii) the Company may not integrate acquired businesses, technologies, products, personnel, and operations effectively; (iii) the Company may fail to retain key employees, customers and suppliers of the companies acquired; (iv) the Company may be required or wish to terminate pre-existing contractual relationships, which could be costly and/or on unfavourable terms; and (v) the Company may increase its indebtedness to finance these acquisitions. As a result, it is possible that the expected benefits of completed or future acquisitions may not materialise within the time periods or to the extent anticipated or affect the Company's financial condition.

In particular, the completion of the ACEIC International Transaction is subject to various regulatory approvals and other conditions, which may be delayed or fail to occur. In addition, the completion of the second tranche of the Arran Investment is subject to the satisfaction of agreed conditions precedent, which may not occur.

Further, the Company may not be able to identify suitable acquisition and investment opportunities or make acquisitions and investment, on beneficial terms, or obtain financing necessary to complete and support such acquisitions. Regulation of merger and acquisition activity by relevant authorities or other national regulators may also limit the Company's ability to make future acquisitions or mergers. The impact on the Company of any future acquisitions or investments cannot be fully predicted and any of the risks outlined above, should they materialise, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company nonetheless has shown capability to develop meaningful partnerships, has been agile and fast in decision making and adept in structuring deals with potential partners. While the Company embarks on acquisitions to grow its portfolio, the Company also ensures it has its own portfolio of assets under development to secure its growth strategy.

The operations of the Company's power projects are subject to significant government regulation, including regulated tariffs such as FIT, and the Company's margins and results of operations could be adversely affected by changes in the law or regulatory schemes.

The Company's inability to predict, influence or respond appropriately to changes in law or regulatory schemes, including any inability or delay in obtaining expected or contracted increases in electricity tariff rates or tariff adjustments for increased expenses, or any inability or delay in obtaining or renewing permits for any facilities, could adversely impact our results of operations and cash flow. Furthermore, changes in laws or regulations or changes in the application or interpretation of laws or regulations in jurisdictions where power projects are located, particularly utilities where electricity tariffs are subject to regulatory review or approval, could adversely affect the Company's business, including, but not limited to:

- adverse changes in tax law;
- changes in the timing of tariff increases or in the calculation of tariff incentives;
- change in existing subsidies and other changes in the regulatory determinations under the relevant concessions;
- other changes related to licensing or permitting which increase capital or operating costs or otherwise affect the ability to conduct business; or
- other changes that have retroactive effect and/or take account of revenues previously received and expose power projects to additional compliance costs or interfere with our existing financial and business planning.

Any of the above events may result in lower margins for the affected businesses, which could adversely affect the Company's results of operations.

For renewable energy assets, pricing is fixed by regulatory arrangements which operate instead of, or in addition to, contractual arrangements. To the extent that operating costs rise above the level approved in the tariff, the Company's businesses that are subject to regulated tariffs would bear the risk. During the life of a project, the relevant government authority may unilaterally impose additional restrictions on the project's tariff rates, subject to the regulatory frameworks applicable in each jurisdiction. Future tariffs may not permit the project to maintain current operating margins, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

As potential regulatory changes are an inherent risk on the industry where the Company is operating, the Company keeps track and remains up to speed on such potential changes, analyzes impact and conducts risk assessment as necessary, and develops means to be able to cover such potential risks.

Failure to obtain financing on reasonable terms or at all could adversely impact the execution of the Company's expansion and growth plans.

The Company's expansion and growth plans are expected to require significant fund raising. As part of the Company's current strategy to exceed 5,000 MW of renewable energy capacity by 2025, the Company estimates that it will require around U.S.$5 billion. The Company's continued access to debt and equity financing as a source of funding for new projects, acquisitions and investments, and for refinancing maturing debt is subject to many factors, including: (i) laws, regulations, and internal bank policies limiting bank exposure (including single borrower limits) to a single borrower or related group of borrowers; (ii) the Company's compliance with existing debt covenants; (iii) the ability of the Company to service new debt; (iv) the macroeconomic fundamentals driving credit ratings of the Philippines and, following the completion of the ACEIC International Transaction, other jurisdictions; and (v) perceptions in the capital markets regarding the Company and the industries and regions in which it operates and other factors, some of which may be outside of its control, including general conditions in the debt and equity capital markets, political instability, an economic downturn, social unrest, changes in the regulatory environments where any power projects are located or the bankruptcy of an unrelated company operating in one or more of the same industries as the Company, any of which could increase borrowing costs or restrict the Company's ability to obtain debt or equity financing. There is no assurance that the Company will be able to arrange financing on acceptable terms, if at all. Any inability of the Company to obtain financing from banks and other financial institutions or from capital markets would adversely affect the Company's ability to execute its expansion and growth strategies.

The Company nonetheless is on track on enhancing its balance sheet: (i) it has low debt and debt servicing levels built on assets with proven track record of generating reliable cash returns; (ii) it invests into projects that are economically viable; and (iii) it anticipates potential impacts to future performance of the projects caused by changes on the regulatory environment that can have impact on the future performance of the projects and strives to be a partner of choice for potential investors to secure financing for its projects. It is well-managed by reputable finance professionals overseen by the Board of Directors, which enhances the credit profile of the Company as a borrower. The Company also maintains regular communication with its relationship banks to ensure continued availability of credit facilities.

The Company's potential international businesses and results of operations are subject to the macroeconomic, social and political developments and conditions of the countries where the Company's portfolio of projects are located.

Following the completion of the ACEIC International Transaction, the Company's portfolio of power projects in operation and under construction will include those located in Australia, Indonesia, Vietnam, and India, with plans for further international expansion in other countries such as Korea and Taiwan through its joint ventures. International operations and plans for further international expansion may be affected by the respective domestic economic and market conditions as well as social and political developments in these countries, government interference in the economy in certain countries, and changes in regulatory conditions. There is no guarantee that the Company's operations as well as expansion plans will be successful in those countries and the Company cannot provide assurance of effective mitigation to systemic risks in those countries. The Company's financial condition, prospects and results of operations could be adversely affected if it is not successful internationally or if these international markets are affected by changes in political, regulatory, economic and other factors, over which the Company has no control.

For example, in October 2019, the AC Energy group disclosed plans to form a joint venture with the Yoma Group, to invest in Yoma Micro Power and jointly explore developing renewable energy projects within Myanmar. Pursuant to this undertaking, AC Renewables International provided development loans to the Yoma Group amounting to U.S. $24.01 million. Due to the current situation in the country, plans in Myanmar have currently been put on hold. The AC Energy group takes a long-term view on its investment in Myanmar and continues to monitor the situation closely.

Changes in tax policies, affecting tax exemptions and tax incentives could also adversely affect the Company's results of operations.

Certain Associates of the Company are registered with the BOI and the PEZA as new operators with pioneer status and non-pioneer status for greenfield projects and benefit from certain capital tax exemptions and tax incentives, deductions from taxable income subject to certain capital requirements and duty-free importation of capital equipment, spare parts and accessories.

If these tax exemptions or tax incentives expire, are revoked, or are repealed, the income from these sources will be subject to the corporate income tax rate, which is 25% of net taxable income. As a result, the Company's tax expense would increase, and its profitability would decrease. The expiration, non-renewal, revocation or repeal of these tax exemptions and tax incentives, and any associated impact on the Company, could have a material adverse effect on the Company's business, financial condition and results of operations.

Similar to continuously monitoring potential changes on the regulatory environment, the Company anticipates the impact of potential changes on its projects' tax incentives. Whenever possible, contracts are negotiated to include provisions protecting the Company for any potential increases in tax due owing to the revocation or repeal of the tax incentives currently available to its projects.

The Company's long-term success is dependent upon its ability to attract and retain key personnel and in sufficient numbers.

The Company depends on its senior executives and key management members to implement the Company's projects and business strategies. If any of these individuals resigns or discontinues his or her service, it is possible that a suitable replacement may not be found in a timely manner or at all. If this were to happen, there could be a material adverse effect on the Company's ability to successfully operate its power projects and implement its business strategies.

Power generation involves the use of highly complex machinery and processes and the Company's success depends on the effective operation and maintenance of equipment for its power generation assets. Technical partners and third-party operators are responsible for the operation and maintenance of certain power projects. Although the Company is circumspect in its selection of technical partners and third-party operators, any failure on the part of such technical partners and third-party operators to properly operate and/or adequately maintain these power projects could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the Company's growth to date has placed, and the anticipated further expansion of the Company's operations will continue to place, a significant strain on the Company's management, systems and resources. In addition to training, managing and integrating the Company's workforce, the Company will need to continue to develop the Company's financial and management controls. The Company can provide no assurance that the Company will be able to efficiently or effectively manage the growth and integration of the Company's operations dispersed businesses and any failure to do so may materially and adversely affect the Company's business, financial condition, results of operations and prospects. In addition, if general economic and regulatory conditions or market and competitive conditions change, or if operations do not generate sufficient funds or other unexpected events occur, the Company may decide to delay, modify or forego some aspects of its growth strategies, and its future growth prospects could be adversely affected.

To mitigate such risks, the Company structures the organization in such a way that there is development and advancement opportunities for each individual within the organization, maintains competitive benefits and compensation structure and ensures provision of training to its employees.

The Company's business depends on commitments to the promotion of renewable energy.

The countries in which the Company will have potential investments following the completion of the ACEIC International Transaction have demonstrated a commitment to renewable energy. As a result, these countries have created favorable regulatory and tax regimes and financial incentives, as well as renewable portfolio standards that require distributors to source a certain percentage of their power requirements from renewable energy sources.

For the Philippines, it adopted a FIT programme in 2010 for eligible renewable power projects from wind, solar, hydro, biomass, and hybrid energy sources, among others. Eligible renewable power plants are granted a 20-year entitlement. However, subsidies will gradually decrease with the expected grid parity of solar and wind to be achieved by 2020 and 2025 for new projects respectively.

Subsequent to the FIT programme in the Philippines, the DOE also issued the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards ("RPS") for On-Grid Areas and Off-Grid Areas in 2017 and 2018, respectively. The RPS is a market-based policy that mandates power distribution utilities, electric cooperatives and retail electricity suppliers to source an agreed portion of their energy supply from eligible renewable energy facilities. The RPS Rules established a minimum annual RPS requirement. This pertains to the RE share of electricity coming from RE resources in the energy mix based on an aspirational target of 35% in the generation mix expressed in MWh by 2030, subject to regular review and assessment by the DOE. The RPS Rules also established the minimum annual incremental RE percentage. This is initially set at 1% to be applied to the net electricity sales of the mandated participant for the previous year, and thereafter adjusted by the DOE as may be necessary.

For Vietnam, its FIT programme provides for a FIT rate of U.S.$0.0935/kWh for 20 years for solar plants completed by June 2019 with the exception of solar power projects in located in Ninh Thuan province, which has extended this period to December 2019) and U.S.$0.0850/kWh for wind projects completed by November 2021. In April 2020, the Vietnam government unveiled a second round of FIT rates as follows for project commissioned within 2020: U.S.$0.0769/kWh for floating solar, U.S.$0.0709/kWh for ground mounted solar, and U.S.$0.0838/kWh for rooftop energy solar energy projects. Both FIT rates for solar and wind projects are expected to be set for 20 years once awarded.

These commitments are, however, generally matters of domestic public policy and are subject to the execution of the relevant power purchase agreement. Should these commitments to renewable energy be reduced for any reason, it could affect the project company's ability to operate or renew the project company's permits and licenses and reduce the financial incentives available to the project companies, which could, in turn, have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Similar to continuously monitoring potential changes on the regulatory environment, the Company anticipates the impact of potential changes on its projects' financial incentives. Whenever possible, contracts are negotiated to include provisions protecting the project companies for any potential increases in tax due owing to the revocation or repeal of the tax incentives currently available to its projects.

The Company may not be able to adequately influence the operations of its Associates and joint ventures and the failure of one or more of its strategic partnerships may negatively impacts its business, financial condition, results of operations and prospects.

The Company derives portion of its income from investments in Associates and joint ventures, in which it does not have majority voting control. These relationships involve certain risks including the possibility that these partners:

- may have economic interests or business goals that are not aligned with the Company's;
- may be unable or unwilling to fulfill their obligations under relevant agreements, including shareholder agreements under which the Company has certain voting rights in respect of key strategic, operating and financial matters;
- may take actions or omit to take any actions contrary to, or inconsistent with, the Company's policies or objectives or prevailing laws;
- may have disputes with the Company as to the scope of their responsibilities and obligations; and/or
- may have difficulties in respect of seeking funds for the development or construction of projects.

The success of these partnerships depends significantly on the satisfactory performance by the partners and the fulfilment of their obligations. If the Company or a strategic partner fails to perform its obligations satisfactorily, or at all, the partnership may be unable to perform adequately. As a result, cooperation among its partners or consensus with other shareholders in these entities is crucial to these businesses' sound operation and financial success. The Company's business, financial condition, results of operations and prospects may be materially adversely affected if disagreements develop between the Company and its strategic partners, and such disagreements are not resolved in a timely manner.

In addition, if any of the Company's strategic partners discontinues its arrangement with the Company, is unable to provide the expected resources or assistance, or competes with the Company on business opportunities, the Company may not be able to find a substitute for such strategic partner. Failure of one or more of the Company's strategic partners to perform their obligations may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In entering into partnerships, the Company ensures that there are adequate protection clauses on the shareholder agreements to protect the interest of Company. The criteria for the selection of potential partners also ensures that the Company is only working with those that are aligned with its core values.

Risks and delays relating to the development of greenfield power projects could have a material adverse effect on the Company's operations and financial performance.

The development of greenfield power projects involves substantial risks that could give rise to delays, cost overruns, unsatisfactory construction or development in the projects. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, and unforeseen engineering and environmental problems, among others. Any such delays, cost overruns, unsatisfactory construction or development could have a material adverse effect on the business, financial condition, results of operation and future growth prospects of the Company.

For the Company's projects under development, the estimated time frame and budget for the completion of critical tasks may be materially different from the actual completion date and costs, which may delay the date of commercial operations of the projects or result in cost overruns.

The Company is expanding its power generation operations and there are projects in its energy portfolio under construction. These projects involve environmental, engineering, construction and commission risks, which may result in cost overruns, delays or performance that is below expected levels of output or efficiency. In addition, projects under construction may be affected by the timing of the issuance of permits and licenses by government agencies, any litigation or disputes, inclement weather, natural disasters, accidents or unforeseen circumstances, manufacturing and delivery schedules for key equipment, defect in design or construction, and supply and cost of equipment and materials. Further, project delays or cancellations or adjustments to the scope of work may occur from time to time due to incidents of force majeure or legal impediments.

Depending on the severity and duration of the relevant events or circumstances, these risks may significantly delay the commencement of new projects, reduce the economic benefit from such projects, including higher capital expenditure requirements and loss of revenues, which in turn could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company's expected net attributable capacity from its pipeline, including the additional pipeline upon completion of the ACEIC International Transaction, to be undertaken together with various partners and through various subsidiaries, associates and joint ventures have not yet been determined. The target pipeline reflects its current strategy and may change as proposed projects are reviewed or contracts are entered into, and subject to various factors, including market conditions, the general state of the economy and investment environment where the projects will be located and the ability to obtain financing, among others.

Given its growth target and considering the challenges on development, the Company ensures that it has adequate pipeline of projects to manage potential delays, and has a team specifically focused on development up to bringing a plant into construction and eventually commercial operations in the Philippines and international operations upon completion of the ACEIC International Transaction. In addition to green field developments, the Company keeps an open eye on potential mergers and acquisitions as well as partnership with other development companies to be on track with its growth targets.

Any restriction or prohibition on the Company's Associates' or joint ventures' ability to distribute dividends would have a negative effect on its financial condition and results of operations.

The Company is a holding company that conducts its operations through its Associates and joint ventures. As a holding company, the Company's income is derived primarily from dividends paid to the Company by its Associates and joint ventures.

The Company is reliant on these sources of funds with respect to its obligations and in order to finance its Associates. The ability of the Company's Associates and joint ventures to pay dividends to the Company (and their shareholders in general) is subject to applicable law and may be subject to restrictions contained in loans and/or debt instruments of such Associates and may also be subject to the deduction of taxes. Currently, the payment of dividends by a Philippine corporation to another Philippine corporation is not subject to tax. Under Philippine law, dividends may be declared by a corporation's board of directors, however, any stock dividend declaration requires the approval of shareholders holding at least two-thirds of such corporation's total outstanding capital stock. Additionally, SEC approval is required if the issuance of stock dividends requires an increase in such corporation's authorized capital stock.

In addition, certain Associates are subject to debt covenants for their respective existing debt. Failure to comply with these covenants may result in a potential event of default, which if not cured or waived, could result in an actual event of default and the debt becoming immediately due and payable. This could affect the relevant company's liquidity and ability to generally fund its day-to-day operations. In the event this occurs, it may be difficult to repay or refinance such debt on acceptable terms or at all.

Any restriction or prohibition on the ability of some or all of the Company's Associates and/or joint ventures to distribute dividends or make other distributions to the Company, either due to regulatory restrictions, debt covenants, operating or financial difficulties or other limitations, could have a negative effect on the Company's cash flow and therefore, its financial condition.

Overall, the Company monitors potential regulatory impacts on its projects and anticipates means to manage the impact of any regulatory changes. The Company also regularly tracks the performance of its projects to ensure delivery of budgeted results including distribution of the dividends to the Company.

The administration and operation of power generation projects by project companies involve significant risks.

The administration and/or operation of power generation projects by project companies involve significant risks, including:

- breakdown or failure of power generation equipment, transmission lines, pipelines or other equipment or processes, leading to unplanned outages and operational issues;
- flaws in the equipment design or in power plant construction;
- issues with the quality or interruptions in the supply of key inputs, including fuel or water;
- material changes in legal, regulatory or licensing requirements;
- operator error;
- performance below expected levels of output or efficiency;
- actions affecting power generation assets owned or managed by the Company, its Associates, joint ventures or its contractual counterparties;
- pollution or environmental contamination affecting the operation of power generation assets;
- force majeure and catastrophic events including fires, explosions, earthquakes, volcanic eruptions, floods and terrorist acts that could cause forced outages, suspension of operations, loss of life, severe damage and plant destruction;
- planned and unplanned power outages due to maintenance, expansion and refurbishment;
- inability to obtain or the cancellation of required regulatory, permits and approvals; and
- opposition from local communities and special interest groups.

There is no assurance that any event similar or dissimilar to those listed above will not occur or will not significantly increase costs or decrease or eliminate revenues derived by the Company, its joint ventures and affiliates from their power projects.

As above risks are inherent in the industry where the Company's projects operate, the Company ensures that contracts with suppliers cover portion of the risks, there are proper insurance coverages in case of the occurrence of events hampering the projects' operations and develops an operations team that focuses on monitoring plants' performance and ensures proper repairs and maintenance procedures or capital expenditures are conducted at the right time.

Permits and approvals are regularly monitored by a team to ensure that all are properly renewed and maintained. Regular dialogues are conducted and Corporate Social Responsibility activities are implemented in the community where the projects are located.

Climate change may adversely affect the Company's business and prospects.

The Company is currently involved in the operation of a coal power plant in Batangas. Policy and regulatory changes, technological developments and market and economic responses relating to climate change may affect the Company's business and the markets in which it operates. The enactment of an international agreement on climate change or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal. Other efforts to reduce greenhouse gas emissions and initiatives in various countries to use cleaner alternatives to coal such as natural gas may also affect the use of coal as an energy source. For example, in October 2020, the DOE declared a moratorium on endorsements for greenfield coal power plants as its most recent assessment revealed the need for the country to shift to a more flexible power supply mix.

In addition, technological developments may increase the competitiveness of alternative energy sources, such as renewable energy, which may decrease demand for coal generated power. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas or renewable energy may also discourage the use of coal as an energy source. The physical effects of climate change, such as changes in rainfall, water shortages, rising sea levels, increased storm intensities and higher temperatures, may also disrupt the Company's operations. As a result of the above, the Company's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Company keeps track of potential changes in the climate and regulations that may affect its business and prospects. To prepare for such changes, the Company develops a diverse portfolio of assets that is aligned with the country's vision of an optimum mix of energy sources. The Company has been focusing on the development of renewables in its portfolio which is aligned with the country's vision on optimum mix of energy sources. The Company further looks into advancements in technology as it develops its projects to be able to create a stable supply of power due to intermittent availability of power generated from renewable sources.

Environmental regulations may cause the relevant project companies to incur significant costs and liabilities.

The operations of the project companies are subject to environmental laws and regulations by central and local authorities in which the projects operate. These include laws and regulations pertaining to pollution, the protection of human health and the environment, air emissions, wastewater discharges, occupational safety and health, and the generation, handling, treatment, remediation, use, storage, release and exposure to hazardous substances and wastes. These requirements are complex, subject to frequent change and have tended to become more stringent over time. The project companies have incurred, and will continue to incur, costs and capital expenditures in complying with these laws and regulations and in obtaining and maintaining all necessary permits. While the project companies have procedures in place to allow it to comply with environmental laws and regulations, there can be no assurance that these will at all times be in compliance with all of their respective obligations in the future or that they will be able to obtain or renew all licenses, consents or other permits necessary to continue operations or that there will be no complaints filed or issues raised by environmental groups and local communities against the Company, its subsidiaries, or its affiliates for its operations. Any failure to comply with such laws and regulations or to address such complaints or issues could subject the relevant project company to significant fines, penalties and other liabilities, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition, environmental laws and regulations, and their interpretations, are constantly evolving and it is impossible to predict accurately the effect that changes in these laws and regulations, or their interpretation, may have upon the Company's business, financial condition, results of operations or prospects. If environmental laws and regulations, or their interpretation, become more stringent, the costs of compliance could increase. If the Company cannot pass along future costs to customers, any increases could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

To this effect, the Company exerts best efforts to comply with regulations as it develops its projects.

See also discussion on "***Legal Proceedings – Power Barge 102 Oil Leakage***" on page 169 of this Prospectus.

The Company's power project development operations and the operations of the power projects are subject to inherent operational risks and occupational hazards, which could cause an unexpected suspension of operations and/or incur substantial costs.

Due to the nature of the business of power project development and operations, the Company and its project companies engage or may engage in certain inherently hazardous activities, including operations at height, use of heavy machinery and working with flammable and explosive materials. These operations involve many risks and hazards, including the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment, labour disturbances, natural disasters, environmental hazards and industrial accidents. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment, and environmental damage and pollution, any of which could result in suspension of the development or operations of any of the power projects or even imposition of civil or criminal penalties, which could in turn cause the Company or any of the project companies to incur substantial costs and damage its reputation and may have a material adverse effect on the Company's business, financial condition and results of operations.

Given above risks, the Company procures proper insurance coverages, complies with various health and security measures, implements a culture of safety in the working environment, conducts proper and timely repairs and maintenance of the plants, and regularly trains employees on safety and security.

See also discussion on "***Legal Proceedings – Power Barge 102 Oil Leakage***" on page 169 of this Prospectus.

Grid curtailments may limit the generation capacity of power projects.

From time-to-time, national grid operators curtail the energy generation for a number of reasons, including to match demand with supply and for technical maintenance reasons, including as a result of grid infrastructure that is not up to international standards. In such circumstances, a power project's access to the grid and thus its generation capacity can be reduced. Such reductions result in a corresponding decrease in revenue, which if prolonged or occur frequently could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

To manage such risk, the Company ensures that there is adequate capacity on the grid covering for the sites and projects it undertakes. Grid capacity availability is a key criterion on assessing the viability of a project in addition to consideration of the transmission development plan of NGCP and other grid operators in international operations following the completion of the ACEIC International Transaction.

The Company enters into transactions with related parties.

In the ordinary course of business, the Company transacts with its related parties, such as its Associates and certain of its Associates and joint ventures enter into transactions with each other. These transactions have principally consisted of advances, loans, bank deposits, reimbursement of expenses, purchase and sale of real estate and other properties and services, sale of electricity, construction contracts and development, management, marketing and administrative service agreements.

While the Company believes that all past related party transactions have been conducted at arm's length on commercially reasonable terms, these transactions may involve conflicts of interest, which, although not contrary to law, may be detrimental to the Company.

The Company has instituted internal policies with respect to related party transactions and the Company ensures that it is compliant with the policies instituted on transactions involving related parties. Relevant related party transactions are also discussed at the Related Party Committee or Audit and Risk Committees of the companies who oversee such matters. Further, the Company will be complying with BIR Revenue Regulation No. 19-2020 on the disclosure of related party transactions.

For further information on the Company's related party transactions, see "***Related Party Transactions***" on page 281 of this Prospectus.

The Company is exposed to credit and collection risks.

As in other businesses, the power business is exposed to credit and collection risks related to its customers. These include the TransCo, rated corporations as well as cooperatives that have varying credit ratings and private distribution utilities. There can, however, be no assurance that all customers will pay the Company in a timely manner or at all. In such circumstances, the Company's working capital needs would increase, which could, in turn, divert resources away from the Company's other projects. If a large amount of its customers were unable or unwilling to pay the Company, its financial condition could be negatively affected.

Given potential collection risk, the Company conducts review of the capability of its potential wholesale and retail clients as part of the accreditation process. Clients are also requested to put in security deposits equivalent to a certain period of their consumption.

Exchange rate and/or interest rate fluctuations may have a significant adverse impact on the Company's business, financial condition, results of operations and prospects.

Changes in foreign currency rates could have an adverse impact on the Company's business, financial condition, results of operations and prospects. Currency fluctuations affect the Company because of mismatches between the currencies in which operating costs are incurred and those in which revenues are received.

The Company's functional currency is the Philippine Peso, and the Company, following the completion of the ACEIC International Transaction, has and may have assets, income streams and liabilities denominated in a number of currencies, including U.S. Dollars, Indonesian Rupiah, Vietnamese Dong, Indian Rupee, and Australian Dollars. Currently, the PPA and FIT contracts of the existing offshore assets have foreign currency and inflation adjustments to mitigate the impact of market fluctuations.

The insurance coverage of the power projects may not be adequate.

The power projects maintain levels of insurance, which the Company believes are typical with the respective business structures and in amounts that it believes to be commercially appropriate. However, a power project may become subject to liabilities against which it has not insured adequately or at all, or are unable to insure. In addition, insurance policies contain certain exclusions and limitations on coverage, which may result in claims not being honoured to the extent of losses or damages suffered. Further, such insurance policies may not continue to be available at economically acceptable premiums, or at all. The occurrence of a significant adverse event, the risks of which are not fully covered or honored by such insurers, could have a material adverse effect on a power project's business, financial condition, results of operations and prospects. In addition, under some of the power project's debt agreements, the power project is required to name the lenders under such debt agreements as a beneficiary or a loss payee under some of its insurance policies, or assign the benefit of various insurance policies to the lenders. Therefore, even if insurance proceeds were to be payable under such policies, any such insurance proceeds will be paid directly to the relevant lenders instead of to the power project. If an insurable loss has a material effect on a power project's operations, the power project's lenders may not be required to pay any insurance proceeds or to compensate the power project for loss of profits or for liabilities resulting from business interruption, and this could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company regularly reviews its insurance coverages and benchmarks it with the industry trends and keeps track of the insurance claims conducted in the past. The Company also continues to explore further means to strengthen its insurance coverages including participating in the Ayala Group's insurance optimization initiative to augment its existing insurance policies, which include optimizing coverages within a bigger pool to achieve scale and generate diversification for new types and approaches to loss mitigation to address plant-specific risks.

The Company may be adversely affected by WESM price fluctuations.

Market prices for electric power fluctuate substantially. As electric power can only be stored on a very limited basis and generally must be produced concurrently with its use, frequent supply and demand imbalances result in power prices that are subject to significant volatility. Electricity prices may also fluctuate substantially due to other factors outside of the Company's control, including, but not limited to:

- changes in the generation capacity in the markets, including additional new supply of power from development or expansion of power plants, and decreased supply from closure of existing power plants;
- additional transmission capacity;
- electric supply disruptions, such as power plant outages and transmission disruptions;
- changes in power demand or in patterns of power usage, including the potential development of demand-side management tools and practices;
- the authority of the ERC to review and adjust the prices on the WESM;
- climate, weather conditions, natural disasters, wars, embargoes, terrorist attacks and other catastrophic events;
- availability of competitively priced alternative power sources; and
- changes in the power market and environmental regulations and legislation.

These factors may have a material adverse effect on the business, financial condition and operations of the Company.

As it has been trading in the spot market since 2006, the Company has gained valuable experience in trading at the WESM. This experience will allow the Company to continue to take advantage of further opportunities in the WESM that will allow it to supplement the power generation business.

The Company's ability to produce and source electricity from various sources allows it to exploit trading opportunities in the WESM by purchasing power for its customers and/or selling excess supply if costs are less than the prevailing prices in the WESM.

Upon completion of the ACEIC International Transaction, ACEN shall acquire a portfolio of operating projects and projects under construction in Indonesia, Vietnam, and India. For projects in Indonesia and India, all projects currently have long term off-take contracts with respective distribution utilities in their locations. For Vietnam, operating projects are currently under long-term contracts with FIT, while projects under construction are also intended to qualify for applicable FIT.

The Company is dependent on the support of ACEIC.

ACEN relies on ACEIC for certain shared services such as, but not limited to, human resources, corporate affairs, legal, finance, and treasury operations. There is no guarantee that ACEIC will continue to provide these services in the future. Should ACEIC cease to provide these services, the Company's business, financial condition, and results of operations could be adversely affected.

While the Company relies on ACEIC for certain shared services, these transactions are done on an arm's length basis. The Company likewise pursues strategic hiring for identified critical positions and strengthens the competencies of its employees to minimize its dependence from ACEIC for certain services.

Risks Relating to the Philippines

The operations of the Company are concentrated in the Philippines, and therefore any downturn in general economic conditions in the Philippines could have a material adverse impact on the Company.

Historically, the Company's results of operations have been influenced, and will continue to be influenced, to a significant degree by the general state of the Philippine economy and as a result, its income and results of operations depend, to a significant extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the peso and the imposition of exchange controls.

In addition, global financial, credit and currency markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and the global economy, which would be likely to cause a deterioration of the economic conditions in the Philippines. There can be no assurance that current or future governments will adopt economic policies conducive to sustaining economic growth, and the Company cannot provide assurance of effective mitigation to such systemic risk.

Any political instability in the Philippines may adversely affect the Company.

The Philippines has from time to time experienced political and military instability. The Philippine constitution provides that in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there has been political instability in the Philippines, including public and military protests. No assurance can be given that the political environment in the Philippines will stabilise and that the Company can provide effective mitigation to such political instability. Any political instability in the future may result in inconsistent or sudden changes in the economy, regulations and policies that affect the Company, which could have an adverse effect on its business, results of operations and financial condition.

Any decrease in the credit ratings of the Philippines may adversely affect the Company's business.

The Philippines is currently rated investment grade by major international credit rating agencies such as Moody's S&P and Fitch. While in recent months these rating agencies have assigned positive or stable outlooks to the Philippines' sovereign rating, no assurance can be given that these agencies will not in the future downgrade the credit ratings of the Government and, therefore, Philippine companies, including the Company. As a systemic risk, the Company cannot provide assurance of effective mitigation. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Territorial disputes among the Philippines and its neighboring nations may adversely affect the Philippine economy and the Company's business.

China and other Southeast Asian nations, such as Brunei, Malaysia, and Vietnam, have been engaged in competing and overlapping territorial disputes over islands in the West Philippine Sea (also known as the South China Sea). This has produced decades of tension and conflict among the neighboring nations. The West Philippine Sea is believed to house unexploited oil and natural gas deposits, as well as providing home to some of the biggest coral reefs in the world. China, in recent years, has been vocal in claiming its rights to nearly the whole of the West Philippine Sea – as evidenced by its increased military presence in the area. This has raised conflict in the region among the claimant countries.

In 2013, the Philippines filed a case to legally challenge China's claims in the West Philippine Sea and to resolve the dispute under the United Nations Convention on the Law of the Sea. The case was filed on the Permanent Court of Arbitration, the international arbitration tribunal at The Hague, Netherlands. In July 2016, the tribunal ruled in favor of the Philippines and stated that China's claim was invalid. China rejected the ruling, claiming that it did not participate in the proceedings as the tribunal had no jurisdiction over the case. News reports have reported increased Chinese activity in the area, including the installation of missile systems and the deployment of bomber planes. Other claimants have challenged China's actions in the West Philippine Sea.

There is no guarantee that tensions will not escalate further or that the territorial disputes among the Philippines and its neighboring countries, especially China, will cease. In an event of escalation, the Philippine economy may be disrupted and the Company's business and financial standing may be adversely affected. The Company cannot provide assurance of effective mitigation to such systemic risk.

COVID-19, future pandemics, epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect ACEN's business, financial condition and results of operations.

In December 2019, an outbreak of the novel coronavirus ("COVID-19") occurred in China and spread to other countries, including the Philippines. On 10 March 2020 the World Health Organization characterized COVID-19 as a pandemic. As of 28 April, the Philippine Department of Health reported 1,020,495 cases of COVID-19 nationwide with 17,031 deaths attributed to COVID-19.

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers ("OFWs") globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact its suppliers' ability to deliver, which could delay the construction of ACEN's projects.

In a move to contain the COVID-19 outbreak, on 13 March 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective 15 March 2020. On 16 March 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until 12 April 2020, unless earlier lifted or extended. On 24 March 2020. Congress passed Republic Act No. 11469, the Bayanihan to Heal as One Act (the "Bayanihan Act") into law, which confers emergency powers on the President of the Philippines. On 25 June 2020, the Bayanihan Act measures implemented to address the pandemic in the Philippines expired without extension or replacement. On September 11, 2020, Republic Act No. 11494, the Bayanihan to Recover as One Act (the "Bayanihan 2 Act") was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the government's implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte was in effect until 19 December 2020. Such powers include the authority to adopt measures to "conserve and regulate the distribution and use of power, fuel, energy and water, and ensure adequate supply of the same." The Bayanihan 2 Act also imposes a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly installments. On 17 November 2020, House Bill No. 8031 or the Bayanihan to Arise as One Act, was filed which proposes to extend the effectivity of Bayanihan 2 Act until 4 June 2021 to ensure its full implementation. On 29 December 2020, the Congress passed Republic Act No. 11519, extending the availability of appropriations under Bayanihan 2 until 30 June 2021.

Due to numerous uncertainties and factors beyond its control, the Company is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic, including whether there is a "second wave" or "third wave" or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Company operates;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures as well as measures taken by the Company's regulators;
- restrictions on operations up to and including complete or partial closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;
- the health of, and effect of the pandemic on, the Company's personnel and the Company's ability to maintain staffing needs to effectively operate its power generation portfolio;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- impacts—financial, operational or otherwise—on the Company's supply chain, including manufacturers, suppliers and third party contractors, particularly for ongoing maintenance and construction of certain plants and facilities;
- volatility in the credit and financial markets during and after the pandemic;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Company's actions in response thereto;
- the pace of recovery when the pandemic subsides; and
- the long-term impact of the pandemic on the Company's businesses.

These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. In particular, the enhance community quarantine and various degrees of community quarantine imposed across the Philippines have affected and could adversely impact (a) the completion of ACEN's projects as construction is not an activity given priority under the government guidelines, (b) demand for ACEN's product, as industries, offices, and shopping malls account for bulk of energy consumption, (c) WESM prices as demand for electricity is lower, and (d) ability to collect from its customers, which could negatively impact its cash flows. The outbreak of COVID-19 and the measures to contain this increase in severity, have had an adverse effect on economic activity in the Philippines and could materially and adversely affect ACEN's business, financial condition and results of operations. To the extent the COVID-19 pandemic adversely affects the business and financial results of ACEN, it may also have the effect of heightening many of the other risks described in this Prospectus.

Even as quarantine measures continue at the current time, with various levels of restrictions applicable to certain areas, DOE recognized that energy utilization is a basic necessity and is vital to the society. To this end, DOE allows the movement of energy related goods and the movement of energy related personnel subject to adherence to necessary public health precautions prescribed by the DOH. As such, the Company's operating plants continues to produce power.

Risks Relating to the Offer

There can be no guarantee that the Offer Shares will be listed on the PSE.

Purchasers of Offer Shares will be required to pay for such shares upon submission of the Application. Although the PSE is expected to approve the Company's application to list the Offer Shares, because the Listing Date is scheduled to occur after the Trading Participants Offer Settlement Date and could occur after the Institutional Offer Settlement Date, there can be no guarantee that listing will occur on the anticipated Listing Date or at all. Further, there can be no assurance that during the Offer Period until the Listing Date, there will be no developments in relation to COVID-19 and the response of the PSE, the SEC, or any other relevant government authority or private parties that may adversely affect the ability of the Company, the Joint Bookrunners, or any of the parties relevant to the Offer and/or the Listing (including, but not limited to, the clearing of funds, lodgment of the Shares or the trading of securities) to perform their functions contemplated by the Offer during the time indicated in this Prospectus, as expected by the Company. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares on the PSE. This may materially and adversely affect the value of the Offer Shares. The Company cannot provide assurance of effective mitigation to such risk.

There has been a limited prior market for the Shares; hence, there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

Trading volumes on the PSE have historically been significantly smaller than other major securities markets in more developed countries and have also been highly volatile. There can be no assurance that an active market for the Offer Shares will develop following the Offer or if developed, that such market will be sustained.

The price at which the Offer Shares will trade on the PSE at any point in time during or after the Offer may vary significantly from the Offer Price, and the Company cannot provide assurance of effective mitigation to such risk.

Shareholders may be subject to limitations on minority shareholders rights.

Minority shareholders are not afforded special rights to protect their interests under Philippine law. The Revised Corporation Code of the Philippines, however, provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock is required. The Revised Corporation Code of the Philippines also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his shares in certain instances. Derivative actions are rarely brought on behalf of companies in the Philippines. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

Future sales of the Shares in the public market could adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of the Company's business and operations, the Company's Board of Directors will consider the funding options available to the Company at the time, which may include the issuance of new Common Shares. If additional funds are raised through the issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Common Shares. See section on "***Dilution***" on page 88 of this Prospectus. Further, the market price of the Common Shares could decline as a result of future sales of substantial amounts of the Common Shares in the public market or the issuance of new Common Shares, or the perception that such sales, transfers or issuances may occur. This could materially and adversely affect the prevailing market price of the Common Shares or the Company's ability to raise capital in the future at a time and at a price it deems appropriate.

There is no restriction on the Company's ability to issue Common Shares, other than as provided in its Articles of Incorporation and the Revised Corporation Code, or the ability of any of its shareholders to dispose of, encumber or pledge, their Common Shares, and there can be no assurance that the Company will not issue Common Shares or that such shareholders will not dispose of, encumber or pledge their Common Shares.

Future changes in the value of the Philippine peso against the USD or other currencies will affect the foreign currency equivalent of the value of the Shares and any dividends.

Fluctuations in the exchange rate between the Philippine Peso and other currencies will affect the foreign currency equivalent of the Peso price of the Common Shares on the PSE. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Peso by the Company on, and the Peso proceeds received from any sales of the Offer Shares. The Company cannot provide assurance of effective mitigation to such risk.

Overseas shareholders may not be able to participate in the Company's future equity offerings or certain equity issues.

If the Company offers or causes to be offered to holders of the Company's Common Shares, rights to subscribe for additional Common Shares or any right of any other nature, the Company will have discretion as to the procedure to be followed in making such rights available to holders of the Company's Common Shares or in disposing of such rights for the benefit of such holders and making the net proceeds available to such holders. For instance, the Company will not offer such rights to the holders of Common Shares who have a registered address in the United States unless a registration statement is in effect, if a registration statement under the Securities Act is required in order for the Company to offer such rights to holders and sell the securities represented by such rights; or the offering and sale of such rights or the underlying securities to such holders are confirmed to be exempt from registration under the provisions of the Securities Act.

The Company has no obligation to prepare or file any registration statement or obtain any exemption confirmation, each of which involves expenditure of financial and other resources. Accordingly, shareholders who have a registered address in the United States will be unable to participate in the Offer or any future equity offers and may experience a dilution in their holdings as a result.

Shares are subject to Philippine foreign ownership limitations, which may adversely impact liquidity of the Shares.

The Philippine Constitution and related statutes restrict land ownership to Philippine Nationals. As long as the Company owns land, foreign ownership in the Company is limited to a maximum of 40% of the Company's issued and outstanding capital stock. Accordingly, the Company cannot allow the issuance or the transfer of Shares to persons other than Philippine Nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign land ownership discussed above. As of the date of this Prospectus, the Company is compliant with such restrictions on foreign shareholder ownership and continually monitors its compliance with such restrictions. Nevertheless, this restriction may adversely affect the liquidity and market price of the Common Shares to the extent international investors are not permitted to purchase Common Shares in normal secondary transactions.

No guarantee that Issuer will pay any dividends.

Dividends declared by the Company on the Shares are payable in cash or in additional Shares. The Board of Directors has approved 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 1 January 2021 ("Regular Dividends"). On 11 November 2020, the Board amended this dividend policy to include the Board's discretion, exercised reasonably, to approve the declaration and payment of special dividends over and above the Regular Dividends. Nevertheless, the payment of dividends in the future will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its Associates, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and loan covenants, including loan obligations and loan covenants of its Associates, and other factors the Board may deem relevant.

Declaration of cash dividends by the Company requires the approval of the Board, the declaration of stock dividends by the Company requires the approval of its Board and the approval of stockholders representing at least 2/3 of the outstanding capital stock.

Volatility of Philippine securities market may substantially limit investors' ability to sell the Shares at a desired price.

The Philippine securities markets are substantially smaller, less liquid, and more volatile relative to major securities markets in the world, and are not as highly regulated or supervised as compared with larger markets. The Offer Price could differ significantly from the price at which the Common Shares will trade subsequent to completion of the Offer. There can be no assurance that even after the Offer Shares have been approved for listing on the PSE, any active trading market for the Common Shares will develop or be sustained after the Offer, or that the Offer Price will correspond to the price at which the Common Shares will trade in the Philippine public market subsequent to the Offer. There is no assurance that investors may sell the Offer Shares at prices or at times deemed appropriate.

Factors that could affect the price of the Common Shares include the following:

- fluctuations in the Company's results of operations and cash flows or those of other companies in the Company's industry;
- the public's reaction to the Company's press releases, announcements and filings with the SEC and PSE;
- additions or departures of key personnel;
- changes in financial estimates or recommendations by research analysts;

- changes in the amount of indebtedness the Company has outstanding;
- changes in general conditions in the Philippines and international economy, financial markets or the industries in which the Company operates, including changes in regulatory requirements and changes in political conditions in the Philippines;
- significant contracts, acquisitions, dispositions, financings, joint marketing relationships, joint ventures or capital commitments by the Company or its competitors;
- asset impairments or other charges;
- developments related to significant claims or proceedings against the Company;
- the Company's dividend policy; and
- future sales of the Company's equity or equity-linked securities.

In recent years, stock markets, including the PSE, have experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to the operating performance of these companies. These broad market fluctuations may adversely affect the market prices of the Company's Common Shares. The Company cannot provide assurance of effective mitigation to such risk.

Risks Relating to Statements in this Prospectus

The Prospectus contains certain statistical and industry information.

Certain statistical or industry information in this Prospectus relating to the Philippines and other jurisdictions, the industries and markets in which the Company operates and may potentially operate after the ACEIC International Transaction, and other data used in this Prospectus was obtained or derived from internal surveys, market research, governmental data, publicly available information and/or industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable. However, there is no assurance that such information is accurate or complete. Similarly, internal surveys, industry forecasts and market research have not been independently verified by the Company and may not be accurate, complete, up-to-date, balanced or consistent with other information compiled within or outside the Philippines.

There may be possible deviation in the Use of Proceeds.

The intended use of proceeds from the Offer is set out under "***Use of Proceeds***" on page 77 of this Prospectus. It is the Company's current intention to apply the net proceeds from the Offer in the manner as described in that section.

However, as new business opportunities arise, or as unforeseen events occur, the Company may opt to reallocate a portion or all of the net proceeds to other business plans or new projects or to other uses or hold such funds in bank accounts or short-term securities, if such action is considered to be in the best interests of the Company. As a consequence, the actual application of the proceeds from the Offer may deviate from the intended use as described in this document. Any such material deviation, however, will be disclosed in accordance with the relevant rules of the SEC and/or PSE.

In addition, the business plans of the Company as described herein are based on assumptions of future events, which by their nature, are subject to uncertainty. As such, while the Company exerts reasonable efforts in planning, there is no assurance that the plans of the Company will materialize as intended.

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines and jurisdictions, the industries in which the Company's businesses compete and the markets in which the Company develops its projects and may potentially develop after the ACEIC International Transaction, including statistics relating to market size, are derived from various government and private publications.

The presentation of financial information in this Prospectus, including pro forma consolidated condensed financial information may be of limited use to investors and may not accurately show or serve as an adequate basis from which to evaluate the Company's financial position, future prospects, business performance and results of operations.

The presentation of financial information in this Prospectus comprises historical information of the Company as at and for the years ended 31 December 2020, 31 December 2019, 31 December 2018, and 31 December 2017. The historical financial information presented may be of limited use to investors. While the presentation of separate historical financial results of ACEIC assets included in this Prospectus may provide a reference to investors, there is no assurance that such presentation accurately depicts what the Company's financial results would have been had the acquisition of ACEIC's assets been effected earlier, nor is such presentation indicative of future prospects, business performance, results of operations or financial position. The Company has also included pro forma condensed consolidated financial information of the Company elsewhere in this Prospectus. The pro forma consolidated results of operations and financial position of the Company included herein are necessarily based on certain assumptions, and such information is not necessarily indicative of the operating results or financial position that would have been achieved had these transactions been completed prior to such periods, nor is it indicative of future results of operations or financial position, and should not be relied upon as being so indicative.

Accordingly, the Company's consolidated financial information in this Prospectus, including the Company's pro forma consolidated financial information may not provide a meaningful basis for evaluating the Company's future prospects, business and results of operations. Further, there can be no reliance on the Company's historical results of operations as an indication of future performance.

USE OF PROCEEDS

Based on an Offer Price of ₱6.50, the Company and the Selling Shareholders expect to raise gross proceeds of ₱13.07 billion from the Primary Offer and the Secondary Offer, assuming the Over-subscription Option is exercised in full. The net proceeds from the Offer, after deducting the expenses related to the Offer, are estimated to amount to ₱12.73 billion based on an Offer Price of ₱6.50 per Offer Share, assuming the Over-subscription Option is exercised in full. The net proceeds from the sale of the Primary Offer Shares, determined by deducting from the gross proceeds the underwriting, selling and listing fees, taxes, and other related fees and expenses, will be approximately ₱10.01 billion and will be used by the Company to partially fund the development of power projects in the pipeline and inorganic growth opportunities if and when they arise, repayment of loans and reduction of payables, and other general corporate requirements. The Company will not receive any proceeds from the sale of the Secondary Offer Shares by the Selling Shareholders.

Further details of the proposed use of proceeds, based on an Offer Price of ₱6.50 per Offer Share are as follows:

Breakdown of Proceeds to the Company:

(in ₱ millions)	**Based on an Offer Price of ₱6.50**
Gross Proceeds[1]	₱10,270.00
Estimated Offer expenses[2]	(260.61)
Estimated net proceeds	₱10,009.39

Notes:

(1) Assuming the Offer raises the maximum amount of approximately ₱10.27 billion at ₱6.50 per sharefrom the Primary Offer Shares.

(2) Does not include additional expenses that may be incurred in relation to the Secondary Offer or Over-subscription Option. See "***Plan of Distribution***" on page 82 of this Prospectus.

Breakdown of Estimated Offer Expenses of the Company:

(in ₱ millions)	**Based on an Offer Price of ₱6.50**
Underwriting and selling fees[1]	₱205.40
PSE listing fee[2]	18.37
SEC fees[2]	5.65
Documentary stamp tax	15.80
Receiving Agency Fee	0.27
Professional and Legal Fees	14.09
Estimated other fees (taxes, printing, out-of-pocket, etc.)	1.03
Estimated Offer Expenses	**₱260.61**

Notes:

(1) Up to 2.00% of the Gross Proceeds

(2) Paid based on an assumed offer size of ₱12.96 billion and includes other filing fees.

Based on an Offer Price of ₱6.50 per Offer Share, the estimated total proceeds from the Secondary Offer, total expenses for the Secondary Offer, and the estimated net proceeds from the Secondary Offer will be:

(in ₱ millions)	**If Over-subscription Option is not exercised**	**Assuming full exercise of Over-subscription Option**
Estimated Total Proceeds from the Secondary Offer	**₱2,146.62**	**₱2,796.62**
Less: Estimated fees, commissions and expenses.........		
Estimated Underwriter and Selling Agent fees[1] ..	42.93	55.93
Stock transaction fees........	12.88	16.78
Total estimated expenses	**55.81**	**72.71**
Estimated net proceeds from the Secondary Offer	**₱2,090.80**	**₱2,723.90**

Note:

(1) Up to 2.00% of the Gross Proceeds

The Company will not receive any of the proceeds from the Secondary Offer. The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above.

Use of Net Proceeds from the Primary Offer

The proceeds will be recognized as capital stock and additional paid-in capital in the equity portion of the balance sheet.

Below presents the breakdown of the Company's planned work program and disbursement schedule, based on an Offer Price of ₱6.50 per share, which will result to net proceeds of approximately ₱10.01 billion:

Allocation	**Amount** (₱ million)	**Percentage (%)**	**Time of Usage**
Development and acquisition opportunities in renewable and thermal assets	6,370.58	63.65%	2021 - 2023
Repayment of loans and reduction of payables	3,538.81	35.35%	2021 - 2023
General corporate requirements	100.00	1.00%	2021 - 2023
Estimated Net Proceeds	**10,009.39**	**100.00%**	

In the event that the actual proceeds raised from the Offer is less than the estimated amount to be received by the Company, corresponding adjustments will be made to the Company's provision for general corporate requirements. In addition, to fully finance the Company's business plans, it will use internally generated funds, existing credit lines, and/or bank financing, if and when necessary. It may also re-allocate the net proceeds within aforementioned business plans, subject to timing considerations and order of importance. Priority will be given to its ongoing projects and projects nearing start of construction, subject to its evaluation and assessment.

To the extent that the net proceeds from the Primary Offer are not immediately applied to the above purposes, the Company shall invest the net proceeds from the sale of the Primary Shares in short-term liquid investments including, but not limited to, interest-bearing short-term demand deposits, short-term government securities, and money market instruments which are expected to earn interest at prevailing market rates.

Development and acquisition opportunities in renewable and thermal assets

The Company intends to allocate 63.65% of the net proceeds, based on an Offer Price of ₱6.50 per Offer Share to partially finance the projects listed below. The specific timelines, the costs and/or locations of these projects are yet to be finalized and the actual funding for any such projects will also depend on outside factors, such as obtaining permits and approvals, and market conditions, among others.

(in ₱ millions)	**Based on an Offer Price of ₱6.50**
GigaAce8	₱4,296.00
Sta. Cruz Energy	285.59
Other Projects	1,788.99
Total Development and acquisition opportunities in renewable and thermal assets	**₱6,370.58**

GigaAce8

The Company plans to use the proceeds to partially finance its investment in GigaAce8, Inc. ("GigaAce8").

GigaAce8 was incorporated to manage the development and construction of a 75 MWdc plant in Palauig with a target to increase to 130MWdc.

The project is a greenfield, standalone solar farm that could supply daytime power to the local grid throughout the year. The plant will be constructed in a 67 to 134 hectare land. The target commencement of construction is in the second quarter of 2021 and the expected commercial operations date is by the second quarter of 2022.

Santa Cruz Energy

The Company plans to use the proceeds to partially finance its investment in Santa Cruz Energy Inc. ("Santa Cruz Energy").

Santa Cruz Energy was incorporated to manage the development and construction of a 200 MWdc plant in San Marcelino Zambales

The project is a greenfield, standalone solar farm that could supply daytime power to the local grid throughout the year. The target commencement of construction is in the third quarter of 2021 and the expected commercial operations date is by the fourth quarter of 2022.

Other Projects

On 18 March 2020, the Board approved the funding of up to U.S.$100 million for new technology investments in the Philippines.

Additionally, in support of the Company's goal of reaching 5,000 MW of Net Attributable Capacity in renewables by 2025, the Board on 18 August 2020 approved a land acquisition budget of up to ₱5.00 billion.

Should any of the above projects fail to materialize or if the associated costs be lower than as contemplated above, the funds that are allocated to them will be used for other energy projects that are in the current pipeline or that may be identified in the near term, including development loans and investments in joint ventures or partnerships, and acquisitions of greenfield and brownfield renewable energy projects or development platforms as strategic investments.

Repayment of loans and reduction of payables

The Company intends to use 35.35% of the net proceeds, based on an Offer Price of ₱6.50 per Offer Share to reduce certain payables and for interest payments and principal amortizations, namely the following:

(in ₱ millions)	Based on an Offer Price of ₱6.50
Axia Power Holdings, Inc.	₱2,040.00
Loan with Security Bank Corporation	314.56
Loan with China Banking Corporation	224.43
Loan with Banco de Oro	897.51
Loan with Development Bank of the Philippines	62.31
Repayment of loans and reduction of payables	₱3,538.81

Details of the respective loan facilities and payables are as follows:

a. Final installment payment to Axia Power Holdings, Inc. for the sale of 20% interest of Axia Power in SLTEC to ACEIC based on a share purchase agreement signed on 10 July 2019 (subsequently assigned to ACEN within 2019) amounting to ₱2,040 million (with a net present value of ₱1,890 million) as of 31 December 2020;

b. Loan with Security Bank Corporation amounting to ₱838 million as of 31 December 2020 with final repayment on 2029, subject to an interest rate of 6.50%, and was availed for the Company's various capital expenditures;

c. Loan with China Banking Corporation amounting to ₱1,489 million as of 31 December 2020 with final repayment in 2030, subject to an interest rate of 5.00%, and was availed for the Company's various acquisitions and capital expenditure;

d. Loan with Banco de Oro amounting to ₱4,902 million as of 31 December 2020 with final repayment in 2029, subject to an interest rate of 5.05% for the first five years, and was availed for the Company's various acquisitions and capital expenditure; and

e. Loan with Development Bank of the Philippines ("DBP") amounting to ₱805 million drawn on 30 March 2021 and final repayment in 2031, subject to an interest rate of 2.75% for the first two years and was availed to refinance the existing DBP loan amounting to ₱838 million as of 31 December 2020.

General corporate requirements

The balance of 1.00% of the net proceeds, based on an Offer Price of ₱6.50 per Offer Share shall be used for its general corporate requirements. These include, but are not limited to, working capital requirements of Associates, administrative expenses and other costs shouldered by the Company in the normal course of business operations not specifically related to any single project.

In the event of any material deviation, substantial adjustment or reallocation in the planned use of proceeds, the Company will secure the approval of its Board of Directors for such deviation, adjustment or reallocation, and promptly make the appropriate disclosures to the SEC and the PSE. The Company will also secure DOE approval should there be any change in the planned use of proceeds that will directly affect the work program disclosed with the DOE. The Company shall regularly disclose to the PSE, through the PSE Electronic Disclosure Generation Technology ("PSE EDGE"), any disbursements from the proceeds generated from the Offer. In addition, the Company shall likewise submit via the PSE EDGE the following disclosures to ensure transparency in the use of proceeds:

1. Any disbursements made in connection with the planned use of proceeds from the Offer;

2. Quarterly progress report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter, which shall be certified by the Company's Chief Financial Officer or Treasurer and external auditor;

3. Annual summary of the application of proceeds on or before January 31 of the year following the Offer, which shall be certified by the Company's Chief Financial Officer or Treasurer and external auditor; and

4. Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the work program. The actual disbursement or implementation of such reallocation will be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items 2 and 3 above shall include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation will state the approval of the Company's Board of Directors as required in item 4 above.

PLAN OF DISTRIBUTION

1,528,198,817 of the Firm Shares, or approximately 80% of the Firm Shares, are (subject to re-allocation as described below) being offered for sale (i) outside the United States by the International Joint Bookrunners in offshore transactions in reliance on Regulation S of the Securities Act, and (ii) to certain qualified buyers and other investors in the Philippines by the Sole Global Coordinator, Underwriter and Joint Bookrunner. 382,049,800 Firm Shares, or approximately 20% of the Firm Shares, are being offered by the Sole Global Coordinator, Underwriter and Joint Bookrunner at the Offer Price to all of the PSE Trading Participants, subject to final allocation, as may be determined by the Sole Global Coordinator, Underwriter and Joint Bookrunner which shall be consistent with the applicable rules and guidelines approved by the PSE. Notwithstanding the International Joint Bookrunners being named in this Prospectus, offers and/or sales by the International Joint Bookrunners of Offer Shares outside the Philippines are not governed by Philippine laws. The allocation of the Firm Shares between the Trading Participants' Offer and the Institutional Offer is subject to further adjustment as agreed by the Company and the Joint Bookrunners. The Firm Shares will be underwritten on a firm commitment basis by the Joint Bookrunners. Neither of the International Joint Bookrunners will offer, whether directly or indirectly through its affiliates, any Offer Shares in the Philippines. Any offers by the International Joint Bookrunners will be conducted outside of the Philippines. However, this is without prejudice to the option of the International Joint Bookrunners to offer shares in the Philippines in the future, provided that such International Joint Bookrunners will comply with the legal requirements under Philippine law. There is no arrangement for the Joint Bookrunners to return any of the Trading Participants' Offer Shares or the Institutional Offer Shares to the Company.

The Trading Participants' Offer

The Trading Participants' Offer Shares shall (subject to re-allocation as described below) be offered by the Sole Global Coordinator, Underwriter and Joint Bookrunner to the PSE Trading Participants. 382,049,800 Firm Shares shall be allocated among the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated approximately 3,056,300 Offer Shares (computed by dividing the Trading Participants' Offer Shares allocated to the PSE Trading Participants among the 125 PSE Trading Participants) and subject to reallocation as may be determined by the Sole Global Coordinator, Underwriter and Joint Bookrunner. The remainder of 12,300 Trading Participants' Offer Shares, plus any Offer Shares allocated to the PSE Trading Participants but not taken up by them, will be distributed by the Sole Global Coordinator, Underwriter and Joint Bookrunner to its clients, retail investors, or the general public. Trading Participants' Offer Shares not taken up by the PSE Trading Participants and which are not reallocated to the Institutional Offer, or taken up by the clients of the Sole Global Coordinator, Underwriter and Joint Bookrunner, retail investors or the general public shall be purchased by the Sole Global Coordinator, Underwriter and Joint Bookrunner pursuant to the terms and conditions of the Domestic Underwriting Agreement.

To facilitate the Trading Participants' Offer, the Company has appointed BPI Capital to act as the Sole Global Coordinator, Underwriter and Joint Bookrunner. The Company, the Selling Shareholders and the Sole Global Coordinator, Underwriter and Joint Bookrunner shall enter into a domestic underwriting agreement to be dated on or about 29 April 2021, whereby the Sole Global Coordinator, Underwriter and Joint Bookrunner agrees to underwrite the Trading Participants' Offer Shares, subject to agreement among the Joint Bookrunners on any clawback, clawforward or other such mechanism, on a firm commitment basis.

On or before 7 May 2021 the PSE Trading Participants shall submit to the designated representative of the Receiving Agent their Applications to purchase the Trading Participants' Offer Shares and the corresponding payments. Trading Participants' Offer Shares not taken up by the PSE Trading Participants may be reallocated to the Institutional Offer at the discretion of the Joint Bookrunners.

The estimated underwriting and selling fees is up to 2.00% of the gross proceeds from the Offer Shares. PSE Trading Participants who take up Trading Participants' Offer Shares shall be entitled to a selling fee of 0.25%, inclusive of VAT, of the Trading Participants' Offer Shares allocated to the relevant PSE Trading Participant. The selling fee, less the applicable withholding tax, will be paid by the Receiving Agent to the PSE Trading Participants starting on the tenth Banking Day from the Listing Date.

The Institutional Offer

1,528,198,817 Firm Shares, or approximately 80% of the Firm Shares, will be offered for sale (i) outside the United States by CLSA and UBS (acting as International Joint Bookrunners) in offshore transactions in reliance on Regulation S of the Securities Act, and (ii) to certain qualified buyers and other investors in the Philippines by the Sole Global Coordinator, Underwriter and Joint Bookrunner. Notwithstanding the International Joint Bookrunners being named in this Prospectus, offers and/or sales by the International Joint Bookrunners of Offer Shares outside the Philippines are not governed by Philippine laws. Neither of the International Joint Bookrunners will offer, whether directly or indirectly through its affiliates, any Offer Shares in the Philippines. Any offers by the International Joint Bookrunners will be conducted outside of the Philippines.

The allocation of the Firm Shares between the Trading Participants' Offer and the Institutional Offer is subject to further adjustment as may be agreed between the Company and the Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants' Offer, Institutional Offer Shares may be reallocated to the Trading Participants' Offer. If there is an under-application in the Trading Participants' Offer and if there is a corresponding over-application in the Institutional Offer, Trading Participants' Offer Shares may be reallocated to the Institutional Offer. Unless otherwise agreed by the Joint Bookrunners, the reallocation shall not apply in the event of over-application or under-application in both the Trading Participants' Offer and the Institutional Offer.

The International Purchase Agreement, entered into among the Company, the Selling Shareholders and the International Joint Bookrunners, is subject to certain conditions and may be subject to termination by the International Joint Bookrunners if certain circumstances, including force majeure, occur on or before the Listing Date.

The Domestic Underwriting Agreement is subject to certain conditions and may be subject to termination by the Sole Global Coordinator, Underwriter and Joint Bookrunner if certain circumstances, including force majeure, occur on or before the Offer Shares are listed on the PSE. Under the terms and conditions of the Domestic Underwriting Agreement and the International Purchase Agreement, the Joint Bookrunners have agreed, severally and not jointly, to procure purchasers for or failing which, to purchase the respective number of Institutional Offer Shares indicated in the following table, on a firm commitment basis, subject to agreement between the Joint Bookrunners on any clawback, clawforward or other such mechanisms relating to reallocation of the Offer Shares between the Institutional Offer and the Trading Participants' Offer.

	Number of Institutional Offers Shares	**Amount (₱)[1]**	**Percentage of Institutional Offer Shares**
BPI Capital Corporation	254,699,739	1,655,548,304	16.7%
CLSA	636,749,539	4,138,872,004	41.7%
UBS	636,749,539	4,138,872,004	41.7%

(1) Based on an Offer Price of ₱6.50 per Offer Share

The table above does not reflect the exercise of the Over-subscription Option.

Investors in the Institutional Offer will be required to pay, in addition to the Offer Price, a brokerage fee of up to 1% of the Offer Price.

The Over-subscription Option

In connection with the Offer, ACEIC has granted the Joint Bookrunners an option, exercisable in whole or in part, to increase the Offer size by up to an additional 100,000,000 Common Shares. In the event that the Over-subscription Option is exercised, the Joint Bookrunners, in consultation with the Company and ACEIC, have the discretion to allocate the Over-subscription Option Shares at the end of the Offer Period.

Joint Bookrunners

BPI Capital Corporation is a Philippine corporation organized in the Philippines as a wholly-owned subsidiary of the Bank of the Philippine Islands. It obtained its license to operate as an investment house in 1994 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. As of 31 December 2020, its total assets amounted to ₱3.9 billion and its capital base amounted to ₱3.8 billion. It has an authorized capital stock of ₱1.0 billion of which approximately ₱506.4 million represents its paid-up capital.

Except for BPI Capital Corporation, the Joint Bookrunners have no direct relations with the Company in terms of ownership by either of their respective major stockholder/s. BPI Capital Corporation is a wholly-owned subsidiary of the Bank of the Philippine Islands ("BPI"). ACEN's parent company, ACEIC, and BPI are affiliated companies, each with Ayala Corporation as a major shareholder.

UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. UBS's strategy is centered on our leading global wealth management business and our premier universal bank in Switzerland, enhanced by Asset Management and the Investment Bank. Headquartered in Zurich, Switzerland, UBS has offices over 50 regions and locations, including all major financial centers, and employs approximately 67,000 people.

CLSA, CITIC Securities' international platform, provides global investors and corporates with insights, liquidity and capital to drive their growth strategies. Award-winning research, an extensive Asia footprint, direct links to China and highly experienced finance professionals differentiate its innovative products and services in asset management, corporate finance, equity and debt capital markets, securities and wealth management.

Each of the Joint Bookrunners and its affiliates have engaged in transactions with, and have performed various investment banking, commercial banking, and other services for, the Company in the past, and may do so for the Company, the Selling Shareholders and their respective subsidiaries and affiliates from time to time in the future. However, all services provided by the Joint Bookrunners, including in connection with the Offer, have been provided as an independent contractor and not as a fiduciary to the Company or the Selling Shareholders. Joint Bookrunners do not have any right to designate or nominate a member of the Board. The International Joint Bookrunners have no direct relationship with the Company in terms of share ownership and, other than as International Bookrunners, do not have any material relationship with the Company or the Selling Shareholders.

The Joint Bookrunners will receive a transaction fee from the Company and the Selling Shareholders of up to 2.0% of the gross proceeds from the sale of the Offer Shares.

Voluntary Lock-Up

The Company and ACEIC have agreed with the Joint Bookrunners that, except in connection with the ACEIC International Transaction, the Arran Investment, and ESOP/ESOWN, they will not, without the prior written consent of the Joint Bookrunners, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Common Shares or securities convertible or exchangeable into or exercisable for any Common Shares or warrants or other rights to purchase Common Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the Listing Date.

Selling Restrictions

The distribution of this Prospectus or any offering material and the offer, sale or delivery of the Offer Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Prospectus or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Prospectus may not be used for the purpose of an offer or invitation in any circumstance in which such offer or invitation is not authorized.

Philippines

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

Indemnity

The Domestic Underwriting Agreement and the International Purchase Agreement provide that the Company and the Selling Shareholders will severally indemnify the Sole Global Coordinator, Underwriter and Joint Bookrunner and the International Joint Bookrunners, respectively, against certain liabilities, including under the Securities Act, as applicable.

DIVIDENDS

Overview

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. "Unrestricted Retained Earnings" refer to "the undistributed earnings of a corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends." The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose.

The Revised Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

Dividend Policy

The declaration of dividends in the future will depend upon the earnings, cash flow, financial condition of the Company, and other factors.

On 18 August 2020, the Board of Directors in its regular meeting approved, among others, the following: (1) the declaration of cash dividends of ₱0.04 per Share on the 13,692,457,210 issued and outstanding Shares of the Company, or a total dividend amount of ₱547,698,288.00 to be paid on or before 17 September 2020 to stockholders of record as of 3 September 2020; and (2) 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 1 January 2021 ("Regular Dividends"). On 11 November 2020, the Board amended this dividend policy to include the Board's discretion, exercised reasonably, to approve the declaration and payment of special dividends over and above the Regular Dividends.

On 18 March 2021, the Board of Directors in its regular meeting approved, among others, the declaration of cash dividends of six centavos (₱0.06) per Share on the 19,960,037,644 issued and outstanding Shares of the Company, or a total dividend amount of ₱1,197,602,258.64 to be paid on or before 19 April 2021 to stockholders of record as of 5 April 2021.

The following table summarizes the dividends previously declared and paid by ACEN for the past five years:

Date of Declaration	Record Date	Payment Date	Rate in ₱
18 March 2021	5 April 2021	19 April 2021	0.06/Share
18 August 2020	3 September 2020	17 September 2020	0.04/Share
28 February 2018	14 March 2018	5 April 2018	0.04/Share
3 March 2017	17 March 2017	31 March 2017	0.04/Share
16 December 2016	4 January 2017	16 January 2017	0.04/Share
23 February 2016	9 March 2016	23 March 2016	0.04/Share

DETERMINATION OF OFFER PRICE

The Offer Price will be determined by the Company and the Joint Bookrunners through a book-building process and discussions among the Company, the Selling Shareholders, and the Joint Bookrunners. Investors should not rely on the historical market price of the Common Shares on the PSE as an indicator of the value of the Common Shares.

The factors considered in determining the Offer Price, among others, include the Company's ability to generate earnings and cash flow, its prospects, the level of demand from institutional investors, overall market conditions at the time of the launch and the market price of listed comparable companies. The Offer Price does not have any correlation to the actual book value of the Offer Shares.

DILUTION

The net tangible book value of the Company as of 31 December 2020 was ₱1.46 per Common Share. Net book value represents the amount of the Company's total assets less its total liabilities and non-controlling interests.

Upon receipt of an estimated ₱10.01 billion net proceeds of the Offer, based on an Offer Price of ₱6.50 and the issuance of a total of 1,580,000,000 new Common Shares pursuant to the Offer, the Company's pro-forma net book value would be ₱2.19 per Common Share, representing an increase of ₱0.73 per Common Share for existing holders of Common Shares attributable to the Offer.

The following table illustrates the calculation of the net book value per Common Share before and after the Rights Offer and the Offer based on pro-forma financial statements, assuming full exercise of the Over-subscription Option:

	Prior to the ACEIC International Transaction	After the ACEIC International Transaction
I. As of 31 December 2020		
Net book value	20.02	53.88
Issued and outstanding Common Shares	13.69	30.38
Net book value per Common Share as of 31 December 2020[1]	1.46	1.77
II. Post Rights Offer		
Pro-forma net book value post Rights Offer[2]	25.33	59.19
Issued and outstanding Common Shares as of 5 February 2020	15.96	32.65
Pro-forma net book value per Common Share post Rights Offer[1]	1.59	1.81
III. After the Arran Investment		
Pro-forma net book value after the Arran Investment[3]	37.21	71.07
Issued and outstanding Common Shares after the Arran Investment	19.96	36.65
Pro-forma net book value per Common Share after the Arran Investment	1.86	1.94
IV. After the Offer (at an Offer Price of ₱6.50)		
Pro-forma net book value after the Offer [4]	47.22	81.08
Issued and outstanding Common Shares after the Offer	21.54	38.23
Pro-forma net book value per Common Share after the Offer	2.19	2.12
Increase (decrease) per share to existing shareholders attributable to the Rights Offer, the Arran Investment, the Offer and the ACEIC International Transaction	0.73	0.35

Notes:

(1) Net book value per common share is computed as the net book value divided by issued and outstanding common shares
(2) Net Rights Offer proceeds is at ₱5.31 billion. Pro-forma net book value post Rights Offer is the sum of net book value as of 31 December 2020 and the net Rights Offer proceeds
(3) Pro-forma net book value after the first tranche of the Arran Investment at ₱11.88 billion
(4) Pro-forma net book value after the Offer is the sum of the net proceeds of Offer estimated at ₱10.01 billion, assuming an offer price of ₱6.50 per Offer Share, and the pro-forma net book value prior to the Offer

Taking into account the share buyback transactions, prior to the issuance of the First SEC Approval, ACEIC held 4,990,260,640 Common Shares or 66.47% of issued and outstanding Common Shares of the Company, while public shareholders held 2,136,543,834 Common Shares, representing 28.46% of the Company's issued and outstanding Common Shares. Following the issuance of the First SEC Approval on 22 June 2020, ACEIC acquired beneficial ownership of 6,185,182,288 Common Shares pursuant to the ACEIC Philippine Transaction, with effective date as at 9 October 2019. In accordance with the sequential listing rule of the PSE, the Common Shares issued by the Company pursuant to the ACEIC Philippine Transaction were listed on the PSE on 28 January 2021.

On 29 January 2021, the Company completed the Rights Offer of 2,267,580,434 Common Shares.

The exercise of the Over-subscription Option will not result in any dilution on a per Common Share basis, as all Over-subscription Option Shares are being offered by ACEIC.

As of the date of this Prospectus, ACEIC held 55.99%, while public shareholders held 20.02% of the 19,960,037,644 outstanding Common Shares of the Company.

The following table sets forth the shareholdings and percentage of Common Shares outstanding of the existing shareholders of the Company as of the date of this Prospectus, after the completion of the Offer, assuming the Over-subscription Option is fully exercised, and the ACEIC International Transaction:

	Total	**ACEIC**		**Arran**		**Others[6]**		**Public**	
	Shares	Shares	%	Shares	%	Shares	%	Shares	%
Prior to the Arran Investment	15,960,037,644	11,175,442,921	70.02	-	-	801,292,709	5.02	3,983,302,014	24.96
Post Arran Investment (Primary)[1]	19,960,037,644	11,175,442,921	55.99	3,999,999,999	20.04	789,295,330	3.95	3,995,299,394	20.02
Post Offer[2,3]	21,540,037,644	10,775,442,921	50.03	3,999,999,999	18.57	759,046,713	3.52	6,005,548,011	27.88
Post-ACEIC International Transaction[4]	38,225,838,177	27,461,243,454	71.84	3,999,999,999	10.46	759,046,713	1.99	6,005,548,011	15.71
Post Arran Investment (Secondary)[5]	38,225,838,177	24,771,721,773	64.80	6,689,521,680	17.50	759,046,713	1.99	6,005,548,011	15.71

Notes:
(1) As of the date of this Prospectus.
(2) Assuming all Offer Shares are purchased by the public and that the Over-subscription Option is exercised in full.
(3) Assuming there are no changes to the shareholdings and that all other assumptions in this table are unchanged.
(4) The ACEIC International Transaction is expected to be completed in 2021.
(5) The completion of the purchase by Arran of secondary shares from ACEIC to acquire an effective 17.5% ownership stake in ACEN is subject to the completion of the ACEIC International Transaction and other conditions precedent. The 17.5% ownership stake is on a fully diluted basis assuming that the Offer and the ACEIC International Transaction have been completed.
(6) Comprised of the shares held by BPGC, Directors, and Officers.

The following table sets forth the shareholdings and percentage of Common Shares outstanding of the existing shareholders of the Company as of the date of this Prospectus, after the completion of the Offer, assuming the Over-subscription Option is not exercised, and the ACEIC International Transaction:

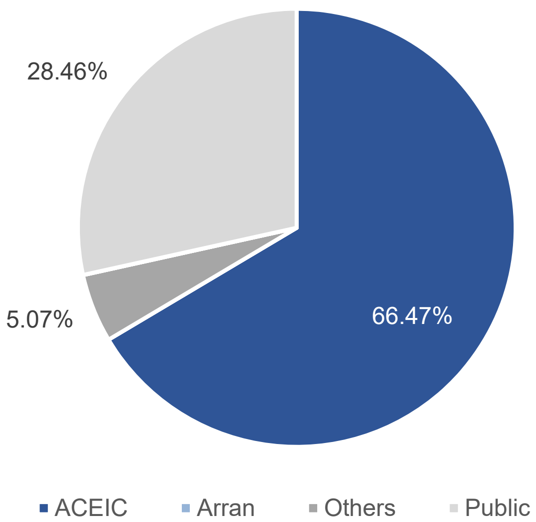
	Total	**ACEIC**		**Arran**		**Others[6]**		**Public**	
	Shares	Shares	%	Shares	%	Shares	%	Shares	%
Prior to the Arran Investment	15,960,037,644	11,175,442,921	70.02	-	-	801,292,709	5.02	3,983,302,014	24.96
Post Arran Investment (Primary)[1]	19,960,037,644	11,175,442,921	55.99	3,999,999,999	20.04	789,295,330	3.95	3,995,299,394	20.02
Post Offer[2,3]	21,540,037,644	10,875,442,921	50.49	3,999,999,999	18.57	759,046,713	3.52	5,905,548,011	27.42
Post-ACEIC International Transaction[4]	38,225,838,177	27,561,243,454	72.10	3,999,999,999	10.46	759,046,713	1.99	5,905,548,011	15.45
Post Arran Investment (Secondary)[5]	38,225,838,177	24,871,721,773	65.07	6,689,521,680	17.50	759,046,713	1.99	5,905,548,011	15.45

Notes:
(1) As of the date of this Prospectus.

(2) Assuming all Offer Shares are purchased by the public and that the Over-subscription Option is not exercised.
(3) Assuming there are no changes to the shareholdings and that all other assumptions in this table are unchanged.
(4) The ACEIC International Transaction is expected to be completed in 2021.
(5) The completion of the purchase by Arran of secondary Shares from ACEIC to acquire an effective 17.5% ownership stake in ACEN is subject to the completion of the ACEIC International Transaction and other conditions precedent. The 17.5% ownership stake is on a fully diluted basis assuming that the Offer and the ACEIC International Transaction have been completed.
(6) Comprised of the shares held by BPGC, Directors, and Officers.

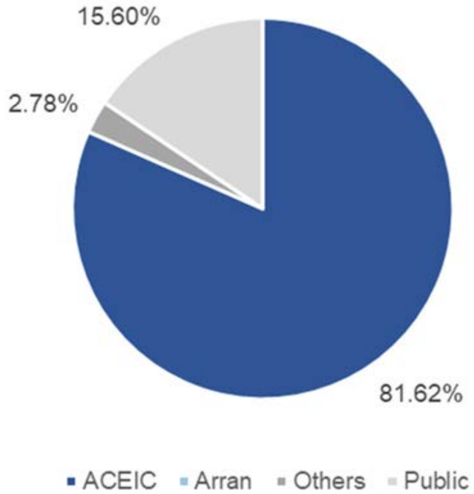
The following charts and tables display the foregoing information in a visual format including the effects of the ACEIC Philippine Transaction and the Rights Offer.

The chart and table below display the amounts and percentages of the Company owned by ACEIC, Arran, the public, and others prior to the ACEIC Philippine Transaction.



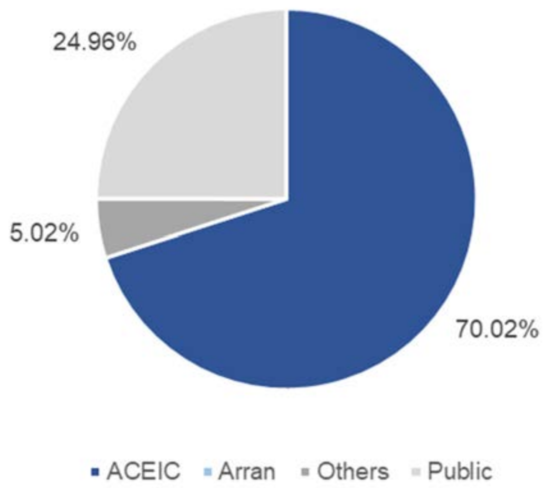
	Shares
ACEIC	4,990,260,640
Arran	-
Others	380,470,448
Public	2,136,543,834
Total	**7,507,274,922**

The chart and table below display the amounts and percentages of the Company owned by ACEIC, Arran, the public, and others after the ACEIC Philippine Transaction.



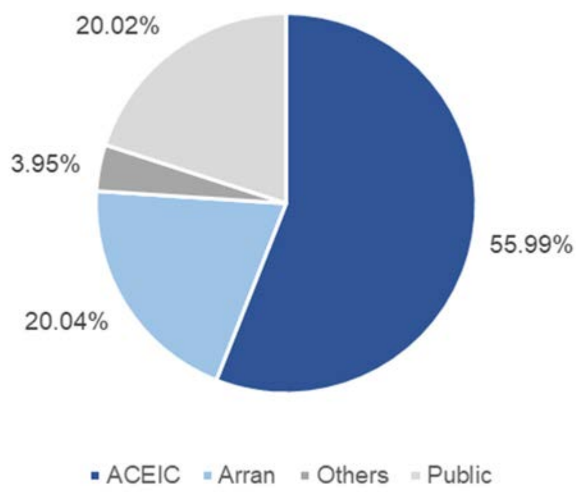
	Shares
ACEIC	11,175,442,921
Arran	-
Others	380,444,899
Public	2,136,569,400
Total	**13,692,457,210**

The chart and table below display the amounts and percentages of the Company owned by ACEIC, Arran, the public, and others after the Rights Offer.



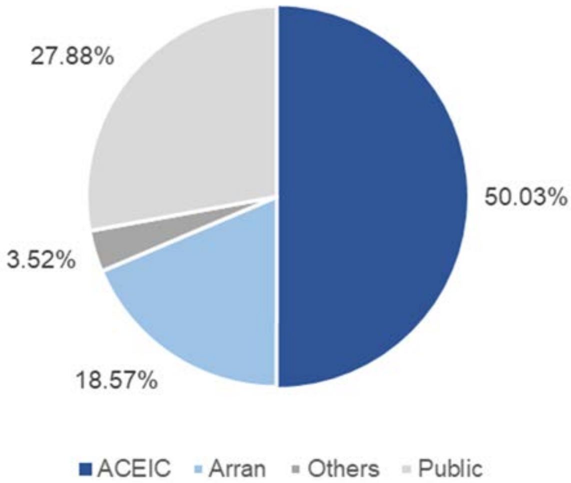
	Shares
ACEIC	11,175,442,921
Arran	-
Others	801,292,709
Public	3,983,302,014
Total	**15,960,037,644**

The chart and table below display the amounts and percentages of the Company to be owned by ACEIC, Arran, the public, and others after the Arran Investment with respect to its purchase of primary Shares from ACEN.



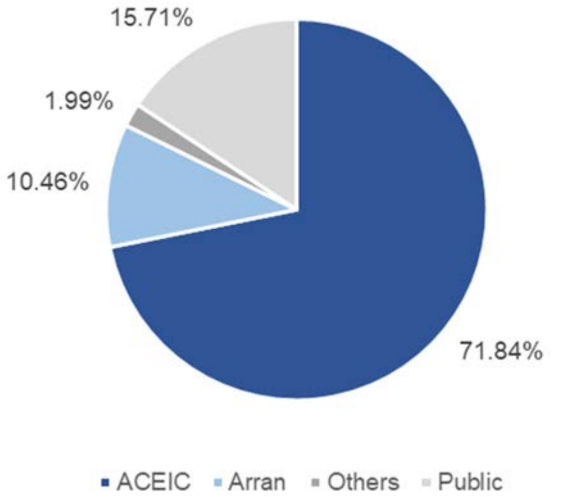
	Shares
ACEIC	11,175,442,921
Arran	3,999,999,999
Others	789,295,330
Public	3,995,299,394
Total	**19,960,037,644**

The chart and table below display the amounts and percentages of the Company to be owned by ACEIC, Arran, the public, and others after the Offer. The figures below assume the Over-subscription Option is exercised in full and that all Offer Shares are purchased by the public. They also assume there are no changes to shareholders and that all other assumptions are unchanged.



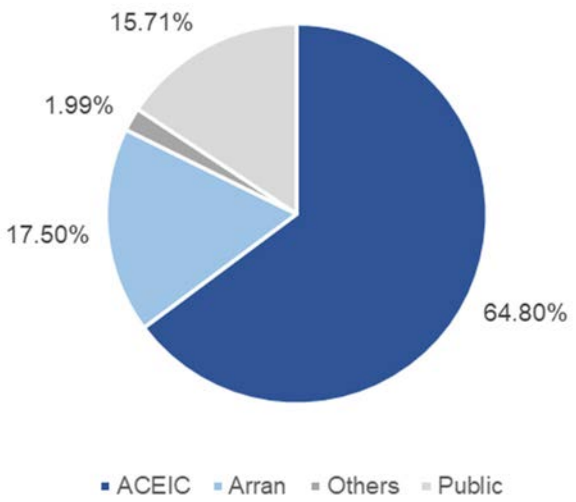
	Shares
ACEIC	10,775,442,921
Arran	3,999,999,999
Others	759,046,713
Public	6,005,548,011
Total	**21,540,037,644**

The chart and table below display the amounts and percentages of the Company to be owned by ACEIC, Arran, the public, and others after the ACEIC International Transaction, which is expected to be completed in 2021.



	Shares
ACEIC	27,461,243,454
Arran	3,999,999,999
Others	759,046,713
Public	6,005,548,011
Total	**38,225,838,177**

The chart and table below display the amounts and percentages of the Company to be owned by ACEIC, Arran, the public, and others after the Arran Investment with respect to its purchase of secondary Shares from ACEIC, which is subject to completion and other condition precedents.



	Shares
ACEIC	24,771,721,773
Arran	6,689,521,680
Others	759,046,713
Public	6,005,548,011
Total	**38,225,838,177**

CAPITALIZATION

The following table sets forth ACEN's noncurrent liabilities and equity as of 31 December 2020.

For the purposes of making adjustments to the table below with respect to the Offer, the Company estimates that it will receive net proceeds of approximately ₱10,009.39 million from the sale of 1,580,000,000 Primary Offer Shares.

The Offer and amounts in the table below are conditioned on the listing of the Offer Shares on the facilities of the PSE, which is set on 14 May 2021.

The table should be read in conjunction with the Company's 31 December 2020 audited consolidated financial statements and pro forma condensed consolidated financial information as at 31 December 2020, included in this Prospectus beginning on page F-1. Other than as described below, there has been no material change in the Company's capitalization since 31 December 2020.

	Actual as of 31 December 2020	Pro-forma as of 31 December 2020 (Unaudited)	As of 31 December 2020 after the completion of the Rights Offer (Unaudited)[1]	After giving effect to the Offer (Unaudited)[2]
		(in ₱ millions)		
Noncurrent Liabilities				
Long-term loans - net of current portion	₱21,682.9	₱21,546.4	₱21,546.4	₱21,546.4
Lease liabilities - net of current portion	1,631.6	1,631.6	1,631.6	1,631.6
Pension and other post-employment benefits	50.9	50.9	50.9	50.9
Deferred income tax liabilities – net	127.7	131.0	131.0	131.0
Other noncurrent liabilities	1,609.1	1,695.0	1,695.0	1,695.0
Total Noncurrent Liabilities	25,102.3	25,055.0	25,055.0	25,055.0
Equity				
Capital stock	₱13,707.0	₱30,392.7	₱32,660.3	₱34,240.3
Additional paid-in capital	8,692.6	77,938.6	80,982.1	89,429.9
Other equity reserve	(7,541.2)	(59,617.4)	(59,617.4)	(59,617.4)
Unrealized fair value gains (losses) on equity instruments at FVOCI	(8.2)	(8.2)	(8.2)	(8.2)
Unrealized fair value losses on derivative instrument designated under hedge accounting	57.4	57.4	57.4	57.4
Remeasurement gains (losses) on defined benefit plan	(7.0)	(7.0)	(7.0)	(7.0)
Accumulated share in other comprehensive loss of a joint venture	(2.7)	(2.7)	(2.7)	(2.7)
Retained earnings	5,167.7	5,167.7	5,167.7	5,149.3
Treasury shares	(40.9)	(40.9)	(40.9)	(40.9)
Total equity attributable to equity holders of Parent Company	20,024.6	53,880.2	59,191.3	69,200.7

	Actual as of 31 December 2020	Pro-forma as of 31 December 2020 (Unaudited)	As of 31 December 2020 after the completion of the Rights Offer (Unaudited)[1]	After giving effect to the Offer (Unaudited)[2]
		(in ₱ millions)		
Non-controlling interests	1,330.5	50,399.1	50,399.1	50,399.1
Total Equity	21,355.1	104,279.3	109,590.4	119,599.8
TOTAL NON-CURRENT LIABILITIES AND EQUITY	₱46,457.4	129,334.3	134,645.4	144,654.8

Notes:

(1) Net Rights Offer proceeds is at ₱5.31 billion.
(2) Based on net proceeds from the Offer at an Offer Price of ₱6.50 per Offer Share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of the Company's financial results should be read in conjunction with the Company's consolidated financial statements as of and for the period ended 31 December 2020, 2019, 2018, and 2017 and notes thereto contained in the section entitled "**Financial Information**" and elsewhere in this Prospectus.*

*This discussion contains forward-looking statements and reflects the current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "**Risk Factors**" and elsewhere in this Prospectus.*

For the Years Ended 31 December 2020 vs 2019, as restated

The Company posted consolidated net income attributable to parent amounting to ₱3,753.81 million for the year ended 31 December 2020 compared to ₱57.65 million restated net income attributable to the Parent Company 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 31 December 2020 and 2019 and indicate the amount and percentage of increase (or decrease) for each account over the relevant period.

	For the years ended 31 December		Increase (Decrease)	
In ₱ millions	**2020**	**2019**	**Amount**	**%**
	Audited			
Revenue from sale of electricity	20,283.3	16,096.5	4,186.8	26%
Rental income	86.6	3.1	83.5	2,681%
Other revenue	69.5	–	69.5	100%
Dividend income	–	14.7	(14.7)	(100%)

- The increase in revenue from sale of electricity for the year ended 31 December, 2020 vs. last year was primarily due to the 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 feed-in tariff ("FIT") adjustment.

  In 2020, one (1) customer, Meralco, contributed revenue that exceeded 10% of the group's revenue. Revenue from Meralco amounted to P8,545 million and P133.85 million in 2020 and 2019, respectively, arising from sales from the external Philippine customers segment. Moreover, information about the contracts with its customer, Meralco, are disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2020 under Note 20, *Revenue from Sale of Electricity* and Note 33, *Significant Laws, Commitments and Contracts*. These disclosures support the significance of the Meralco contracts to the Group's revenues. In addition, the Group's revenue from sale of electricity in 2020 all came from the Philippines segment as disclosed in Note 36, *Operating Segments* of audited consolidated financial statements as at and for the year ended 31 December 2020.

- No **dividend income** was received for the year ended 31 December 2020.
- **Rental Income** increased for the year ended 31 December, 2020 vs. last year due to the contribution from entities acquired as a result of the asset swap with ACEIC. IslaSol

- **Other revenue** consists of management fees earned by ACEN from its associate and bulk water sales which were only recognized starting 2020.

Costs and Expenses

	For the years ended 31 December		Increase (Decrease)	
In ₱ millions	**2020**	**2019**	**Amount**	**%**
	Audited			
Cost of sale of electricity	13,420.5	15,302.5	(1,882.0)	(12%)
General and administrative	2,585.3	767.8	1,817.5	237%

- Despite increase in energy sale of electricity for the twelve-month period ending 31 December 2020 declined mainly due to lower WESM prices especially during the first half of 2020 compared to same period in 2019.
- **General and administrative expenses** increased due to personnel integration-related expenses, management fees paid to ACEIC, documentary stamp taxes on share issuances, advances and borrowings and provision for oil spill expenses before insurance recovery.

Other Income and Expenses

	For the years ended 31 December		Increase (Decrease)	
In ₱ millions	**2020**	**2019**	**Amount**	**%**
	Audited			
Interest and other finance charges	(1,879.9)	(976.0)	903.8	93%
Equity in net income (loss) of associates and joint ventures	898.5	207.0	691.5	334%
Other income – net	908.0	736.2	171.8	23%

- **Interest and other finance charges** is higher due to availment of new long-term and short-term loans from November 2019 to the December 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 ACEIC as well as new contracts in 2019.
- Higher **equity in net income of associates and JV** was posted in 2020 compared to same period last year mainly attributed to income contribution from PhilWind with the transfer of indirect interest from ACEIC through asset swap together with acquisition of PINAI's interest in February 2020.
- **Other income** in 2020 is higher than 2019 attributed to foreign exchange gain and advisory service fee pursuant to ACEN's Service Agreement with a third party rendered during first quarter of 2020.

Provision for income tax

	For the years ended 31 December		Increase (Decrease)	
In ₱ millions	**2020**	**2019**	**Amount**	**%**
	Audited			
Current	197.7	99.3	98.4	99%

Deferred income tax	293.1	(220.9)	514.0	233%

- The increase in **provision for income tax - current** was due to higher consolidated taxable income for the year ended 31 December 2020 which was mainly driven by revenue growth coupled with drop in cost of sales.
- **Provision for deferred income tax** in the 2020 was higher due to the reversal of deferred tax assets on NOLCO.

Material changes in Consolidated Statements of Financial Position accounts

ASSETS	**For the years ended 31 December**		**Increase (Decrease)**	
In ₱ millions	**2020**	**2019**	Amount	%
	Audited			
Current Assets				
Cash and cash equivalents	**5,135.5**	9,593.2	(4,457.8)	(46%)
Short-term deposits	**-**	100.0	(100.0)	(100%)
Receivables	**6,095.0**	3,122.4	2,972.6	95%
Fuel & spare parts at cost	**1,391.3**	938.5	452.9	48%
Current portion of:				
Input VAT	**430.1**	186.3	243.8	131%
Creditable withholding taxes	**649.3**	179.0	470.3	263%
Other current assets	**453.2**	212.8	240.4	133%
Assets held for sale	**-**	3.5	(3.5)	(100%)
Noncurrent Assets				
Plant, property and equipment	**31,837.9**	25,438.9	6,399.0	25%
Investments in associates and joint venture	**6,593.5**	2,534.1	4,059.4	160%
Financial assets at FVOCI	**1.2**	533.1	(531.9)	(100%)
Investment Properties	**341.5**	13.1	328.5	2,510%
Goodwill and other intangible assets	**2,537.1**	441.1	2,096.0	475%
Right-of-use asset	**2,343.4**	951.8	1,391.7	146%
Deferred income tax assets - net	**416.4**	653.9	(237,.6)	(36%)
Net of current portion				
Input VAT	**1,177.8**	372.9	804.9	216%
Creditable withholding taxes	**601.8**	861.2	(259.4)	(30%)
Other noncurrent assets	**3,570.2**	2,401.6	1,168.5	49%

- Decrease in **cash and cash equivalents** was due to various expenditures for development projects and new investments including strategic acquisitions. Refer to Consolidated Statements of Cash Flows for the detailed movement.
- Decrease in **short term investments** was due to redemption of time deposit of ACEN.
- Increase in **receivables** mainly attributed to the approval of the price adjustment for a power supply contract and accrual of additional revenue 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, together with settlement of fuel commodity swaps which were unconsumed as of year-end.

- 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 Group.
- **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 other current assets.
- **Assets held for sale** was reclassified back to plant, property and equipment as the Group changed its intention of selling to using the asset of One Subic Oil for future projects.
- **Plant, property and equipment** increased due to significant capital expenditures of the Group for its line-up of projects: ₱2.90 billion for the solar farm project in Alaminos, Laguna, ₱897.22 million for the solar farm project in Palauig, Zambales and ₱232.63 million for the 150MW diesel-fired power facility in Pililia, Rizal were some of the major contributors. The account also increased with the consolidation of IslaSol's and SacaSol's fixed assets.
- **Investments in associates and joint venture** increased mainly due to additional ₱2.57 billion investments in PhilWind and share in equity earnings for the year, partially offset by ₱186.51 million impairment of investments in NIBHI.
- **Financial assets at FVOCI** decreased upon obtaining control of IslaSol and SacaSol with the Group's step acquisition in March 2020.
- **Goodwill & other intangible assets** increased mainly as a result of acquisition of recognition of SacaSol identifiable FIT contract as intangible asset amounting to ₱2.19 billion, as well as goodwill on acquisition of IslaSol amounting to ₱12.45 million.
- Majority of the balance of **deferred tax asset** came from recognition on NOLCO and lease liabilities. Despite the increase from acquisition of IslaSol and SacaSol, deferred tax asset of the Group went down mainly due to the application of the Group'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** significant increased came from consolidation of IslaSol and SacaSol leased properties. Increase was also attributable to new lease agreements from Ingrid and BCHC amounting to ₱261.73 million and ₱50.32 million, respectively.
- **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.

	For the years ended 31 December		**Increase (Decrease)**	
In ₱ millions	**2020**	**2019**	**Amount**	**%**
	Audited			
Current Liabilities				
Accounts payable and other current liabilities	**6,539.2**	4,199.6	2,339.7	56%
Short-term loans	**9,438.6**	3.6	9,435.0	265,327%
Current portion of long-term loans	**707.8**	905.9	(198.1)	(22%)
Current portion of lease liability	**285.0**	128.8	156.2	121%
Income and withholding taxes payable	**129.1**	41.2	87.9	213%
Due to stockholders	**18.3**	16.6	1.7	10%
Noncurrent liabilities				

	For the years ended 31 December		Increase (Decrease)	
In ₱ millions	**2020**	**2019**	**Amount**	**%**
	Audited			
Pension & other employment benefits	**50.9**	71.0	(20.1)	(28%)
Long-term loans - net of current portion	**21,682.9**	22,292.7	(609.8)	(3%)
Lease liability – net of current portion	**1,631.6**	852.7	778.9	91%
Deferred tax income liabilities - net	**127.7**	350.5	(222.8)	(4%)
Other noncurrent liabilities	**1,609.1**	3,289.9	(1,680.8)	(51%)
Equity				
Capital stock	**13,707.0**	7,521.8	6,185.2	82%
Additional paid in capital	**8,692.6**	83.8	8,608.8	10,277%
Other equity reserve	**(7,541.2)**	5,366.5	(12,907.7)	(241%)
Unrealized FV gains on equity instruments at FVOCI	**(8.2)**	(96.6)	88.4	92%
Remeasurement losses on defined Benefit plan	**(7.0)**	9.3	(16.3)	(176%)
Unrealized fair value losses on Derivative instruments designated under hedge accounting	**57.4**	(14.7)	72.2	459%
Accumulated comprehensive income of JV & associates	**(2.7)**	(2.1)	(0.6)	29%
Retained earnings	**5,167.7**	3,296.3	1,871.4	57%
Treasury shares	**(40.9)**	(27.7)	(13.2)	(48%)
Non-controlling interests	**1,330.5**	248.6	1,081.9	435%

- **Accounts payable and other current liabilities** went up mainly driven by the increase in payables to contractors, which include both manpower cost related to plant preventive maintenance and purchases of property, plant and equipment and spare parts, utilities and insurance payables. Deferred output tax also significantly increased with higher sales volume. Consolidation of IslaSol and SacaSol also contributed to the increase in the account.
- **Short term loans** went up mainly from outstanding short-term loans from affiliate AC Renewables International Pte. Ltd. amounting to ₱4.80 billion (US$100 million) and outstanding balance of ₱5.14 billion from various banks such as BDO, SBC, RCBC and CBC as at year-end. Short-term loans from acquisition of IslaSol was paid in full during the year.
- **Current portion of long-term loans** decreased due to the principal payments and pretermination of loans made during the year, mainly by ACEN.
- **Current portion of lease liability** increased due to acquisition of ISLASOL and SACASOL.
- 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.
- **Due to stockholders** increased from the declaration of dividend from MSPDC.
- **Pension & other employment benefits** decreased due to benefits paid amounting to ₱7.42 million paid from ACEN retirement fund and ₱11.96 million paid from NorthWind's operating funds, partially offset by ₱12.3 million ACEN actuarial loss from change in financial assumptions.
- **Long-term loans - net of current portion** decreased due to the principal payments and pretermination of loans mainly by ACEN. The decrease was partly offset by the new loans availed by NorthWind and ACEN amounting to ₱2.30 billion and ₱1.50 billion, respectively, to fund new investments.
- **Lease Liability-net of current portion** increased as a result of acquisition of IslaSol and SacaSol, as well as new lease agreements.

- Majority of the balance of **deferred income tax liabilities** came from recognition on unrealized foreign exchange gains and right-of-use assets of the Group as at year end.
- **Other non-current liabilities'** significant decrease came from the reclassification of the currently maturing non-trade payable for the purchase of additional 20% interest in SLTEC through the assignment of ACEIC and ACEN of the share purchase agreement executed by ACEIC and APHPC amounting to ₱1.89 billion. The amount is payable in September 2021.
- **Capital stock and additional paid in capital** increased from the issuance of common stock for the share swap agreement with ACEIC Common Shares equivalent to 6,185,182,288 at ₱2.37 per Share were issued in exchange for ACEIC's interest in various domestic entities.
- The decrease in **other equity reserve** is also resulted from the share swap transaction with ACEIC.
- The decrease in **unrealized FV gains on equity instruments in FVOCI** was due to adjustments upon completion of the step acquisition of IslaSol and SacaSol in March 2020.
- **Unrealized fair value losses on derivative instruments designated under hedge accounting** decreased in proportion to hypothetical value of the coal swap prices of the derivative contracts as at year end.
- The increase in **accumulated comprehensive loss/income of JV and associates** was a result in the adjustment made in the MGI comprehensive income.
- **Remeasurement losses on defined benefit plan** decreased as a result of various actuarial losses including a ₱12.3 million ACEN actuarial loss from change in financial assumptions.
- **Retained earnings** increased as a result of the net income earned for the year.
- **Treasury shares** increased due to 14.50 million shares repurchased amounting to ₱28.66 million during the year partially offset by the reissuance of 16.70 million ACEN shares held by BPGC amounting to ₱15.43 million.
- **Non-controlling interests** increased due to the 40% investment of TLCTI Asia to IslaSol.

Key Performance Indicators

The key performance indicators of ACEN and its majority owned subsidiaries, as consolidated, are the following:[5]

Key Performance Indicators	**Formula**	**31 Dec 2020**	**31 Dec 2019**	**Increase (Decrease)**	
				Amount	%
<u>*Liquidity Ratios*</u>					
Current ratio	Current assets / Current liabilities	0.83	2.71	(1.88)	(69%)
Acid test ratio	Cash + Short-term investments + Accounts Receivables + Other liquid assets / Current liabilities	0.66	2.42	(1.76)	(73%)
<u>*Solvency Ratios*</u>					
		1.98	1.96	0.02	1%

5 Annualized

Key Performance Indicators	Formula	31 Dec 2020	31 Dec 2019	Increase (Decrease)	
				Amount	%
Debt/Equity Ratio	Total liabilities / Total equity				
Asset-to-equity ratio	Total assets / Total equity	2.98	2.96	0.02	1%
Interest coverage ratio	Earnings before interest & tax (EBIT) / Interest expense	3.32	1.01	2.31	228%
Net Bank Debt to Equity Ratio	Short & long term loans - Cash & cash equivalents / Total equity	1.25	0.83	0.42	50%
Profitability Ratios					
Return on equity	Net income after tax attributable to equity holders of the Parent Company / Average stockholder's equity	19.89%	0.46%	19.43%	4,224%
Return on assets	Net income after tax / Average total assets	6.90%	0.39%	6.51%	1,669%
Asset turnover	Revenues / Average total assets	36.46%	47.77%	(11.31%)	(24%)

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 and other current liabilities.

Interest coverage ratio

The increase in interest coverage ratio was brought about by higher net income before interest and tax for the year ending 31 December 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 Group registered a significantly higher net income attributable to equity holders of the Parent Company of ₱3.75 billion for the year ending 31 December due to increase in energy sales and lower WESM prices, compared to ₱57.65 million net income attributable to equity holders of the Parent Company reported in the same period last year.

Asset turnover

Asset turnover decreased primarily due to significant capital expenditure of the Group during the year.

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 40 of the audited consolidated financial statements as at and for the year ended 31 December 2020.
- ACEN has material commitments to invest in capital expenditure projects mainly in the following: 120MWdc solar power project in Alaminos, Laguna through SolarAce1;
  - 63MWdc solar power project in Palauig, Zambales through Gigasol3;
  - 75MWdc solar power project in Mexico, Pampanga through Greencore 3;
  - 75MWdc solar power project in Palauig, Zambales through GigaAce8;
  - Investment in 160MW Balaoi wind project;
  - Investment into a renewable energy laboratory; and
  - Funding of up to U.S.$100 million for new technology investments in the Philippines.

  Refer to Notes to Consolidated 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 community quarantines resulted in lower demand for electricity and have driven market prices of electricity downward.
  - 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 - The Group is developing a line-up of renewable energy projects as part of its growth aspiration. The capital expenditures shall be funded by a combination of equity and debt. Several capital raising activities are also set for 2021, including the recently concluded SRO which raised ₱5.37 billion, the previously announced

subscription by GIC to ₱4 billion primary shares (subject to certain conditions precedent), and the planned FOO (subject to regulatory approvals).

- 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").

For the Years Ended 31 December 2019[6] vs 2018

The Company posted consolidated net income amounting to ₱132.9 million for the calendar year ended 31 December 2019 compared to ₱593.2 million 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 calendar year ended 31 December 2019 and 2018.

On 10 July 2019, ACEIC and Axia Power signed a share purchase agreement where ACEIC has the right to purchase Axia Power's 20% interest in SLTEC. ACEIC assigned the right to ACEN who accounted for the business combination using the pooling of interests method which resulted in the consolidation of SLTEC from 1 July 2019.

Revenues

In ₱ millions	**2019**	**2018**	**Increase (Decrease)**	**%**
	Audited			
Revenue from sale of electricity	16,096.5	15,113.5	982.9	75
Dividend income	14.7	9.1	5.6	62%
Rental income	1,359	674	685	102%

<u>Dividend income</u>
Higher dividend income was recognized from the Company's various investments and newly acquired entities in 2019 as compared to the same period last year.

<u>Rental income</u>
Increased as a result of new rental contracts entered into by the Parent Company in the first half of the year and from the rental income of the newly acquired entities.

Other Income and Expenses

In ₱ millions	**2019**	**2018**	**Increase (Decrease)**	**%**
	Audited			
Interest & other financial charges	(976.0)	(433.6)	(542.4)	125%
Equity in net earnings of associates & JV	207.0	532.5	(325.5)	(61%)
Others income – net	736.2	120.3	616.0	512%
Claims for business interruption	236.3	10.2	226.1	2,217%

6 The discussion presented below refers to the financial information for the years ended 31 December 2019 and 2018, prior to restatement.

In ₱ millions	2019	2018	Increase (Decrease)	%
	Audited			
Interest & other financial income	116.6	96.9	19.7	20%
Gain (loss) on sale of:				
Property and equipment	294.7	0.3	294.5	98,133%
Asset held for sale	14.3	-	14.3	100%
By-product	13.2	-	13.3	100%
Investment	1.4	5.8	(4.5)	(76%)
Inventory	(0.5)	-	(0.5)	(100%)
Recovery of costs from third party	-	28.6	(28.6)	(100%)
Foreign exchange gain (loss)	13.8	29.3	(15.5)	(53%)
Loss on derivatives – net	(6.9)	(15.1)	(8.2)	(54%)
Provision for unrecoverable input tax	-	(43.7)	(43.7)	(100%)
Others	53.3	8.0	45.3	566%

Interest and other finance charges

2019 interest and other finance charges increased compared to 2018 due to non-cash PFRS 16 lease adjustments and interest on the new ₱5 billion loan.

Equity in net earnings of associates and JV

The Parent Company picked up its 45% share in the net loss of SLTEC from January to June 2019 compared to a full year equity method of accounting for SLTEC which earned income in 2018.

Other income – net

Went up due to the combined effects of the following:

- Claims for business interruption from SLTEC.
- Increase in interest and other financial income due to higher level of investments.
- Gain realized from the sale of property and equipment, asset held for sale, fly ash, scrap and investment, offset by loss on disposal of inventory.
- Lower YTD foreign exchange gain on foreign-currency denominated deposits due to depreciation of peso in 2019.
- Lower loss on derivatives was posted in 2019 as compared to 2018.
- No provision for unrecoverable input tax was recorded in 2019 as compared in 2018.
- Others pertains to reimbursement of feasibility cost, reversal of outstanding payables, refund of excess business taxes paid, and oil hauling and disposal.

Provision for (benefit from) income tax

In ₱ millions	2019	2018	Increase (Decrease)	%
	Audited			
Current	99.3	20.7	78.6	380%
Deferred income tax	(220.9)	150.9	(371.8)	(246%)

Provision for income tax - current

Increase due to higher consolidated taxable income for the calendar year ended 31 December 2019.

Provision for deferred income tax

Recognition of deferred tax asset on NOLCO with expected taxable income benefit in future years, offset by the tax effect of deferred revenue.

Material changes in Consolidated Statements of Financial Position accounts

The material changes in the consolidated statement of financial position accounts were mainly due to the consolidation of Onshore Companies from the share swap agreement with ACEIC in exchange for ACEN's issuance of additional primary shares via a tax-free exchange, which rendered prior period restatement to account for the retroactive impact of the share swap transaction effective July 1, 2019, the date when ACEN and the Onshore Companies became under the common control of ACEIC.

In December 2019, the Parent Company entered into a subscription agreement with BCHC to subscribe to the increase in authorized capital stock of BCHC.

ASSETS

In ₱ millions	**2019**	**2018**	**Increase (Decrease)**	**%**
	Audited			
Current Assets				
Cash and cash equivalents	9,593.2	1,022.4	8,570.8	838%
Short-term investments	100.0	35.3	64.7	183%
Financial assets at fair value through profit and loss	-	743.7	(743.7)	(100%)
Receivables	3,122.4	2,627.3	495.1	19%
Fuel & spare parts - at cost	938.5	413.7	524.8	127%
Current portion of				
Input tax	186.3	26.3	160.0	608%
Creditable withholding tax	179.0	79.4	99.6	125%
Other current assets	212.8	182.8	30.0	16%
Asset held for sale	3.5	34.3	(30.8)	(90%)
Noncurrent Assets				
Property, plant and equipment	25,438.9	5,761.0	19,677.9	342%
Investments and advances in associates and joint ventures	2,534.1	4,322.7	(1,788.6)	(41%)
Financial assets at fair value through				
other comprehensive income	533.1	258.0	275.1	109%
profit and loss	-	5.5	(5.5)	(100%)
Investment properties	13.1	13.1	-	-
Goodwill and intangible assets	441.1	320.2	120.9	38%
Deferred income tax assets - net	653.9	261.3	392.6	150%
Right of use asset	951.8	-	951.8	100%
Net current portion of creditable				
Input VAT	372.9	335.8	37.1	11%
withholding tax	861.2	704.7	156.5	22%
Other noncurrent assets	2,401.6	1,777.2	624.4	35%

Cash and cash equivalents, short-term investments and financial assets at fair value through profit and loss

The Consolidated Statements of Cash Flows detail the material changes of these accounts.

Receivables

Increase in receivables was due to combination of Onshore Companies from share swap agreement with ACEIC.

Fuel and spare parts

Aside from the effect of SLTEC consolidation, fuel and spare parts inventory went up due to increase in fuel purchases, as well as the acquired inventoriable items from common control business combination.

Input VAT

Higher due to increase in purchases subject to VAT.

Creditable withholding taxes – current portion

Higher balance brought about by balances from Onshore Companies.

Other current assets

Increased due to Onshore Companies' advances to contractors, partially offset by collection of deposits as a result of the expiration of certain contracts.

Asset held for sale

Lower due to the sale of the Guimaras Power Plant.

Investments in associates and joint ventures and financial assets at fair value through other comprehensive income

Decrease due to the sale of shares of stock held by the Company and as a result of SLTEC consolidation.

Property, plant and equipment

Significant increase due to consolidation of SLTEC with ₱15.6 billion Plant assets and BCHC with land holdings.

Goodwill and intangible assets

Increase from acquired Solienda's and SCC's leasehold rights amounting to ₱152.34 million and ₱0.24 million, partially offset by the provision for probable loss in a geothermal service contract.

Deferred income tax assets

Increase mainly due to the recognition of deferred tax asset on NOLCO, net of reversal of DTA on deferred income.

Right of use asset

Reported as a result of the application of PFRS 16.

Creditable withholding taxes - noncurrent

Increased due to withholding from customers. Also, the Parent Company has no income tax payments for the calendar year ended 31 December 2019.

Other non-current assets

Increase due to subscriptions to Ingrid and SolarAce1 to finance initial construction requirements.

LIABILITIES AND EQUITY *In ₱ millions*	**2019**	**2018**	**Increase (Decrease)**	**%**
	Audited			
Current Liabilities				
Accounts payable and other current Liabilities	4,199.6	2,269.4	1,930.2	85%
Income and withholding taxes payable	41.2	11.8	29.4	249%
Current portion of lease liability	128.8	-	128.8	100%
Current portion of long-term loans	905.9	265.5	640.4	241%
Short-term loan	3.6	400.0	(396.4)	(99%)
Noncurrent Liabilities				
Long-term loans - net of current portion	22,292.7	6,071.5	16,221.2	267%
Lease liabilities - net of current portion	852.7	-	852.7	100%
Pension & other employee benefits	71.0	40.2	30.8	77%
Deferred income tax liabilities - net	350.5	95.2	255.3	268%
Other noncurrent liabilities	3,289.9	1,383.1	1906.8	138%
Equity				
Capital Stock	7,521.8	4,889.8	2,632.0	54%
Other equity reserve	5,366.5	18.3	5,348.2	29,225%
Unrealized fair value gains on equity instruments at FVOCI	(96.6)	59.8	(156.4)	(262%)
Unrealized fair value losses on derivative instrument designated under hedge Accounting	(14.7)	-	(14.7)	100%
Remeasurement losses on defined benefit plan	9.3	0.5	8.8	1,760%
Retained earnings	3,296.3	3,303.7	(7.4)	(1%)
Non-controlling Interests	248.6	45.5	203.1	447%

Accounts payable and other current liabilities

Higher due to increase in purchases on account and includes the current portion of payable to Axia, as well as significant assumed liabilities from Onshore Companies from the share swap.

Income and withholding taxes payable

Increase mainly due to higher tax withheld from purchases.

Current and noncurrent lease liability

Recognized due to the application of PFRS 16.

Short-term loan

Decrease due to the prepayment and amortization of loans.

Long-term loans – current and noncurrent

Increase due to ₱10.7 billion balance of SLTEC loan and the ₱5 billion loan availed by the Parent Company in November 2019, as well as assumed ₱2.13 billion loans from NorthWind arising from common control business combination.

Pension and other employee benefits

Increase due to the accrual of retirement expense for the period.

Deferred tax liabilities - net

Higher due to the tax effect of the recognition of right of use asset as a result of the application of PFRS 16.

Other noncurrent liabilities

Increase brought about by the purchase of 20% interest of Axia Power in SLTEC on account.

Capital stock

Increase due to the capital infusion of the majority stockholder.

Other equity reserve and non-controlling interests

Due to the effect of the consolidation of SLTEC and the share swap agreement with ACEIC.

Unrealized fair value gains on equity instruments at FVOCI

Decrease due to the disposal of the shares of stocks held by the Group.

Unrealized fair value losses on derivative instrument designated under hedge accounting

Effective portion of the coal hedge entered into by the Parent Company.

Remeasurement gain on defined benefit plan

higher net actuarial gains recorded in 2019 as compared to 2018.

Retained earnings

Went down due to net loss incurred during the period and the impact of the initial application of PFRS 16.

Key Performance Indicators of the Company

The table below sets forth the comparative performance indicators of the Company:

Key Performance Indicators	Formula	31-Dec-19	31-Dec-18	Increase (Decrease)	
				Difference	%
Liquidity Ratios					
Current ratio	Current assets / Current liabilities	2.71	1.74	0.97	56%

Key Performance Indicators	Formula	31-Dec-19	31-Dec-18	Increase (Decrease)	
				Difference	**%**
Acid test ratio	Cash + Short-term investments + Receivables + Other liquid assets (Financial Assets) at FVTPL / Current liabilities	2.42	1.49	0.93	42%
Solvency Ratios					
Debt to Equity ratio	Total Liabilities / Total Equity	1.96	1.26	0.70	56%
Asset to Equity ratio	Total Assets / Total Equity	2.96	2.26	0.7	31%
Interest coverage ratio	Earnings before interest & tax (EBIT) / Interest expense	1.01	0.03	0.98	3,267%
Net bank debt to equity ratio	Short and long term loans - Cash & cash equivalents / Total equity	0.83	0.68	0.15	22%
Profitability Ratios					
Return on equity	Net income after tax attributable to equity holders of the Parent Company / Average stockholder's equity	0.47%	(6.40%)	8.87%	107%
Return on assets	Net income after taxes / Average total assets	0.39%	(2.99%)	3.38%	113%
Asset Turnover	Revenues / Average total assets	47.77%	76.22%	(28.45%)	(37%)

Current ratio and Acid test ratio

Increased due to the higher cash provided by the issuance of capital stock and availment of long-term loans. On the contrary, current liabilities increased by 79% due to increase in purchases on account and taxes payable.

<u>*Debt to equity ratio and Asset to equity ratio*</u>

Rose due to higher total liabilities and total assets tempered by 96% increase in equity resulting from issuance of new shares of stocks and increase in other equity reserves from share swap with ACEIC.

<u>*Interest coverage ratio*</u>

Went up due to net income before interest.

<u>*Net debt to equity ratio*</u>

Decreased due to additional loans availed during the year.

<u>*Return on equity and assets*</u>

Went up due to net income earned in 2019.

<u>*Asset turnover*</u>

Went down as revenues increased by only 7% while average total assets increased by 70%.

Material events and uncertainties

i. There were no events that trigger direct or contingent financial obligation that was material to the Group. There were no contingent assets or contingent liabilities since the last annual balance sheet date.

ii. 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.

iii. Capital expenditures are planned to rehabilitate and improve the availability and capacity of generation assets. These will be funded by internal resources.

iv. 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 Group and its subsidiaries depend, to a significant extent, on the performance of the Philippine economy.

   – The current highly competitive environment and operation of priority-dispatch variable renewable energy have driven market prices of electricity downward, resulting in lower margins.

   – However, limitations in the supply side and unscheduled outages of plants have driven WESM prices upwards. Movements in the WESM prices could have a significant favorable or unfavorable impact on the Company's financial results.

v. There were no 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.

vi. 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 result of operations.

vii. There were no operations subject to seasonality and cyclicality except for the operation of Guimaras Wind. 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").

For the Years Ended 31 December 2018 vs 2017

Results of Operations

The tables below summarize the consolidated results of operations of ACEN's revenues, costs and expenses for the calendar year ended 31 December 2018 and 2017.

Revenues

	For the years ended		Increase (Decrease)	
In ₱ millions	2018	2017	Amount	%
	Audited			
Revenue from sale of electricity	15,113.6	17,011.0	(1,897.4)	(11%)
Dividend income	9.1	8.5	0.6	7%
Rental income	0.7	0.7	-	-

<u>*Revenue from sale of electricity*</u>

The decrease was attributable to the lower energy sales from the Parent Company's power supply business as a result of the expiration of certain customer contracts.

<u>*Dividend income*</u>

Dividend received from the Company's various investments were higher in the calendar year 2018.

<u>*Rental income*</u>

Decreased as the Parent Company used the previously leased space for its own operations.

Costs and Expenses

	For the years ended		Increase (Decrease)	
In ₱ millions	2018	2017	Amount	%
	Audited			
Cost of sale of electricity	15,109.5	16,929.2	(1,819.7)	(11%)

<u>*Costs of sale of electricity*</u>

Decreased mainly due to lower energy sales resulting in lower energy purchased. Reduction in transmission costs, repairs and maintenance, salaries and rent were also reported in 2018.

Other Income and Expenses

	For the years ended		Increase (Decrease)	
In ₱ millions	2018	2017	Amount	%
	Audited			
Interest & other finance charges	(433.6)	(513.6)	(79.9)	(16%)
Equity in net income of associate & JVs	532.5	1,025.0	(492.5)	(48%)
Other income - net	120.3	105.6	14.6	14%

Interest and other finance charges

Went down due to payment of the amortization of long-term loans of the Company and its subsidiary, GWC.

Equity in net income of associates and JV

Posted lower result in 2018 as compared to 2017 due to lower generation caused by unscheduled shutdowns of SLTEC during the third quarter of 2018.

Other income – net

Went up due to the combined effects of the following:

- Increase in interest and other financial income due to higher fair value gains on investments held for trading and higher level of investments.
- Higher YTD foreign exchange gain on foreign-currency denominated deposits due to depreciation of peso in 2018.
- Loss on derivatives was posted in 2018 as compared to gain on derivatives in 2017. This was primarily from forward contracts entered into in 2017 that matured in 2018.
- Gain was realized on the sale of property, plant and equipment and investment in 2018.
- Loss on sale of AFS investments in 2017 was incurred due to lower market value of shares.
- Reimbursement of expenses was collected in 2018.

Provision For (Benefit From) Income Tax

	For the years ended		Increase (Decrease)	
In ₱ millions	**2018**	**2017**	**Amount**	**%**
	Audited			
Current	20.7	72.7	(52.0)	(72%)
Deferred income tax	150.9	(376.4)	527.3	140%

Provision for income tax - current

Decreased due to lower consolidated taxable income in 2018.

Provision for deferred income tax

Lower in 2018 due to the tax effect of deferred revenue and non-recognition of deferred tax asset on NOLCO in 2018.

Material changes in Consolidated Statements of Financial Position accounts

ASSETS	As of 31 December		Increase (Decrease)	
In ₱ millions	**2018**	**2017**	**Amount**	**%**
	Audited			
Current Assets				
Cash and cash equivalents	1,022.4	1,301.0	(278.6)	(21%)
Short-term investments	35.3	478.4	(443.0)	(93%)
Investments held for trading	-	1,483.5	(1,483.5)	(100%)
Financial assets at FVPTL	743.7	-	743.7	100%
Fuel & spare parts - at cost	413.7	321.5	92.1	29%

ASSETS	As of 31 December		Increase (Decrease)	
In ₱ millions	2018	2017	Amount	%
	Audited			
Current portion of:				
Input VAT	26.3	20.1	6.2	31%
Creditable withholding taxes	79.4	598.5	(519.1)	(87%)
Other current assets	182.8	281.6	(98.8)	(35%)
Assets held for sale	34.3	-	34.3	100%
Noncurrent Assets				
Property, plant & equipment	5,761.0	6,130.2	(369.2)	(6%)
Investments and advances	4,322.7	4,057.6	265.1	7%
Financial assets at:				
FVOCI	258.0	-	258.0	100%
FVTPL	5.5	-	5.4	100%
Available-for-sale investments	-	293.1	(293.1)	(100%)
Investments properties	13.1	50.9	(37.8)	(74%)
Goodwill and other intangible assets	320.2	380.1	(59.9)	(16%)
Deferred income tax assets - net	261.3	430.3	(168.9)	(39%)
Noncurrent portion of creditable withholding tax	704.7	-	704.7	100%

Cash and cash equivalents, short-term investments, investments held for trading and financial assets at fair value through profit or loss

The Consolidated Statements of Cash Flows detail the material changes of these accounts.

Fuel & spare parts

Increased due to increase in fuel purchases coupled with higher fuel cost.

VAT – current portion

Increased due to higher deferred input tax.

Creditable withholding tax - current portion

The Parent Company has no taxable income in 2018 which resulted in the reclassification of its current creditable withholding taxes to noncurrent.

Other current assets

Decreased primarily due to the application of deposit receivable and reclassification from current to noncurrent.

Asset held for sale

Recognized in 2018.

Investment property

Decreased due to reclassification of the property to asset held for sale account.

Property, plant and equipment

Decreased primarily due to depreciation recorded in 2018 and collection of insurance claim.

Investments in associates and joint ventures

Increased as brought about by reclassification of investment in subsidiary (PHINMA Solar) to investment in joint venture.

Available-for-sale investments

With the implementation of PFRS 9, reclassified into *financial assets at fair value through other comprehensive income and fair value through profit or loss*. The Parent Company sold its financial assets at fair value through other comprehensive income in 2018.

Investment properties

Decreased due to the depreciation expense recorded during the year and the reclassification to asset held for sale.

Goodwill and intangible assets

Dropped due to provision for probable losses on deferred exploration costs set up in 2018.

Deferred income tax assets

Decreased mainly due to the non-recognition of deferred tax asset of NOLCO and reversal of deferred income.

LIABILITIES & EQUITY	**As of 31 December**		**Increase (Decrease)**	
In ₱ millions	**2018**	**2017**	**Amount**	**%**
	Audited			
Current Liabilities				
Short-term loans	400.0	-	400.0	100%
Accounts payable and other current liabilities	2,269.4	2,759.0	(489.6)	(18%)
Income and withholding taxes payable	11.8	42.3	(30.5)	(72%)
Due to stockholders	16.6	15.3	1.4	9%
Current portion of long-term loans	265.5	227.0	38.5	17%
Noncurrent liabilities				
Long-term loans - net of current portion	6,071.5	6,622.4	(551.0)	(8%)
Pension & other employment benefits	40.2	36.1	4.1	11%
Deferred tax income liabilities - net	95.2	111.4	(16.2)	(15%)
Other noncurrent liabilities	1,383.1	1,805.5	(422.4)	(23%)
Equity				
Unrealized FV gains on equity instruments at FVOCI	59.8	-	59.8	100%
Unrealized FV gains on AFS investments	-	85.9	(85.9)	(100%)
Remeasurement gains (losses) on defined benefit plan	0.5	(3.1)	3.7	117%
Accumulated share in OCI of JV	(2.2)	(3.4)	1.2	36%
Retained earnings	3,303.7	4,019.0	(715.3)	(18%)
Non-controlling interests	45.5	78.1	(32.7)	(42%)

Short-term loan

Availed in the third quarter of 2018.

Accounts payable and other current liabilities

Decreased due to the settlement of purchases on account and lower level of payables to SLTEC whose Unit 2 was not operating as of year-end.

Income and withholding taxes payable

Decreased mainly due to lower tax withheld at the end of 2018.

Due to stockholders

Increased as brought about by unclaimed cash dividend checks in 2018.

Long-term loans – net of current portion

Principal amounts payable within 1 year were reclassified from noncurrent to current portion

Pension and other employees' benefits

Increased due to the accrual of retirement expense in 2018.

Deferred income tax liabilities – net

Decreased due to tax effect of the depreciation of leasehold rights, and excess of cost over fair value of power plant.

Other noncurrent liabilities

Decreased due to amortization of deferred revenue in 2018.

Unrealized fair value gains on equity instruments at FVOCI and Unrealized fair value gains on AFS investments

The movements due to the initial application of PFRS 9.

Remeasurement gains (losses) on defined benefit plan

The movement was due to the actuarial gains booked in 2018.

Accumulated share in other comprehensive income of a joint venture

Decreased due to the adjustment in remeasurement loss on defined benefit plan of MGI and SLTEC.

Retained earnings

Decreased due to cash dividends paid and net loss incurred in 2018.

Non-controlling interests

Decreased due to net loss incurred in 2018.

Key Performance Indicators of the Company

The key performance indicators of ACEN and its majority owned Associates, as consolidated, are the following:

Key Performance Indicators	Formula	31-Dec-18	31-Dec-17	Increase (Decrease)	
				Difference	%
Liquidity Ratios					
Current ratio	Current assets / Current liabilities	1.74	2.37	(0.63)	(27)
Acid test ratio	Cash and cash equivalents + Short-term investments + Accounts Receivables + Other liquid assets (Investments held for trading and financial assets at fair value through profit or loss) / Current liabilities	1.49	1.97	(0.48)	(24)
Solvency Ratios					
Debt/Equity Ratio	Total liabilities / Total Equity	1.26	1.27	(0.01)	(1)
Asset to equity ratio	Total assets / Total equity	2.26	2.27	(0.01)	(0)
Interest coverage ratio	Earnings before interest & tax (EBIT) / Interest expense	0.03	1.08	(1.05)	(97)
Net bank debt to equity ratio	Short and long term loans - Cash & cash equivalents / Total equity	0.68	0.61	0.07	11
Profitability Ratios					
Return on equity	Net income after tax / Average stockholder's equity	-6.77%	3.83%	(10.60)	(277)
Return on assets	Net income after taxes / Average total assets	-2.99%	1.68%	(4.67)	(278)
Asset turnover	Revenues / Average total assets	76.22%	82.25%	(6.03)	(7)

Current ratio & Acid test ratio

Decreased due to the 28% decrease in current assets primarily brought about by the decrease in cash & cash equivalents used in operating activities and reclassification of creditable withholding tax from current to noncurrent. Current liabilities decreased by 3% due to decrease in accounts payable, offset by the increase in current portion of long-term loans and availment of short-term loan in 2018.

Debt to equity ratio and Asset to equity ratio

Slightly increased due to the 8% decrease in equity brought about by payment of cash dividends and net loss incurred in 2018.

Interest coverage ratio

Dropped brought about by net loss before interest and tax in 2018.

Net debt to equity ratio

Slightly increased due to the decline in equity.

Return on equity and assets

Went down due to net loss incurred in the period.

Asset turnover

Decreased as revenues decreased by 11%.

Material Events and Uncertainties

i. There were no events that trigger 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.

ii. 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.

iii. Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures -

- The Company has projects in solar roof, 40MW expansion of Guimaras Wind and 45MW solar farm in Batangas. Negotiations with interested parties and various distribution utilities are on-going. The plan for funding these projects will come partly from participation of offtakers and partly from external capital.

iv. 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 Associates depend, to a significant extent, on the performance of the Philippine economy.
- The current highly competitive environment and operation of priority-dispatch variable renewable energy 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.

v. 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.

vi. 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 result of operations.

vii. There were no operations subject to seasonality and cyclicality except for the operation of Guimaras Wind farm. 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”).

BUSINESS

The Company

AC Energy Corporation is a corporation duly organized and existing under Philippine law with SEC Registration No. 39274, and listed with the PSE with ticker symbol "ACEN" (formerly "ACEPH" and "PHEN"). It was incorporated on 8 September 1969, and was originally known as "Trans-Asia Oil and Mineral Development Corporation," reflecting its original purpose of engaging in petroleum and mineral exploration and production. In order to diversify its product and revenue portfolio, the Company invested in power generation and supply, which eventually became its main business and revenue source. On 11 April 1996, the Company's name was changed to "Trans-Asia Oil and Energy Development Corporation." On 22 August 2016, the Company aligned its name with its then parent company to become known as "PHINMA Energy Corporation," and extended its corporate life for another 50 years. On 17 September 2019, the stockholders of the Company voted to rename the Company to "AC Energy Philippines, Inc." to recognize its affiliation with its largest stockholder, ACEIC, which the SEC approved on 11 October 2019. On 19 April 2020, the stockholders voted to rename the Company to "AC Energy Corporation" to recognize the potential offshore expansion of the Company through the ACEIC International Transaction, which the SEC approved on 5 January 2021.

ACEN is engaged in the business of providing integrated power solutions, power generation and electricity supply, renewable energy, and resource exploration and development. As a power generator and electricity supplier, the Company manages a diversified portfolio of renewable and conventional power generation projects. Upon completion of the ACEIC International Transaction, ACEN shall expand its portfolio to include power generation projects in Australia, Indonesia, Vietnam, and India. The Company is a pioneer in electricity supply and trading in the WESM. As a RES, the Company can participate in the Retail Competition and Open Access ("RCOA") and serve the needs of contestable customers and electric cooperatives through its customized power solutions. As an energy resource developer, the Company is engaged in resource exploration and development, particularly on oil and gas through its subsidiary, ACE Enexor, Inc. ("ACE Enexor"), formerly PHINMA Petroleum and Geothermal, Inc., and on renewable energy focusing on wind and solar energy in the pursuit of clean and sustainable power projects.

As of 31 December 2020, ACEN had a total Net Attributable Capacity of 1,034 MW from operating and projects under construction. Upon completion of the Company's investment and acquisition activities and the ACEIC International Transaction, the Company is expected to have a portfolio of Philippine and international assets with a Net Attributable Capacity of 2,406 MW from its operating and projects under construction as at 31 December 2020 on a pro forma basis.

Objectives and Purposes

The Company has been organized and engaged primarily in power generation and electricity supply, with secondary investments in petroleum and geothermal exploration. It is authorized to, whether directly or indirectly through its Associates to:

1) prospect for, explore, mine, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rock or carbon oils, natural gas and other volatile materials, including geothermal steam, coal, chemical substances and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein;

2) to store, hold, use, experiment with, treat reduce, distill manufacture, smelt, refine, blend, package, prepare for market, buy, sell, distribute, exchange, import, export, and transport, convert energy and generate electric power and otherwise deal in petroleum, fuel minerals and other minerals of whatever nature, whether similar or dissimilar thereto, their products,

compounds, and derivatives and other minerals and chemical substances, in crude or refined condition; and

3) to engage generally, as may be permitted by law, in the business of, and/or investing in, mining, manufacturing, contracting, electric power generation and distribution, and servicing, in addition to oil exploration within the Philippines and in other countries.

Competitive Strengths

The Company believes that it has a number of competitive strengths that it can use to enhance and leverage its position in the Philippine energy industry.

Portfolio of projects across technologies and energy sources provides stable cash flows, diversification and a strong platform for growth.

While the Company started as one of the early exploration companies in the country as the legacy Trans-Asia Oil and Mineral Development Corporation, the Company invested in power generation and supply which eventually became its main business and revenue source. The Company became an early participant in the power generation sector and was the first to generate wind powered electricity in the Visayas. Following its investment in power generation and supply, the Company grew a portfolio of both renewable and conventional power generation projects while maintaining some investment in the petroleum exploration, development and production.

The Company is one of the pioneers in the Philippine energy industry, with a Net Attributable Capacity of 396 MW based on economic interests prior to the ACEIC Philippine Transaction, principally comprised of the following:

a. 45% of the 244 MW coal-fired power plant in Calaca, Batangas through SLTEC, a joint venture with ACEIC;

b. 54 MW wind power project in San Lorenzo, Guimaras under GWC (wholly-owned);

c. 244 MW of diesel plants (all wholly-owned), including 48 MW oil-fired power plant in Norzagaray, Bulacan through BPGC; 20MW oil-fired power plant transferred to Bacnotan, La Union through wholly-owned subsidiary CIPP; 108MW Subic Bay Diesel Power Plant with eight engines, under a five-year independent power purchase agreement with One Subic;

d. 24 MW oil-fired Power Barge 101 Diesel Power Plant and 24 MW Power Barge 102 Diesel Power Plant both located in Barrio Obrero, Iloilo City (wholly-owned); and

e. 25% of the 32 MW geothermal plant in Maibarara, Santo Tomas, Batangas through MGI, a joint venture with PetroGreen Energy Corporation and PNOC Renewables Corporation.

The ACEIC Philippine Transaction increased Net Attributable Capacity in operating or under construction thermal and renewable assets by 225 MW through the infusion of the following assets:

a. 67% of the 52 MW Northwind Power in Ilocos Norte through NPDC;

b. 36% of the 81 MW North Luzon Renewables also in Ilocos Norte through NLREC;

c. 100% solar farm in the province of Negros Oriental, through MonteSol;

d. 35% of the 244 MW SLTEC power plant; including purchase of another 20% stake from Axia Power; and

e. Minority stakes (9 MW of equity carry) in other solar and biomass plants in Negros Occidental.

The transfer likewise included development pipeline to support the Company's target of 5,000 MW of Net Attributable Capacity in renewables by 2025, including various projects under construction, namely: (1) 120 MWdc solar farm in Alaminos, Laguna owned by SolarAce1, (2) 60 MWdc solar farm in Palauig, Zambales owned by Gigasol3, and (3) 150 MW peaking plant in Pililia, Rizal owned by Ingrid.

The Company has further invested in and/or acquired equity interests in the following assets:

a. 31% of the 81 MW North Luzon Renewables through GigaAce1;

b. 96% of the 45 MWdc Sacasol in through GigaAce2;

c. 98% of the 80 MWdc IslaSol farm through GigaAce3, after the subscription of ThomasLloyd;

d. 100% of the 120 MWdc of Alaminos Solar under SolarAce1 (greenfield);

e. 100% of the 60 MWdc of Palauig Solar under Gigasol 3 (greenfield);

f. 50% of the 150 MW in diesel plant under Ingrid Peaking Plant (greenfield), under a JV with Axia Power;

g. 40 MW Alaminos Battery Energy Storage System Project under GigaAce4 (greenfield); and

h. 100% of the 4 MW Bataan Solar lab under Bataan Solar (greenfield).

As of 31 December 2020, the Company has a Net Attributable Capacity of 1,034 MW from operating projects and projects under construction.

Along with exploration and power generation, the Company is one of the pioneers in the wholesale and retail electricity market in 2006. As of 31 December 2020, the Company holds around 182 MW of retail/contestable and 310 MW of wholesale customer contracts.

The Company believes that with the portfolio approach to its investments, the Company has a blend of seasoned and new operating projects that provide stable cash flows underpinned by attractive, long-term contractual arrangements and a diverse business model (a combination of bilateral contracts, spot sales and FIT contracts), fuel types, and technologies that the Company is able to leverage as a domestic platform for renewable capacity expansion.

Strong pipeline of projects in partnership with recognized and accomplished power industry developers, operators and investors provides a visible path to growth.

The Company believes that its partners in its operations are some of the most established developers and operators of conventional and renewable assets. In addition to pursuing attractive investment opportunities together with the sector's most established names, the Company believes that its commitment to its objectives, visible track record of success in achieving growth and the ability to forge partnerships in various market segments has made it a partner of choice.

Key among the Company's partners in the Philippines are the following:

- PINAI, an infrastructure-focused fund whose investors include the Macquarie Group, and the Asian Development Fund, has also been a repeat partner of the group. The Company has recently acquired the stakes of PINAI in PWHC, Sacasol and IslaSol. See section on "***Material Contracts***" beginning page 172 of this Prospectus.

- UPC Renewables, a U.S.-based renewable energy developer with over 20 years of global experience in the construction and operations of wind and solar energy projects. UPC Renewables has developed over 3,500 MW of wind and solar projects, has a presence across 12 countries and has built 70 projects with approximately U.S.$5.0 billion of project debt and equity deployed. ACEIC began its partnership with UPC Renewables in 81 MW North Luzon Renewables.
- Mitsubishi Corporation ("Mitsubishi"), is a global conglomerate operating in the energy, commodities, infrastructure, automotive, and consumer goods industries. Mitsubishi is part of the 81 MW North Luzon Renewables partnership through its subsidiary, Diamond Generating Asia Limited. Ayala Corporation and Mitsubishi Corporation have been partners since 1974.
- Marubeni Corporation, ("Marubeni") one of Japan's largest trading houses and among the most active Japanese groups in the Philippines. Marubeni initially acquired an interest in SLTEC through its subsidiary Axia Power, which has been purchased by the Company. Axia Power has signed a shareholders' agreement for the development, construction and operation of the 150 MW Ingrid Peaking Plant in Pililia, Rizal.
- Citicore Renewable Energy Corp. ("CREC") is a wholly-owned subsidiary of Citicore Power Inc., in turn a wholly-owned subsidiary of Citicore Holdings Investment Inc. Among its affiliate companies are Megawide Construction Corporation, primarily engaged in construction, and MySpace Properties, Inc., a property holding company. CREC has partnered with the Company for the development, construction and operation of the 72 MWdc solar plant in Arayat and Mexico Pampanga.
- Solar Philippines Power Project Holdings, Inc. is one of the largest independent power developers in the Philippines. The Company has signed a deed of absolute sale for the purchase of shares owned by SP in SPCLC and has subscribed to shares of the SPCLC to implement the joint venture between ACEN and SP for the development of solar power projects in the Philippines.

The Company believes that its various partnerships provide it with the ability to source high quality projects efficiently and with local market expertise, help drive the Company towards becoming the largest listed renewables platform in Southeast Asia and achieving its goal of 5,000 MW of Net Attributable Capacity in renewables by 2025.

The Company is well positioned to capture future demand growth in various forms of power generation in the Philippines.

Demand for electricity in the Philippines is expected to continue its growth. Based on the Power Development Plan 2016-2040 published by the DOE, to meet the projected electricity demand requirement by 2040, the power system capacity addition that the Philippines will require is 43,765 MW broken down as follows: 25,265 MW for baseload, 14,500 MW for mid-merit and 4,000 MW for peaking. For 2018-2022, the DOE estimates that there is only approximately 6,000 MW of private sector-initiated power projects that are either committed or indicative. There is a huge unserved demand that the Company can tap with its diversified portfolio of projects in operation and in the pipeline.

The Company's ability to produce and source electricity from various sources means that it has the flexibility to allocate its energy production for both base and peak demands.

The Company's base load power is used to meet customers' average demand, while its peaking plants can be quickly operated to supplement requirements during peak periods.

The expansion of the Company's power generation portfolio via its upcoming projects will continue to increase its flexibility in meeting the varying power requirements of its customers at the lowest cost possible. This diversity of power sources also allows the Company to significantly mitigate the risks attendant to meeting its customers' peak and base power needs.

Based on the DOE's Power Development Plan, there is a forecast of a power supply shortage beginning in 2022-2023. Given the longer construction period required by conventional power plants, solar power plants or wind farms that can be built in a period of one to two years are in the best position to address the immediate supply gap. The Company has maintained a healthy pipeline of renewable projects that will be faster to build than conventional projects allowing the Company to take advantage of the market opportunity. In addition, its peaking plants are well-positioned to address peak demand in case of shortages in the market.

Well-positioned to benefit from the Philippines increasingly embracing renewable energy sources to address its long-term energy needs.

The narrative of the Philippine power sector is underpinned by its robust economic fundamentals and attractive demographic qualities. The Philippines' GDP has been growing at +8.8% compound annual growth rate ("CAGR") from 2009 to 2019, while the World Bank expects the Philippine economy to contract by 6.9% in 2020 before rebounding to 5.3% and 5.6% growth in 2021 and 2022, respectively. Fitch Solutions, an affiliate of the Fitch Group forecasts power consumption to grow at an annual average of +4.6% from 2020 to 2029, despite the effects of the COVID-19 pandemic. In order to meet increasing demand, growth in installed capacity is essential and has compelled the Philippine government to encourage the expansion in renewable energy capacity. The National Renewable Energy Program has set a target of reaching 15,304 MW of installed renewable capacity by 2030 (vs approximately 3,500 MW in 2017), represents approximately 50% of the country's forecast total energy capacity. Other key regulatory developments also include the moratorium on endorsements for greenfield coal power plants as declared by the DOE in October 2020.

In addition, renewable initiatives are currently in-place or being drafted to support this renewable target. This includes the 20-year feed-in tariffs for solar, wind, biomass and hydro energy which were introduced in 2013 and the Renewable Portfolio Standards, the regulations for which were issued by the DOE in 2017 and 2018. The RPS mandate electric power industry participants to source or produce a specified portion of their electricity requirements from eligible Renewable Energy ("RE") resources in order to encourage development of indigenous and environmentally friendly energy sources.

Under the RPS Rules, the mandated participants include:

a) Distribution Utilities for the captive customers;

b) RES for contestable customers;

c) Generating Companies to the extent of the demand of their actual supply to their directly-connected customers;

d) Other entities as may be recommended by the NREB and approved by the DOE.

The RPS Rules established the minimum annual RPS requirement. This pertains to the RE share of electricity coming from RE resources in the energy mix based on an aspirational target of 35% in the generation mix expressed in MWh by 2030, subject to regular review and assessment by the DOE.

The RPS Rules also established the minimum annual incremental RE percentage. This is initially set at 1% to be applied to the net electricity sales of the mandated participant for the previous year, and thereafter adjusted by the DOE as may be necessary.

For the purpose of compliance with the RPS Rules for On-Grid Areas, the eligible RE facilities utilizing the following technologies and resources shall be:

a) Biomass;

b) Waste-to-energy technology;

c) Wind energy;

d) Solar energy;

e) Run-of-river hydroelectric power systems;

f) Impounding hydroelectric power systems;

g) Ocean energy;

h) Hybrid systems as defined in the RE Act with respect to the RE component;

i) Geothermal energy; and

j) Other RE technologies that may be later identified by the DOE;

provided that, the RE facilities utilizing these technologies to be eligible under RPS compliance and Renewable Energy Certificates ("RECs") attribution, they shall have been in commercial operations after the effectivity of the RE Act in 2008.

The RPS Rules enabled the creation of an RE Market where mandated participants comply with the minimum annual RPS requirement through the allocation, generation, purchase, or acquisition, generation from net metering arrangements, of RECs. One certificate represents one MWh of generation produced from a registered eligible RE facility.

With an additional 225MW of Net Attributable Capacity in thermal and renewables gained from the ACEIC Philippine Transaction and a target of growing this to 5,000MW by 2025, the Company is well-positioned to address the country's need for clean power sources, and benefit from the RPS mandated by the DOE.

The Company's ownership of RE facilities is not perpetual and is subject to permits, licenses, useful life of assets, corporate life of the SPVs holding the assets, and other factors. At the end of an RE asset's useful life, the Company has the option to repower the plant and reinvest new capital. The current FIT contracts of the Group's RE projects in the Philippines have an approximately 20-year tenor.

The Company has an optimal mix of supply and customer contracts.

The Company has around 182MW of retail customer contracts as of 31 December 2020. In addition, the recent Supreme Court ruling, upholding the requirement of Power Supply Agreements submitted by MERALCO and other distribution utilities with the ERC after 30 June 2015 to undergo a competitive selection process, provided an opportunity for the Company to enter into wholesale supply contracts with the distribution utility. The Company won the bid to supply MERALCO with a 200 MW baseload demand from 26 December 2019 to 26 December 2029. Subsequently, the Company won the bid to supply 110 MW mid-merit supply to MERALCO from 26 December 2019 to 26 December 2024. The Company received a copy of the provisional ERC approvals for the contracts on 31 January 2020 and the final approvals on 13 May 2020 for the baseload and on 1 June 2020 for the mid-merit. The

Company's larger supply portfolio will help supply this demand, coupled with the new projects in the pipeline.

In addition to this, 250 MW in the Company's renewable energy portfolio have feed-in tariffs under 20-year contracts with the Philippine government as of the date of this Prospectus.

Strengthened balance sheet and good visibility on future cash flows.

The Company has a strong and stable financial position that enables it to pursue its strategy of expanding its portfolio through acquisitions and organic projects. With the transfer of the assets from ACEIC, the Company's balance sheet will be stronger and thus provide the Company further flexibility in the financing of its projects.

In assessing any proposed investment or project, the Company sets certain criteria that needs to be met among which are the fundamental soundness of the proposed investment or project and its business case, the sound reputation and capability of the partners, and the long-term sustainability of the investment or project. When debt is required to fund new investments, the company ensures that cash inflows are adequate to cover loan repayment requirements as well as meet relevant loan covenants.

The Company's good credit standing and strong relationship with its various banking partners provides the Company with the capability to mobilize and deploy financial resources as needed.

ACEIC as a majority shareholder with proven track record of delivering growth, rapid execution, performance and realizing value.

The entry of ACEIC management in the Company brings with it the proven track record of delivering growth, efficient execution, fulfilling commitments, and in realizing value from its asset investments.

ACEIC, a 100% subsidiary of Ayala, is a corporation that manages and operates a diversified portfolio of renewable and conventional power generation projects, as well as engages in the development of power projects and in other related businesses located in the Philippines, Vietnam, Australia, Indonesia and India.

In 2011, ACEIC was designated as Ayala's vehicle for investments in the power sector to pursue greenfield, as well as currently operating, power-related projects for both renewable and conventional technologies in various parts of the Philippines. In 2016, ACEIC expanded its business purpose to include the purchase, retail, supply and delivery of electricity and in 2017, the business purposes were expanded further to include the development, operation and maintenance of power projects. In April 2020, Ayala announced the approval of the consolidation of Ayala's energy, water, and infrastructure businesses under ACEIC. Aside from its shareholding in ACEN, ACEIC currently holds the assets subject of the ACEIC International Transaction, legacy coal plants, and other infrastructure assets.

The following table sets forth ACEIC's corporate milestones as of 31 December 2020:

Year	Milestones
2005	• Ayala incorporates Michigan Power, Inc.
2011	• Michigan Power, Inc. changes its name to AC Energy Holdings, Inc. ("ACEHI," now ACEIC) and becomes the Ayala Group's power arm • ACEHI made its first investment in renewables by acquiring 50.00% stake in NPDC.

Year	Milestones
	• ACEHI signs a joint venture agreement with Phinma Corp.'s Trans Asia Oil and Energy Development Corporation (now ACEN) to form the 50:50 joint venture company, SLTEC.
2012	• Ayala signs a definitive agreement for the acquisition of 17.02% interest in GNPower Mariveles Coal Plant Ltd. Co. ("GMCP"), owner and operator of the GMCP Project.
2013	• ACEHI enters into an "Investment Framework Agreement" with UPC Philippines Wind Holdco I BV and the PINAI for the development of wind power projects in Ilocos Norte — the 81 MW North Luzon Renewables • ACEIC signs a partnership agreement with Power Partners to build and operate the GNPK Project in Kauswagan, Lanao del Norte through GN Power Kauswagan Ltd. Co. ("GNPK")
2014	• The Company acquires 50.00% interest in GNPower Dinginin Ltd. Co. ("GNPD") for the development of the GNPD Project • The Company, thru its wholly-owned subsidiary, ACE Mariveles Power Ltd. Co. ("AMPLC") completes acquisition and becomes the beneficial owner of 17.02% limited partnership interest in GMCP • Northwind Power's expansion phase (18.9MW) begins commercial operations
2015	• Unit 1 of the SLTEC Project achieves COD • Partnership with Bronzeoak Clean Energy, Inc. ("BCE" now VRC) to develop a solar power plant, the MonteSol Project, in Negros Occidental • Sale of 27% stake held in PWHC in respect of North Luzon Renewables to Luzon Wind Energy Holdings BV
2016	• Unit 2 of the SLTEC Project achieves COD • MonteSol Project begins commercial operations • ACEHI obtains RES license for the sale of electricity to end-users in contestable markets • ACEHI enters into share sale and purchase agreement, as part of an Indonesian consortium for the purchase of Chevron's geothermal operations and/or assets in Indonesia • ACEHI sells a portion of its stake in SLTEC to Axia Power, a subsidiary of Marubeni Corporation, which decreased ACEHI's equity interest to 35.0% • ACEHI increases its effective interest in NPDC from 50% to 67.8%
2017	• Registered name of ACEHI changed to "AC Energy, Inc." • ACEIC acquires the renewable energy development platform San Carlos Clean Energy (now known as ACE Endevor), BCE (now known as VRC), Bulk Water Companies: SCC Bulk Water, LCC Bulk Water and MCV Bulk Water, and San Julio Land Development • ACEIC acquires a 66.22% ownership interest in MSPDC

Year	Milestones
2018	• ACEIC enters into investment agreements with UPC Renewables Indonesia, Ltd. for the development, construction and operation of a wind farm project in Sidrap, South Sulawesi, Indonesia — the Sidrap Wind Project • ACEIC's economic interest in GMCP stepped up from 17.02% to 20.3372% • ACEIC, through a wholly-owned subsidiary, Presage, Inc. (now AC Energy International), acquires a 100% interest in SCC Bulk Water and in Solienda • AMPLC becomes the legal and registered owner of the limited partnership interest in GMCP • Inauguration of the Sidrap Wind Project, Indonesia's first utility-scale wind power project in Sindereng Rappang Regency, South Sulawesi, ACEIC's first offshore utility-scale wind farm • Presage, Inc. (now AC Energy International), acquires a 42.97% voting interest in the Negros Island Biomass Holdings, Inc. ("Isla Bio"), which holds interests in the three biomass plants in Negros island — San Carlos BioPower, South Negros BioPower and North Negros BioPower • ACEIC incorporates Ingrid
2019	• AC Renewables International and Jetfly Asia Pte. Ltd. enters into an agreement for the acquisition by AC Renewables International of 25.0% interest in The Blue Circle Pte. Ltd. as well as co-investment rights in The Blue Circle's projects in Southeast Asia • ACEIC signs a purchase agreement with Aboitiz Power for the sale of a 60% economic stake in AA Thermal, Inc., which holds ACEIC's interests in the GMCP Project and in the GNPD Project • ACEIC enters into a joint venture with UPC Renewables investing U.S.$30 million for 50.0% ownership in UPC-AC Energy Renewables Australia and extending a U.S.$200 million revolver facility to fund project equity • ACEIC enters into a partnership with the BIM Group of Vietnam and executed EPC and financing documents for the development of an aggregate of 330MWdc of solar power plants located in the province of Ninh Thuan, Vietnam • ACEIC enters into a partnership with Vietnam's AMI Renewables and executed the EPC and financing documents for the development of an aggregate of 80 MWdc of solar power plants located in the provinces of Khan Hoa and Dak Lak, Vietnam • Debut Green Bond issuance of U.S.$300 million 4.75 per cent. senior notes due 2024 out of ACEIC's maiden U.S.$1 billion Medium Term Notes Programme ("2019 MTN Programme") listed with SGX-ST • Drawdown and private placement of U.S.$110 million 5.25 per cent. senior notes due 2029 from the 2019 MTN Programme, also certified Green Bonds and listed with the SGX-ST • ACEIC's maiden project in Vietnam, the 330 MWdc solar farm in Ninh Thuan province, Vietnam along with BIM Group of Vietnam is commissioned

Year	Milestones
	• ACEIC enters into a partnership with The Blue Circle for the Mui Ne Wind located in the province of Binh Thuan, Vietnam • Completion of ACEIC's second renewable energy project in Vietnam, in partnership with AMI Renewables • Completion of the acquisition of a controlling stake in ACEN, increasing ACEIC's generation capacity by 240 MW • PCC approval for the transfer of ACEIC's indirect ownership interest in the GNPK Project is obtained • ACEIC enters into a new venture with UPC Renewables namely, UPC-AC Energy Solar to develop, construct and operate solar projects in Asia-Pacific region, targeting a portfolio of 1 GW • ACEIC and ACEN execute an asset-for-share swap agreement to implement the ACEIC Philippine Transaction • ACEIC, through ACEN, approves the undertaking of a stock rights offering by ACEN for up to 2.27 billion shares, subject to applicable regulatory approvals, at an offer price range between ₱2.25/share and ₱2.37/share subject to final review by management and market conditions, among others • ACEIC enters into an agreement to enter into a joint venture with Singapore-based Yoma Strategic Holdings Ltd. (the "Yoma Group") to jointly work on the development of ~200 MW renewable energy projects in Myanmar • ACEIC assigned its right to purchase the 20% ownership stake of Axia Power in SLTEC in favor of ACEN • ACEIC, through ACEN, signed a share purchase agreement with PINAI for the acquisition of PINAI's ownership interest in IslaSol and SacaSol increasing ACEIC's ownership to 100% for both projects • ACEIC, through ACEN, entered into a share purchase agreement with PINAI for the acquisition of PINAI's 31% effective preferred equity ownership and 15% effective common equity ownership in NLREC • ACEIC, through its wholly-owned subsidiary AC Energy Finance International Limited, successfully issued its inaugural US dollar denominated senior perpetual fixed-for-life (non-deferrable) green bond at an aggregate principal amount of U.S$400 million on 4 December 2019 ("U.S.$ 400 million FFL non-call 2022"). This represents the first US dollar-denominated perpetual fixed-for-life green bond ever issued globally. The bonds are listed on SGX-ST and were certified under the ASEAN Green Bonds Standards by the SEC on 18 November 2019.
2020	• PCC approvals for the transfer of PINAI's economic interest in North Luzon Renewables, SacaSol, and IslaSol to ACEN are obtained • ACEIC announces the plan to consolidate its international business and assets into the ACEN via a tax-free exchange, whereby ACEIC will transfer 100% of its shares of stock in AC Energy International (ACEIC's 100%-owned subsidiary holding ACEIC's international business and investments), to ACEN in exchange for the issuance of common shares to ACEIC (also referred to herein as the ACEIC International Transaction)

Year	Milestones
	• ACEIC completed a USD60 million tap of Green Bonds due 2024 under its 2019 MTN Programme listed with SGX-ST • ACEIC completed the ACEIC Philippine Transaction and secured the tax-free exchange ruling from the BIR • ACEIC completed a successful tender of USD187 million of its existing U.S.$ 400 million FFL non-call 2022. The tender was financed by the issuance of US dollar denominated senior perpetual fixed-for-life (non-deferrable) green bond at an aggregate principal amount of U.S$300 million on 25 November 2020 • ACEIC, through ACEN, approved the proposal of Arran, an affiliate of GIC Private Limited, to acquire 17.5% of ACEN assuming completion of the Company's Stock Rights Offering, the Offer, and the ACEIC International Transaction subject to certain conditions precedent

ACEIC registered an unaudited net income attributable to parent of ₱5.8 billion for the year ended 31 December 2020. ACEIC's Net Attributable Capacity, including projects under construction, was 2,383 MW for the same period. Since its incorporation in 2005, ACEIC has demonstrated its ability to identify and deliver attractive projects, attract world-class partners that complement its capabilities and create growth, particularly in the renewable energy space.

In November 2020, ACEN was internationally recognized and added into the MSCI Philippines Small Cap Index. The MSCI (Morgan Stanley Capital International) Index is based on the MSCI Global Investable Indexes (GIMI) Methodology—a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalization size, sector and style segments and combinations.

Further to its achievements, to date, ACEIC has also achieved several awards among which are:

- "Best CEO" (2019) by The Asset ESG Corporate Awards
- "Best Corporate Governance in Asia and Australasia" (2019) by the Ethical Boardroom
- Silver in "Asia's Best Sustainable Development Goal Reporting" (2019) by the Asia Sustainability Reporting Awards
- Named "World's Best Employers 2019" by Forbes
- "Top Performing Companies" (2018) by Institute of Corporate Directors
- "Top 50 ASEAN PLCs" (2018) by ASEAN Corporate Governance
- Ranked 3rd "Best CEO" (2018) awarded by the Institutional Investor
- "Asia's Best Integrated Report" (2018) by Asia Sustainability Reporting Awards
- Ranked 1st (2016) and 2nd (2017) "Best Managed Companies" by Finance Asia
- Ranked 3rd, "Best CEO" (2017) by Finance Asia

The Company is supported by an ultimate shareholder fully committed to delivering the Company's vision.

Ayala, through ACEIC as a shareholder, is fully committed to seeing the Company's vision of reaching 5,000MW of Net Attributable Capacity in renewables by 2025.

Founded in 1834, Ayala is among Southeast Asia's most respected business groups, and is one of the largest and most diversified conglomerates in the Philippines in terms of revenues and assets and is listed on the PSE. Led by the Zobel de Ayala Family, Ayala has a market capitalization of ₱518.9 billion with total assets of ₱1,405.8 billion as of 31 December 2020. Under the Ayala Group is a portfolio of market leading businesses in the country with their respective market capitalization as of 31 December 2020 as follows:

- Ayala Land, Inc. (PSE: ALI) (market capitalization of ₱602.5 billion): Leading and most diversified property developer in the country with the largest landbank; holds several of the country's most premium commercial and residential properties;
- Bank of the Philippine Islands (PSE: BPI) (market capitalization of ₱367.1 billion): Founded in 1851, it is the oldest bank in Southeast Asia and the third largest bank in the country by assets; and
- Globe Telecom, Inc. (PSE: GLO) (market capitalization of ₱270.9 billion): Largest telecommunications provider in the country by subscriber base.

In addition, the Ayala Group has set for itself nation-building as a core commitment and has a portfolio of rapidly growing verticals devoted to each of infrastructure, healthcare, education, industrials and strategic ventures.

Ayala's most recent recognitions, particularly in the area of sustainability and governance, are a testament to the alignment between the Ayala Group and ACEIC with regard to leadership, sustainability and advocacy for the environment:

- Ranked 1st (2016, 2020) and 2nd (2017) "Best Managed Companies" by *Finance Asia*
- Ranked 1st (2020) "Best in Corporate Governance" by *Finance Asia*
- "Best in Corporate Governance in Asia and Australia" (2020) recognition by the *Ethical Boardroom*
- Ranked 3rd, "Best CEO" (2017) by *Finance Asia*
- Ranked 1st (2016) and 2nd (2017) "Most Committed to Corporate Governance" by *Finance Asia*
- "United Nations SDG Pioneer" (2017) recognition for Chairman and CEO Jaime Augusto Zobel de Ayala
- Ranked 18th, "Global 2000: World's Best Employers" (2017) by *Forbes Magazine*
- "Best at Corporate Social Responsibility" (2016) by *Finance Asia*
- Among Top 3 CSR Advocates in Asia, by Asia Corporate Excellence and Sustainability Awards (2016)

Since ACEIC's founding, it has enjoyed the full support of Ayala and has had access to the Ayala Group's experience in governance, network, management and financial resources. Among ACEIC's board members are the Ayala's Chairman, CEO and CFO with several of ACEIC's key management having been officers at Ayala. From 2011, Ayala has invested in ACEIC approximately U.S.$ 1 billion to support its expansion. Going forward, Ayala remains committed to furthering its support for ACEIC and the Company, and the Company's objectives to become a recognized leader in the renewable energy space in the country.

Led by a reputable and experienced board and management team with strong shareholder support.

The Company has a strong management team with the right combination of management experience, project management expertise, international exposure and entrepreneurship.

The Company is led by John Eric T. Francia, President and CEO who joined ACEIC in 2011 from Ayala with a four-man team. Previously a management consultant at the Monitor Group based in Cambridge, Massachusetts in the U.S. he joined the Ayala Group in 2009 as Ayala's Head of Corporate Strategy before eventually leading the infrastructure and power businesses concurrently. Mr. Francia's vision has driven the very rapid growth that ACEIC has achieved in the last seven years. He leads over 700 employees and applies his international experience derived from management consulting, strategy and building infrastructure and utilities businesses in emerging markets.

Supporting Mr. Francia is a highly experienced management team: Maria Corazon G. Dizon, seasoned finance and business development professional from the Ayala Group, and Jose Maria P. Zabaleta, founder and CEO of VRC, who has developed hundreds of MWs of renewables, respectively the Chief Finance Officer and Chief Development Officer of the Company. The management team is supported by a highly- engaged employee force developed and accumulated by the Company since its founding.

Highly motivated organization actively involved in the management of the energy portfolio with capabilities to anticipate and react to developing market thematics and trends rapidly.

The pooling of the Company's resources with ACEIC's team has resulted in a dynamic team of professionals that can move quickly to take advantage of market trends and opportunities. This has allowed the Company to be actively involved in project inception, development, execution and operations.

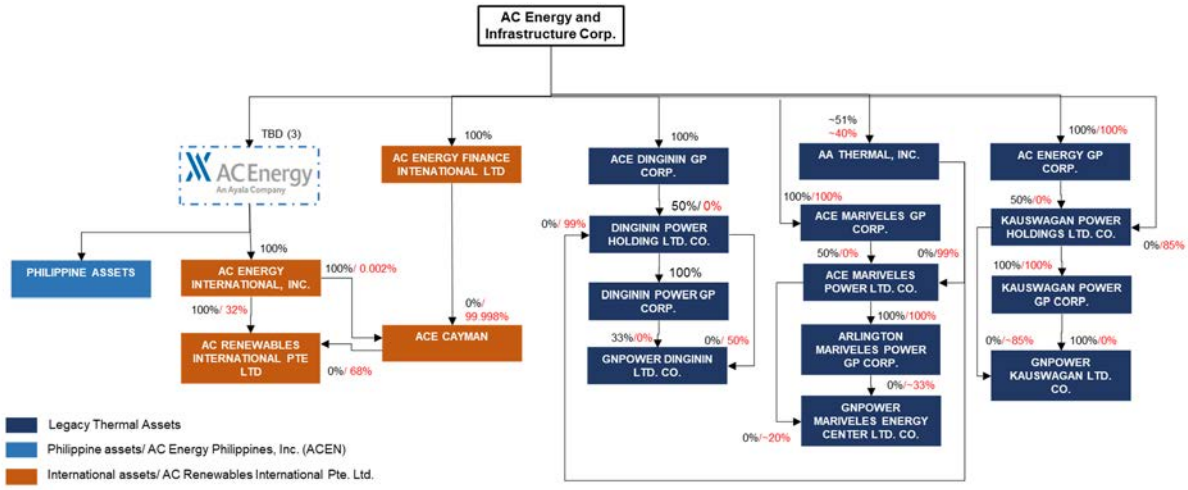
The Company strengthens its capabilities by developing home-grown resources through training and project assignments, attracting high potential talents in the market, actively participating in employee engagement activities, linking rewards to performance and practicing sound compensation policies which is at par with the market. The integration with ACEIC's development team has enabled the strengthening of organic project development capability in the organization.

ACEIC International Transaction expected to further bolster the Company's existing strengths.

The planned infusion of international business and investments into the Company pursuant to the ACEIC International Transaction is expected to further bolster its existing strengths through the means specified below. Upon completion of the Company's investment and acquisition activities and the ACEIC International Transaction, the Company is expected to have a portfolio of Philippine and international assets with a Net Attributable Capacity of 2,406MW from its operating and projects under construction as at 31 December 2020 on a pro forma basis.

While the agreements relating to the ACEIC International Transaction were executed on 26 April 2021, completion is subject to various regulatory approvals and other contingencies that may be significantly delayed, or which may not occur.

The following chart illustrates the Company's expected summarized corporate structure upon completion of the ACEIC International Transaction:



Notes:
(1) Figures in red font represent economic interests while figures in black font represent voting interests only.
(2) Excludes Pilipinas Thermal Inc., ACE Thermal, Inc., and ACE Thermal International Pte Ltd which are 100% owned by ACEIC
(3) Actual ownership subject to outcomes of upcoming corporate actions

Upon completion of the ACEIC International Transaction, ACEN's competitive strengths are further enhanced by the following:

a. *Portfolio of projects across geographies, technologies and regulatory regimes provides stable cash flows, diversification and a strong platform for growth*

Following the ACEIC International Transaction, the Company shall benefit from an expanded international portfolio, providing the Company with a blend of seasoned and new operating projects that provide stable cashflows underpinned by attractive and long-term contractual arrangements. The Company believes that this diversity in business model (combination of bilateral/FIT contracts and spot sales), fuel types, geographies and regulatory regimes will provide a stable platform which the Company is able to leverage for continued renewable capacity expansion and international growth.

The ACEIC International Transaction is expected to increase the Company's Net Attributable Capacity in operating or under construction renewable assets composed of the following as of 31 December 2020 (in gross capacity):

Operating projects

1. 637 MW Salak & Darajat Geothermal Plants in Indonesia
2. 75 MW Sidrap Wind in Indonesia
3. 405 MWdc Ninh Thuan Solar in Vietnam
4. 80 MWdc Dak Lak and Khan Hoa Solar in Vietnam
5. 40 MW Mui Ne Wind (Phase 1) in Vietnam

Projects under construction

1. 210 MW Quang Binh Wind in Vietnam
2. 40 MW Mui Ne Wind (Phase 2) in Vietnam
3. 60 MW Lac Hoa & Hoa Dong Wind in Vietnam

4. 88 MW Ninh Thuan Wind in Vietnam

5. 140 MWdc Sitara Solar in India

6. 70 MWdc Paryapt Solar in India

7. 521.5 MWdc New England Solar in Australia

Upon completion of the ACEIC International Transaction, the Company's Net Attributable Capacity is expected to increase by 1,372 MW (as of 31 December 2020 on a pro forma basis) all coming from renewable sources. In addition to the existing portfolio of operating assets and assets under construction, the transaction is expected to allow the Company access to a robust and visible pipeline of projects in Australia, Vietnam, Indonesia, and India to help ACEN to become the largest listed renewables platform in Southeast Asia and to achieve its target of a Net Attributable Capacity of over 5,000 MW by 2025.

b. Visible path to growth based on strong pipeline of international projects in partnership with recognized and accomplished power industry developers, operators and investors

The Company believes in the value of strategic partnerships of the companies it will acquire following the ACEIC International Transaction. In addition to pursuing attractive investment opportunities together with the sector's most established names, the Company's commitment to its objectives, visible track record of success in achieving growth and the ability to forge partnerships in various market segments has made it a partner of choice.

The Company's various partnerships provide it with the ability to source high quality projects efficiently and with local market expertise. Collectively, the Company's current partnerships provide visibility to over 1,000 MW of expected gross capacity that are targeting financial close between 2021 to 2022 across various technologies in the Philippines, Indonesia, Vietnam, Australia, India, and other countries, helping drive the Company towards its goal of achieving 5,000 MW of Net Attributable Capacity in renewables by 2025.

c. *Well-positioned to benefit from a rapidly growing region that is increasingly embracing renewable energy to address its long-term energy needs*

Through the ACEIC International Transaction, the Company will have access to selected highly attractive markets in the Asia Pacific region in which to pursue growth, particularly in the renewable energy space. The current operating projects and development platforms are in Indonesia, Vietnam, Australia, and India.

Similar to the Philippines, Indonesia's nominal GDP growth has been driving activity in the country, with GDP growing at 7.4% CAGR from 2008 to 2019 (U.S.$1,119 billion in 2019), according to the World Bank. From 2008 to 2019, power generation grew by 6.4% CAGR to 295,448 GWh based on information from the International Energy Agency ("IEA"), underpinned by strong economic growth and the government's electrification efforts. Renewable power is expected to play a significant role in further supply expansion as the government targets new and renewable energy sources to account for 23% of total energy generation by 2025 and 31% by 2050 based on the 2018 Rencana Umum Penyediaan Tenaga Listrik or General Plan for Electric Supply issued by the Ministry of Energy and Mineral Resources of Indonesia. To support this growth, several renewable initiatives have been introduced or are under review, such as favorable tariff for solar and wind, income tax and importation incentives.

Vietnam offers one of the most attractive renewable energy markets in the region due to its large population and rapid nominal GDP growth of 9% CAGR from 2008 to 2019 (U.S.$262 billion in 2019), according to the World Bank. From 2015 to 2019, total system sales grew by 9.9% CAGR driven by strong economic growth and the country's rapidly expanding manufacturing sector, based on information from the Ministry of Industry and Trade of Vietnam. According to Revised National Development Master Plan for 2021-2030 (PDP 8), the Vietnam government is targeting to more than double its installed capacity from 54 GW at the start of 2020 to 138 GW in 2030 and 222 GW in 2040. Further, the government is targeting to increase the share of electricity produced from solar and wind energy projects as well as gas-fired power plants. The three sources combined is planned to make up 47% of the system in 2030, and 60% in 2040. PDP 8 is also seen cancelling or delaying nearly half of the remaining pipeline of coal-fired capacity in bid to focus towards focusing on more sustainable energy sources. As of October 2020, the new power development plan for 2021-2030 with a vision for 2045 is still under development and has yet to be finalized.

Australia continues to be one of the world's most stable economies due to its consistent output and activity. In 2019, the World Bank reports the country's GDP to reach U.S.$1.4Tn, representing a CAGR of 3% from 2008 to 2019. GDP performance continued to be driven by a low unemployment rate, and constant infrastructure investments. During the same period, Australia's population increased by a CAGR of 2% to reach 25.3 million people. In line with the economic statistics, Australia's power generation capacity has increased by a CAGR of 1.3% from 2008-09 to 2019-20 to reach 49,832 MW in financial year 2019-20 (according to AER, financial year ends 30 June). Being a mature and developed market, Australia offers stability with growth driven by the national directive to shift towards renewable energy sources and the increasing cost competitiveness of renewable technology. Australia has an established renewable market underpinned by the Renewable Energy Act 2000. With the support of positive regulatory framework and the country's strong renewable projects pipeline, Australia's non-hydroelectric renewable market capacity is expected to grow 7.2% annually during 2018 to 2027 especially with the decommissioning of coal-fired power plants that begun in 2012.

From 2012 to 2017, there were twelve coal-fired power plant closures across Queensland, New South Wales, Victoria, and South Australia with a total capacity of 5,589MW. Further, according to the Australian Energy Market Operator's ("AEMO") Integrated System Plan ("ISP") for 2020, it is expected that 14 GW of coal-fired generation will reach the end of its technical life and retire by 2040. In addition, the Government of Australia has set a Renewable Energy Target ("RET") that aims to achieve a minimum of 20% of energy generated from renewable sources by 2020. The RET is made up of two schemes: (1) The Largescale Renewable Energy Target and (2) The Small-scale Renewable Energy Scheme. The first scheme incentivizes investments into, and the expansion of renewable energy power stations as high-energy users are required to source part of their electricity demand from renewable sources while the second scheme creates financial incentives for individuals and small businesses to install eligible small-scale renewable energy sources. The Largescale Renewable Energy Target was set at 33TWh renewable electricity generation by 2020. The annual target will remain at 33,000TWh until the scheme ends in 2030. The Clean Energy Finance Corporation ("CEFC") was established by the Australian Government under the Clean Energy Finance Corporation Act 2012, CEFC co-finances and invests, directly and indirectly in renewable energy and energy efficiency projects. After two years of large scale investment in renewable energy of aggregate 15,700 MW of new capacity, predominantly in wind and solar projects, the Clean Energy Council reported in September 2019 that it has achieved its 20% renewable energy composition goal.

India continues to remain a growing renewable energy market as shown by its highly anticipated and competitive auctions. As one of the largest economies in the world, India's continues to grow annually as its GDP registered 8.3% CAGR from 2008 to 2019 and ended 2019 at U.S.$2,869 billion. Power consumption has kept pace with its economic growth, registering a 7% CAGR from FY2008-09 to FY2018-19. The demand for power is mostly supplied by thermal sources, as coal continues to account at least 62% of its installed generation capacity. In 2014, the government of India set a target for achieving 175 GW of renewable energy in India, with major focus on solar energy (100 GW by FY 2022) and wind energy (60 GW by FY 2022).

In addition to the markets set out above, the Company continues to evaluate and assess opportunities in other markets in Asia Pacific that meet the Company's strategic framework and financial criteria. The Company continues to explore additional opportunities in other attractive locations including Korea and Taiwan.

Business Strategies

The Company's goal is to reach 5,000 MW of Net Attributable Capacity in renewables by 2025 and plans to implement the following strategies:

Focus on scaling up renewable energy portfolio

The Company has made a commitment to build a low carbon portfolio. In this regard, the Company is focusing on expanding its renewable energy assets, with a goal of reaching 5 GW of attributable energy capacity by 2025. In line with the company's E&S policy, no further investments will be made in coal. While most industry players rely on large thermal projects to achieve scale, the company aims to do this through large renewable energy projects in scalable areas and markets.

To achieve its 5 GW target, the Company focuses on large scale renewable energy projects in the Philippines to take advantage of the country's sound macroeconomic fundamentals and robust power sector growth. Upon completion of the ACEIC International Transaction, ACEN also plans to continue its expansion in identified high growth markets such as Indonesia, Vietnam, Australia, and India.

ACEN plans to prioritize large scale projects to maximize economies of scale and market presence to create more leverage in negotiating off-take agreements with prospective wholesale and retail clients. Large scale renewable energy developments maximize operating and management expenses and capital expenditures for shared facilities such as substations and transmission lines, among others. These projects are also more likely to be approved by grid operators to access high voltage transmission lines thus minimizing risk of grid curtailment. Moreover, large scale renewable energy developments allow ACEN to negotiate and sign with larger wholesale clients and retail clients mitigating potential market risk of power projects.

Leverage strategic partnerships to complement internal capabilities

The Company continues to improve on its in-house expertise by developing home-grown resources through training and project assignments, and attracting high potential talents in the local and international markets. Together with this in-house expertise, ACEN continues to pursue strategic partnerships with developers who are familiar with the Philippines, have technical expertise, and have complementary skills and strengths with ACEN.

Upon completion of the ACEIC International Transaction, ACEN shall also have access to international partnerships allowing the Company to further expand enter markets and projects that would not have been available to the Company had it pursued project development on its own. These strategic partnerships with developers and with strong local players also provide a deeper understanding of nuances of each international market's local practices, laws, and regulations and accelerates process of project development.

Key among the ACEIC's international partners are the following:

- UPC Renewables, a U.S.-based renewable energy developer with over 20 years of global experience in the construction and operations of wind and solar energy projects. Aside from ACEN's partnership with UPC Renewables in the Philippines, UPC Renewables is also ACEIC's partner for projects in the 75 MW Sidrap Wind Project in Indonesia and the 60MW Lac Hoa and Hoa Dong Wind in Vietnam.

  ACEIC, through AC Renewables International, also entered into a joint venture with UPC Renewables for its main platform for utility scale projects in Australia through UPC-AC Energy Australia. UPC-AC Energy is currently proceeding with the construction of a 521.5 MWdc New England Solar Phase 1 and also owns a pipeline of projects of around 8,000 MW in various stages of development, including the 415.6 MWdc New England Solar Phase 2 and up to 1,000 MW in wind farms in Robbins Island and Jim's Plain in Australia. UPC-AC Energy Renewables Australia also signed a share purchase agreement for the acquisition of a 51% interest in the 2x125 MW Baroota Pump Hydro and the 300 MW Bridle Solar in Australia.

  Another joint venture company between UPC Renewables and ACEIC, through AC Renewables International, is UPC-AC Energy Solar. UPC-AC Energy Solar is a development platform for a pipeline of over 1GW in power projects, with an initial focus on India, South Korea and Taiwan and other countries in the Asia Pacific.

- BIM Group, one of Vietnam's leading business groups with interests in real estate, food, and commercial services. The BIM Group is ACEIC's partner for the 405 MWdc Ninh Thuan Solar and the 88 MW Ninh Thuan Wind in Vietnam.

- AMI Group, a leading business group in Vietnam active in solar and wind projects. The AMI Group is ACEIC's partner for the 80 MWdc Daklak and Khanh Hoa Solar and the 210 MW Quang Binh Wind in Vietnam.

- The Blue Circle, an international platform based in Singapore on engaged in the development, construction, and operation its pipeline of around 1,500 MW of wind projects across Southeast Asia, including ~700 MW in Vietnam. The Blue Circle is ACEIC's partner for the 80 MW Phase 1 and 2 of the Mui Ne Wind in Vietnam.

- Star Energy and The Electricity Generating Company ("EGCO"), are both leading power producers in Thailand. Star Energy and EGCO are ACEIC's partners for its 637 MW Salak & Darajat Geothermal Plants in Indonesia.

- Yoma Strategic Investments, a partnership between ACEIC and the Yoma Group for the joint exploration and development of around 200 MW of additional renewable energy projects within Myanmar including participation in large utility scale renewable projects for the development of micro power plants and mini-grids.

In particular, for Star Energy and EGCO, the Indonesian consortium with ACEIC (19.8%) completed in April 2017 the purchase and acquisition of Chevron's geothermal assets and operations in Indonesia. The acquisition was made through a joint venture company, Star Energy Geothermal (Salak-Darajat) B.V. The assets include the Salak and Darajat geothermal fields in West Java, Indonesia, with a combined capacity of 637 MW of steam and power. The multi-awarded Salak & Darajat Geothermal Plant is one of the best geothermal facilities in Indonesia achieving over 90% average capacity factor since the 2000's, occupying one of the few vapor dominated reservoirs in the world in the Darajat contract area and the largest geothermal field in Indonesia through the Salak steam fields.

The Salak & Darajat Geothermal Plant has a combination of long term steam and power supply agreements of up to 825 MW with PT PLN (Persero) (“PLN”), Indonesia’s state-owned electricity company providing electricity to the whole country. Continuing cost improvements and efficiencies across all assets are continually being introduced leading to a projected further 10% reduction in operating expenses and 40% of well drilling cost going forward.

The Salak & Darajat Geothermal Plant intends to grow its business by expanding its installed capacity and maximize its contract with the PLN. It plans to develop the Salak Binary Power (up to 15 MW), an additional unit in Salak (70 MW), and a new project in Sekincau (up to 400 MW).

Continue to grow in the Philippines and pursue regional expansion

The Company considers the Philippines its core market and expects to keep the country as a major contributor for its 5 GW target by 2025. ACEN also seeks to capitalize on the ACEIC International Transaction, upon its completion, to further reach its target by expanding into new countries.

Regionally, a key imperative for ACEN is to identify and focus on high growth, scalable markets within the Asia Pacific region. Upon completion of the ACEIC International Transaction, ACEN’s countries of operation shall include the following:

- Indonesia shares numerous favorable investment thematics with the Philippines. Like the Philippines, Indonesia is a rapidly growing economy (7.4% nominal GDP CAGR from 2008 to 2019, according to the World Bank) with a large population (271 million in 2019). Over the same period, power consumption grew at 6.7% CAGR to 275,200GW, based on information from the IEA. Renewable energy is expected to play a much more important role in the country’s overall fuel mix, with the government targeting new and renewable energy sources to account for 23% of total energy generation by 2025. The Company seeks to utilize renewable energy initiatives that are being introduced to support the government’s renewable energy target, such as feed-in-tariffs for solar and wind and tax incentives.

- Vietnam, similarly, is a rapidly growing, underpenetrated market with a large population. From 2008 to 2019, Vietnam’s nominal GDP grew by 9% CAGR with a population of 96 million as at 2019, based on information from the World Bank. The government has a significant growth target for the sector—over 265 TWh of generation by 2020 and over 572 TWh by 2030. Renewable energy is seen as a key driver to supplying this need, with the revised PDP 7 targeting up to 12 GW of solar and 6 GW of wind projects by 2030. Renewable energy incentives are already in place and continue to evolve, such as feed-in-tariffs, land incentives, import tax exemptions and corporate income tax deductions.

- India is one of the largest economies in the world with an active auction market for new power supply contracts in the recent years. According to the World Bank, India’s GDP grew to U.S.$2,869 billion in 2019 translating to an 8% CAGR from 2008 to 2019. Coal continues to fuel India’s economy accounting for more than 62% of its installed generation capacity. In 2014, the government of India set a target for achieving 175 GW of renewable energy in India, with major focus on solar energy (100 GW by FY 2022) and wind energy (60 GW by FY 2022). New power supply contracts for renewable energy plants have been bidded out in competitive auction in recent years. The Company plans to maximize these auctions to continue to scale up its portfolio and maximize growth opportunities in the country.

- Australia and its power market offers a different investment proposition over developing markets such as the Philippines, Indonesia and Vietnam. While GDP growth is 3% from 2008 to 2019 (based on information from the World Bank), the market offers a mature and ecosystem with a large industrial base and established renewable energy policies underpinned by the Renewable Energy Act of 2000. The country is pushing to advance its renewable energy agenda with non- hydro renewable market capacity expected to grow 7.2% per annum from 2018 to 2027 as the country continues to retire older, conventional power assets.

In view of the continuously improving renewable energy tailwinds available in many regional markets, the Company will continue to opportunistically seek out new attractive markets with viable long-term renewable energy potential.

Invest in strategic energy assets for sustainable growth.

Beyond growing the size of the portfolio, the Company recognizes that balancing the portfolio and investing in strategic assets is key to strengthening and growing the business. A balanced portfolio that is matched to market demands and customer requirements and well positioned to maximize future growth are critical.

From the original 396 MW Net Attributable Capacity held by the Company, the ACEIC Philippine Transaction and the acquisitions and investments increased it to 1,034 MW of Net Attributable Capacity in operation and under construction as of 31 December 2020. The operating assets transferred under the ACEIC Philippine Transaction are fully contracted or have feed-in-tariffs in the case of renewables and are targeted to provide steady cash flows to the Company. The Philippine projects under construction and development which were part of the transfer also provide huge potential for growth for the Company.

Part of this strategy is the consolidation of ownership interests in SLTEC under ACEN with the stake of ACEIC included in the ACEIC Philippine Transaction and the acquisition by the Company of the 20% stake equivalent to 49 MW Net Attributable Capacity previously held by Marubeni Corporation's subsidiary, Axia Power, in 2019. SLTEC is a key supplier to the Company's electricity supply business, and the consolidation of SLTEC will allow the Company to better manage its supply portfolio vis-à-vis key customer contracts. With this, the Company has a full suite of thermal and renewable plants that are well-positioned to serve baseload and mid-merit demand, and diesel engines for peaking requirements and ancillary services.

In 2019, the Board approved 270 MW of greenfield solar and peaking projects in Luzon, and signed agreements to purchase additional equity interests in NLREC, SacaSol and IslaSol to increase Net Attributable Capacity by 147 MW.

Further in 2020, the Board also approved the infusion of ACEIC's international portfolio comprised of operating and projects under construction in Indonesia, Vietnam, Australia, and India through the ACEIC International Transaction. It also provides access to an international pipeline of assets in the Asia Pacific Region. Upon completion, the ACEIC International Transaction is expected to increase the Net Attributable Capacity of the Company by an additional 1,372 MW as of 31 December 2020.

Upon completion of the Company's investment and acquisition activities and the ACEIC International Transaction, the Company is expected to have a portfolio of Philippine and international assets with a Net Attributable Capacity of 2,406 MW from its operating and projects under construction as at 31 December 2020 on a pro forma basis, including the first 521.5 MWdc stage of the New England Solar in Australia, which achieved financial close on 11 February 2021.

From its current achieved portfolio of Philippine and international projects, the Company established a goal of reaching 5,000MW of Net Attributable Capacity in renewables by 2025 in line with the Group's commitment to sustainable investment and vision to be a leader in renewable energy and become the largest listed renewables platform in Southeast Asia. This target may be pursued through organic growth under its energy development platforms ACE Endevor and AC Renewables International, through partnerships and through acquisitions.

Strengthen team and enhance organizational capabilities.

To deliver on the Company's 5,000MW vision by 2025, it has built an over 700-person strong team with significant experience in development and operations. Strengthening and developing this team will be critical to the achievement of the Company's targets.

The development organization under ACE Endevor, the Company's energy development platform, is tasked with developing new greenfield projects as well as looking at expansion opportunities in existing plants. For the operations teams on the other hand, the key priority is the improvement of plant availability and efficiency, to make sure that the Company's existing plants are optimized to meet customer demand. The Company's management has experience starting from a project's inception and development to its ultimate execution and operations. The Company's continued active role in the management and operations ensures tracking of the project's performance and results.

As part of the Ayala Group, the Company benefits from the group and management's experience in corporate governance, management and delivering results. The Company's board members and management include key representatives from the Ayala Group. The Ayala Group believes that corporate governance is essential for the achievement of an organization's goals. To this end, the Ayala Group has set in place a comprehensive set of oversight controls to put management decisions in check and ensure that it conforms to regulatory requirements and leading practices.

Strengthen the balance sheet.

The Company recognizes the need to strengthen its balance sheet to put it in a better position to capture growth opportunities and compete effectively in the highly competitive Philippine power industry.

The Company has recently increased its authorized capital stock and strengthened its capital base through the ACEIC Philippine Transaction valued at ₱14.7 billion and the Rights Offer which provided ₱5.4 billion in gross proceeds. These series of equity infusions have increased its capital base giving it a bigger debt capacity and expanding its sources of funding to support its goal of 5,000 MW Net Attributable Capacity in renewables by 2025.

The Company also adheres to ACEIC's prudent standards with regards to financing and risk management. ACEIC recently completed a successful tender offer of around U.S.$187 million of its outstanding 5.65% perpetual Green Bonds and refinanced it with a fresh issue 5.10% perpetual Green Bonds.

ACEIC's good credit history and strong relationship with its bank partners and its parent also benefits the Company with the financing support to mobilize and deploy financial resources as needed in its development and acquisition activities. ACEIC is also recognized as a reputable issuer of green bonds, having successfully issued a total of U.S.$ 470 million in green bonds and U.S.$ 700 million in perpetual green bonds under green bond frameworks compliant with international standards from 2019 to 2020.

Invest in accordance with globally-accepted sustainability norms and frameworks.

The Group aligns itself with the United Nations Framework Convention on Climate Change and the Paris Agreement on reducing global carbon emissions to limit global temperature increase to well below two degrees Celsius. Consistent with the Ayala Group's commitment to the UN Sustainable Development Goals, ACEIC is additionally focused on protecting the wider environment and creating value for the communities it serves. As such, the Group launched its maiden Green Bond in early 2019, and along with it, the development of its Environment and Social (E&S) Policy and management system.

This policy statement serves to guide the Group's priority environmental and social goals through 2030:

1. Achieving a Low Carbon Portfolio by 2030;

2. Aspiring for excellence in environmental management; and

3. Fulfilling its commitment to the community.

In addition to this, ACEIC, through AC Energy Finance International Limited ("ACEFIL"), has issued a total of U.S.$1.17 billion under certified Green Bond frameworks compliant with international standards from 2019 to 2020.

In January 2019, ACEIC successfully completed its maiden issuance with two series of senior Climate Bond Initiative certified Green Bonds as follows: (i) U.S.$300 million senior Green Bonds with a 5-year tenor and a coupon of 4.75% p.a. due 2024, with International Finance Corporation as one of the investors, (the "2024 Green Bonds") and (ii) U.S.$110 million senior Green Bonds with a coupon of 5.25% due 2029, with the Asian Development Bank as one of the investors (the "2029 Green bonds"). In December 2019, ACEIC also successfully issued an ASEAN Green Bond certified U.S.$400 million perpetual Green Bonds with a coupon of 5.65% fixed-for-life and an option to call in 2022 ("FFL Green Bonds Non-call 2022"). This was the first U.S.$ denominated fixed-for-life Green Bonds certified under the ASEAN Green Bonds Standards globally.

In July 2020, ACEIC issued U.S.$60 million of the 2024 Green Bonds under a tap of its existing medium term note programme. In November 2020, ACEIC partially refinanced the FFL Green Bonds Non-call 2022 with the issuance of an ASEAN Green Bond certified U.S.$300 million perpetual Green Bonds with a coupon of 5.10% fixed-for-life and an option to call in 2025.

Description of Properties

ACEN owns the following fixed assets as of 31 December 2020:

In thousands

Properties	Location	Value
Land and land improvements	Bacnotan, La Union/ Norzagaray, Bulacan/ San Lorenzo, Guimaras/ Manapla/ Calaca, Batangas/ Bangui, Ilocos Norte/ Palauig, Zambales/ Negros Occidental	₱1,202,277
Building and improvements	Makati City/ Guimaras/ Norzagaray, Bulacan/ Subic/ Calaca, Batangas/ San Carlos, Negros Occidental	8,270,052
Machinery and equipment	Guimaras/ Norzagaray, Bulacan/ Bacnotan, La Union/ Calaca, Batangas/ San Carlos, Negros Occidental/ Ilocos Norte/ Lanao Del Norte/ Olongapo City/ Iloilo/ Bais City, Negros Oriental	25,179,237
Transportation equipment	Makati City/ Guimaras/ Norzagaray, Bulacan/ Subic/ Bacnotan, La Union/ Pililia, Rizal/ San Carlos, Negros Occidental	86,949
Tools and other miscellaneous assets	Makati City/ Guimaras/ Bacnotan, La Union/ Calaca, Batangas/ San Carlos, Negros Occidental	339,436
Office furniture, equipment and others	Makati City/ Guimaras/ Bacnotan, La Union/ Norzagaray, Bulacan/ Calaca, Batangas/ San Carlos, Negros Occidental	192,163

Properties	Location	Value
Construction in Progress	Calaca, Batangas/ Alaminos, Laguna/ Pililia, Rizal/ Palauig, Zambales	6,080,900
Total Cost		**₱41,351,014**
Less: Accumulated depletion, depreciation, amortization and impairment loss		₱9,513,075
Net book value		**₱31,837,939**

Source: Audited consolidated financial statements as of 31 December 2020

The land and land improvements of the Company is approximately 27,800 square meter (sqm). These include lots in Norzagaray, Bulacan, and Bacnotan, La Union where the power plants are located. In Guimaras Wind, most parcels of land acquired in 2019 approximate to 605,800 sqm. but some lots were entered as finance lease. Also included in land and land improvements are the 33.7 has land in Barangay Puting Bato and Sinisian, Calaca, Batangas owned by SLTEC, the 63.8 has. land in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental owned by MSPDC, the 25.3 has. located in Barangay Baruyen, Bangui and Laoag City owned by NPDC, and the 64.217 has of land in Barangay Salaza, Palauig, Zambales as part of the ACEIC Philippine Transaction. In 2020, ACEN purchased 100% of PINAI fund's ownership interest through step acquisition in Negros Island Solar Power, Inc. and San Carlos Solar Energy, Inc. SacaSol and IslaSol own and operate the 45MW and 80MW solar farms in San Carlos, Negros Occidental, respectively. The Group further acquired ownership to an approximate area of 673,422 sqm in San Carlos, Negros Occidental from the step acquisition but some of these lots are subject of lease agreements.

Buildings and improvements are located in the respective power plants and its office.

The Company's subsidiary, One Subic, has a lease agreement with SBMA for a parcel of land and electric generating plant and facilities. One Subic has determined that the risks and rewards related to the foregoing properties are retained with the lessor (*e.g.*, no bargain purchase option and transfer of ownership at the end of the lease term).

The Company has contractual commitments and obligations for the rehabilitation of One Subic Power amounting to ₱550.00 million as at 31 December 2019, which was subsequently completed in March 2020.

The Company's subsidiary, 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 20 to 25 years. entered into various easements and right of way agreements with various land owners to support the erection of transmission lines to be used to connect its 54MW Guimaras Wind in Guimaras. These agreements convey to Guimaras Wind the right to use the item control over the utility of the asset. Also, 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 asset, among others. Such lease terms indicate that the various land owners do not transfer to the Company substantially all the risks and rewards incidental to the ownership of the parcels of land. Guimaras Wind, with a carrying value of ₱3.91 billion and included under the "Machinery and equipment" account, is mortgaged as security for its term loan amounting to ₱1.41 billion as at 31 December 2020.

SacaSol has two lease agreements with San Julio Realty, Inc. (SJRI) for the lease of 67.42 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of the Phases 1A, 1B, 1C, and 1D solar power plant projects. Upon execution of the agreement, SacaSol shall hold the land area delineated for Phases 1A, 1C, and 1D 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. SacaSol had both leases 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 modifications did not result in a separate lease.

As part of IslaSol's acquisition of certain solar power plant projects from SacaSol, the lease agreement between SacaSol and Roberto J. Cuenca, Sr., the lessor, was assigned to IslaSol on 14 September 2015. The lease of 24.4258 hectares of land located at La Carlota City, Negros Occidental was executed on 5 June 2014 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 has existing lease agreement with MSPDC, the lessor, for the lease of approximately 638,193 sqm. 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 year but not later than three months before the expiration of the original period of lease. Lease extension shall be in writing executed by both parties three months before the expiration of the original period of lease. IslaSol has the sole option to extend the term of the lease.

MSEI has existing 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 ₱7.00 per square meter, exclusive of VAT, and subject to annual adjustment based on actual inflation rate covering subject period as published by the National Economic Development Authority or an 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 has an existing 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.

By virtue of a Land Lease Agreement between AP Renewables, Inc. (APRI) and Power Sector Assets and Liabilities Management Corporation (PSALM) dated 20 August 2020, APRI obtained leasehold rights over an area located at Barangay Bitin, Bay, Laguna. PSALM issued on 28 October 2020, upon a consideration of ₱5.18 million, its consent for APRI to enter into a sublease agreement with SolarAce1 for 15,468.72 square meters. The term of the lease is 15 years from the date of receipt of the written consent of PSALM or until the expiration or termination of the Land Lease Agreement, whichever is earlier. The rental fee of ₱9.05 million is payable in five equal installments payable on or before the effective date, or the same date of receipt of the written consent of PSALM, and each of the following anniversary dates.

The Group also entered into finance leases of land in Barangay Suclaran and Cabano in San Lorenzo, Guimaras and Barangay Zaldivar and Sawang in Buenavista, Guimaras to facilitate the construction of the Guimaras Wind. The carrying amount of land held under finance leases, included under "Land and land improvements" amounting to ₱116.81 million were reclassified to right-of-use assets as at 1 January 2019 upon adoption of PFRS 16.

On 20 November 2019, ACEIC, Ayala Land, Inc and Ayalaland Offices, Inc. entered an agreement on assignment of contract of lease. ACEIC assigned a portion of its office unit and parking slots effective 1 September 2019 to the Company. The lease is until 31 May 2022.

ACE Shared Services also has an existing lease agreement with Fort Bonifacio Development Corporation for its office space and parking slots. The lease is from 1 August 2020 to 31 March 2023.

A summary of the foregoing lease agreements are attached hereto as Annex "A".

As a power generator and electricity supplier, ACEN's portfolio of renewable and conventional power generation projects includes the following, as at 31 December 2020 as part of its "Machinery and equipment":

- 81 MW NorthLuzon Renewables in Ilocos Norte;
- 54 MW Guimaras Wind in Guimaras;
- 80 MWdc IslaSol in San Carlos, Negros Occidental;
- 45 MWdc MonteSol in San Carlos, Negros Occidental;
- 52 MW NorthWind project in Ilocos Norte;
- 18 MWdc MonteSol in Negros Occidental;
- 244 MW SLTEC project located in Batangas;
- 108 MW One Subic Plant in Olongapo City, Pampanga;
- 48 MW Bulacan Power Plant in Bulacan;
- 48 MW in aggregate net capacity for Power Barge 101 and 102 located in Iloilo and in Cebu;
- 21 MW CIPP Plant in La Union; and
- 32 MW Maibarara Geothermal Plant in Maibarara, Santo Tomas, Batangas.

This also includes cost of construction, plant and equipment and other direct costs.

Transportation equipment, mining equipment, office furniture and equipment are used by officers and personnel based in Makati, Guimaras, Bacnotan, La Union, Norzagaray, Bulacan, Subic, Barrio Obrero, Iloilo, Lapu-Lapu City, Calaca, Batangas, Pililia, Rizal, Palauig, Zambales, and San Carlos, Negros Occidental.

"Building and improvements" primarily includes plant buildings and structures of SLTEC, NorthWind, IslaSol, SacaSol, and Guimaras Wind.

"Construction in Progress" primarily includes the 120 MW solar farm project in Alaminos, Laguna owned by Solarace1, 60 MW solar farm project in Palauig, Zambales owned by Gigasol3; and the 150 MW peaking plant in Pililia, Rizal owned by IPHI.

For the next 12 months, the Company will acquire machinery and equipment, furniture and fixtures, office equipment and transportation equipment which will utilize the Company's funds or bank loans. Total cost of the expenditures is not yet available.

Executive Summary

ACEN posted ₱20.4 billion in revenues from electricity sales, rental income, dividend, income, and other income for the 12 months ended 31 December 2020, a 26.84% increase from ₱16.1 billion in the same period last year. On the other hand, consolidated cost of sales and general and administrative expenses was relatively flat at ₱16.0 billion for the period ended 31 December 2020 as compared to ₱16.1 billion for the same period last year. The Company was able to continue its positive net income year on year and significantly surpass previous year results achieving a net income of ₱3,869.5 million for full year 2020 as compared to ₱132.9 million for 2019. The increase in net income is mostly due to increased profitability and lower cost of power.

In March 2018, ACEN affiliate MGI began commercial operations of the 12MW Line 2 expansion of its geothermal power plant located in Sto. Tomas Batangas. In 2019, the Maibarara geothermal plant produced a net output of 226 GWH of renewable energy, a substantial increase over 162 GWh in the previous year, and ended the year with total expanded capacity of 32 MW from both Lines 1 and 2.

In July 2018, ACE Enexor and its partners notified the DOE of their withdrawal from SC 51 over offshore and onshore blocks in Eastern Visayas, deeming it impossible to complete exploration efforts within the remaining term of the contract. Moreover, the Company thought it prudent to also withdraw from SC 69 which covers an offshore area in Central Visayas due to vigorous opposition of local stakeholders to exploration activities. The Company accordingly recognized a loss on the write off in 2018 of its share in accumulated exploration costs for both service contracts. However, the Company, through its subsidiary Palawan55, commenced advanced geophysical studies under SC 55 as it remains optimistic of petroleum prospectivity of the area where subcommercial gas was discovered in 2015.

In February 2019, PHN disclosed the signing of an agreement on the sale of approximately 51.48% of outstanding shares in the Company held collectively by PHN and PHI to ACEIC. ACEIC was ACEN's partner in the SLTEC coal plant venture. ACEIC, which is fully committed to the energy sector, is in the best position to grow the Company and views ACEN as a strategic fit into its own business.

On 24 June 2019, aside from ACEIC acquiring the 51.48% combined stake of PHI and PHN in ACEN, ACEIC also acquired an additional 156,476 ACEN Shares under the mandatory tender offer which ended on 19 June 2019 and subscribed to 2.632 billion ACEN Shares. Upon closing of the transactions with PHI and PHN on 19 June 2019, ACEIC owned 66.34% of the outstanding voting Shares of the Company. As the parent company of ACEN, ACEIC has general management authority with corresponding responsibility over all operations and personnel of ACEN. The management of the Company includes planning, directing, and supervising all the operations, sales, marketing, distribution, finance and other business activities of the Company as provided in the management contract effective until 1 September 2023.

At the ASM held on 17 September 2019, as the Company marked its 50th year in the business and following the acquisition of ACEIC's ownership in the Company, the Company's management was formally transferred from the PHINMA group to the Ayala Group, in particular to ACEIC.

On 12 November 2019, the Company and ACEIC executed an Amended and Restated Deed of Assignment effective as at 9 October 2019 for the issuance of 6,185,182,288 Shares of ACEN in exchange for various onshore operating and development companies owned by ACEIC. The ACEIC Philippine Transaction was approved by the Board of Directors of the Company on 9 October 2019 and was subject to the approval of (a) the PSE as to the listing of the shares issued by the Company in exchange for the assets of ACEIC, and (b) the BIR as to the qualification of the transaction as a tax-free exchange. The Amended and Restated Deed of Assignment was further amended and restated on 14 May 2020 and the subscription by ACEIC and increase in authorized capital stock of the Company were approved by the SEC on 22 June 2020. On 18 December 2020, the PSE issued a Notice of Approval approving the listing of the said Common Shares, together with the listing of up to 2,267,580,434 Common Shares pursuant to the Offer, subject to the fulfillment of the conditions in the Notice of Approval.

Coming from ₱593.2 million net loss in 2018 the Company was able to post a consolidated net income amounting to ₱132.9 million in 2019. The improvement in the finances of the Company in 2019 can be attributed principally to improved offtake contracts and increased operating capacity from the ACEIC Philippine Transaction. The Company will continue to invest in strategic energy assets to achieve a balanced portfolio that is matched to market demands and customer requirements and well positioned to maximize future growth. See "***Competitive Strengths – Invest in strategic energy assets for sustainable growth***" on page 139 of this Prospectus.

On 29 January 2021, ACEN successfully concluded the Rights Offer with the listing of 2.2 billion Common Shares at the Philippine Stock Exchange, raising around ₱5.4 billion to partially fund at least six renewable energy projects. The Company issued the Common Shares at an offer price of ₱2.37 per Share at a ratio of 1 Rights Share for every 1.11 Common Share held as of 13 January 2021 to eligible minority stockholders.

On 26 April 2021, the Company and ACEIC executed the Deed of Assignment effective as at 26 April 2021 for the issuance of 16,685,800,533 Common Shares of ACEN in exchange for rights and interest of ACEIC in AC Energy International, which holds various international operating and development companies. The ACEIC International Transaction was approved by the Board of Directors of the Company on 18 March 2021 and by the stockholders representing at least two-thirds of the outstanding capital stock of the Company on 19 April 2021.

On 26 April 2021, the Company submitted to the SEC its initial filing for the Second Increase in ACS together with the request for confirmation of valuation of the exchange.

The transactions are subject to further regulatory approvals, including listing with the PSE, and are expected to be completed within 2021. Upon completion of the ACEIC International Transaction in 2021, ACEN is expected to have a Net Attributable Capacity of around 2,406 MW in operations and under construction, of which 77% is from renewable energy as of 31 December 2020.

Portfolio of Assets

ACEN holds investments in and operates its portfolio of power projects through its subsidiaries, associates and joint ventures. The following tables set forth selected data on the Company's power generation portfolio in operation and under construction as of 31 December 2020.

Plant/ Project Name	Location	Project type	Net dependable capacity (MW)	Effective Economic Interest (%)[1]	Net Attributable capacity (%)[2]	COD
OPERATING ASSETS						
Renewable Energy						
Guimaras Wind	Guimaras, Philippines	Wind	54	100%	54	2014
North Luzon Renewables	Ilocos Norte, Philippines	Wind	81	67%	54	2014
IslaSol	Negros Occidental, Philippines	Solar	80	60%	48	2016
SacaSol	Negros Occidental, Philippines	Solar	45	100%	45	Phase AB: 2014; Phase CD: 2015
NorthWind Power	Ilocos Norte, Philippines	Wind	52	68%	35	Phase 1: 2005 Phase 2: 2008 Phase 3: 2014
MonteSol	Negros Occidental, Philippines	Solar	18	100%	18	2016

Plant/ Project Name	Location	Project type	Net dependable capacity (MW)	Effective Economic Interest (%)[1]	Net Attributable capacity (%)[2]	COD
Maibarara Geothermal Plant	Batangas, Philippines	Geothermal	32	17%	8	Unit 1 (20MW): 2014 Unit 2 (12MW): 2018
South Negros Biopower	Negros Occidental, Philippines	Biomass	22	7%	2	2021 target
North Negros Biopower	Negros Occidental, Philippines	Biomass	22	6%	1	2021 target
San Carlos Biopower	Negros Occidental, Philippines	Biomass	19	7%	1	2021 target
Thermal Energy						
SLTEC	Batangas, Philippines	Coal	244	100%	244	Unit 1: 2015 Unit 2: 2016
One Subic	Olongapo City, Philippines	Diesel	108	100%	108	1994 (NPC-SPC)
BPGC	Bulacan, Philippines	Diesel	48	100%	48	1998
Power Barge 101	Iloilo, Philippines	Diesel (power barge)	24	100%	24	1981 (NPC)
Power Barge 102	Iloilo, Philippines	Diesel (power barge)	24	100%	24	1981 (NPC)
CIPP	La Union, Philippines	Diesel	20	100%	20	2013
UNDER CONSTRUCTION						
Renewable Energy						
Alaminos Solar	Alaminos, Laguna	Solar	120	100%	120	2021 target
Alaminos Battery Energy Storage System Project	Alaminos, Laguna	Battery	40	100%	40	2021 target
Bataan Solar lab	Mariveles, Bataan	Solar	4	100%	4	2021 target
Palauig Solar	Palauig, Zambales	Solar	60	100%	60	2021 target
Thermal Energy						
Ingrid Peaking Plant	Pililia, Rizal	Diesel	150	50%	75	2021 target[3]

Notes:

(1) Effective economic interest refers to the Company's economic interest directly and/or indirectly held in the project.

(2) Net Attributable Capacity refers to the product of the Company's effective economic interest in the relevant power project multiplied by net capacity of the relevant power project.

(3) The Company intended to provide ancillary services to NGCP. Commercial operations date subject to effectivity of ASPA agreement.

Thermal Plants in Operation

CIPP

Background. CIPP was incorporated and registered with the SEC on 2 June 1998 primarily to construct, erect, assemble, commission, operate, maintain and rehabilitate gas turbine and other power generating plants for the conversion of coal and other fuel into electricity, and transmit and distribute thereof to Carmelray Industrial Park II in Calamba, Laguna. The 21 MW diesel bunker C-fired power plant used to supply power to locators in the industrial park but in April 2009, CIPP sold its distribution assets resulting in the cessation of the company's operations and the separation of substantially all of its employees effective 31 January 2010. On 22 February 2010, the ACEN Board approved the acquisition of CIPP, and on December 2010, the transfer of the plant from Carmelray Industrial Park II to Brgy. Quirino, Bacnotan, La Union. The transfer was completed in December 2012 and resumed operations in January 2013.

Power Offtaker / Energy Sales. On 26 June 2013, CIPP entered into a PAMA with ACEN valid for 10 years for ACEN to administer and manage the entire capacity and net output of One Subic in consideration of energy fees to be paid by ACEN to CIPP. Fixed capacity fees paid to CIPP are recorded as revenue from sale of electricity on the basis of the applicable terms of the PAMA. CIPP has an existing approved non- firm ASPA with NGCP and revenues from sale of electricity through said ancillary services is recognized monthly based on the capacity scheduled and/or dispatched.

Operations Review. In January 2013, CIPP resumed commercial operations in La Union. Under the terms of the PAMA, ACEN will administer and manage the entire generation output of CIPP Power Plant by selling or trading the entire capacity.

The project's average availability factor for the years ended 31 December 2019 and 2020 were 99% and 100%, respectively.

One Subic

Background. One Subic was incorporated and registered with the SEC on 4 August 2010 to engage in the business of owning, constructing, operating, developing and maintaining all types of power generation plants. On 18 November 2010, ACEN and One Subic entered into a PAMA wherein ACEN administers and manages the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. The PAMA became effective on 17 February 2011 and shall be valid throughout the term of the lease agreement with SBMA. On 12 May 2014, the Company purchased from Udenna Energy Corporation the entire outstanding shares of stock of One Subic. On 19 June 2017, the SEC approved the amendment of One Subic's Articles of Incorporation for the change in the primary purpose to include exploration, discovery, development, processing, and disposal of any and all kind of petroleum products.

Power Offtaker / Energy Sales. One Subic has an existing PAMA with ACEN under which ACEN is given the right to administer and manage the net output of One Subic's Power Plant in consideration of energy fees to be paid by ACEN to One Subic. Capacity and energy recovery fees paid to One Subic are recorded as revenue from sale of electricity based on the PAMA. One Subic Power Plant has an existing approved non-firm ASPA with NGCP. The One Subic Diesel Power Plant provides dispatchable reserve services to NGCP, as they are fast start generators that are readily available for dispatch when called by NGCP to replenish the contingency reserve services whenever a generating unit trips or a single transmission interconnection loss occurs.

Operations Review. One Subic started commercial operations in 17 February 2011. Under the terms of the PAMA, ACEN will administer and manage the entire generation output of One Subic Power Plant by selling or trading the entire capacity.

The project's average availability factor for the years ended 31 December 2019 and 2020 were at 68% and 95%, respectively.

Lease Agreement with SBMA. One Subic entered into a Facilities Lease Agreement with SBMA for a parcel of land, power generating plant and facilities, with a right of first offer to purchase the plant, subject to the terms and conditions in the Facilities Lease Agreement, exercisable prior to the end of the lease. The lease was originally entered on 20 July 2010 and valid for five years. The agreement was later on amended on 18 June 2013 to extend the term of the lease to 19 July 2020 with an option to renew for another five years. On 3 April 2018, the agreement was further amended to extend the term of the lease until 19 July 2030.

Bulacan Power

Background. BPGC (formerly PHINMA Power Generation Corporation) was incorporated and registered with the SEC on 18 March 1996 and is primarily engaged in power generation. In October 2006, Philippine Electricity Market Corporation ("PEMC") approved BPGC's application for registration as trading participant for both generation and customer categories in the WESM. Both ACEN and BPGC obtained membership in the WESM allowing both to participate in electricity trading managed by PEMC, including selling of excess generation to the WESM. On 26 December 2013, BPGC entered into a PAMA with ACEN valid for 10 years for the administration and management by ACEN of the entire capacity and net output of BPGC starting 2014 in consideration of energy fees to be paid by ACEN to BPGC.

Offtaker / Energy Sales. On 10 December 2012, the NGCP and BPGC executed an ASPA for the latter to provide dispatchable reserves ensuring reliability in the operation of the transmission system and the electricity supply in the Luzon Grid for five years upon the effectivity of the provisional approval or final approval issued by the ERC. By the ERC Order dated 25 February 2013, the ERC provisionally approved the application filed by NGCP and BPGC allowing BPGC to provide ancillary services to NGCP in January 2015.

Under the PAMA with ACEN dated December 26, 2013, ACEN has the sole and exclusive right to dispatch all of the capacity and the output of the BPGC's Power Plant, where any fees paid in connection with the capacity of BPGC's Power Plant, including ancillary services to NGCP, belong to ACEN as the sole administrator and manager. However, effective 26 March 2018, the amended PAMA allows BPGC to retain the ancillary fees and no longer paid to ACEN.

Operations Review. Under the terms of the PAMA, ACEN will administer and manage the entire generation output of BPGC by selling or trading the entire capacity of its diesel power plant.

Thermal Projects in Operation

SLTEC

Background. On 29 June 2011, the Company entered into a joint venture with ACEIC to form SLTEC, which would undertake the construction of a 244 MW clean coal power plant in Calaca, Batangas. Each of the Company and ACEIC had 50% ownership of SLTEC until the entry of Axia Power, a subsidiary of Marubeni Corporation, through the purchase of the Company's 5% interest and ACEIC's 15% interest in SLTEC in December 2016. On 4 November 2019, ACEIC assigned its right to purchase the 20% ownership stake of Axia Power in SLTEC in favor of the Company.

Offtaker / Energy Sales. ACEN purchases all the power generated by the power plant in accordance with a 15-year exclusive power purchase agreement with SLTEC to sustain and support the electricity supply business of the Company. SLTEC and ACEN subsequently terminated the power purchase agreement and entered into an Administration and Management Agreement on 4 October 2019 whereby

ACEN has the exclusive right to administer, control, and manage the net dependable capacity and net available output of the 2x135MW power plant. ACEN entered into a PSA with Meralco on a fixed price peso contract until 2029 using SLTEC as one of its sources of supply. The PSA has been approved by the ERC on 13 May 2020 for the baseload and on 1 June 2020 for the mid-merit.

Operations Review. The project officially commenced in December 2011, with the first unit of the plant starting its commercial operations in April 2015, and the second unit in February 2016. The project's average availability factor for the years ended 31 December 2018, 2019, and 2020 were at 62%, 66%, and 83%, respectively.

Power Barges 101 and 102

Background. Power Barges 101 and 102 were commissioned in 1981 and are directly owned by the Company. Each power barge is a barge-mounted bunker-fired diesel generating power station with Hitachi diesel generator units and a net dependable capacity of 24MW as 31 December 2020. The Power Barges were acquired by ACEN from PSALM through an Asset Purchase Agreement in July 2015.

Power Barges 101 and 102 started providing dispatchable reserve services to the Visayas grid in 2018 and is currently for sale with prospective buyers conducting their respective due diligence.

Offtaker / Sales. Power Barge 101 is certified and accredited for Dispatchable Reserve and Reactive Power Services Support Service with the National Grid Corporation of the Philippines, until March 2023. Power Barge 101 is a fast start generator readily available for dispatch when called by NGCP to replenish the contingency reserve services whenever a generating unit trips or a single transmission interconnection loss occurs. Power Barge 102 is currently decommissioned.

Operations Review. ACEN has qualified personnel performing the day-to-day operations. ACEN observes scheduled shutdowns to conduct major mechanical, electrical, and control and instrumentation maintenance activities. As part of its obligations under its ASPA, Power Barge 101 is required to be available but will only operate as needed.

Power Barge 101's average availability factor for the years ended 31 December 2019 and 2020 are 88% and 85%, respectively.

Thermal projects under construction

Ingrid Peaking Plant

On December 2019, the Company has commenced construction 150 MW diesel power plant in Brgy. Malaya, Pililia, Rizal, to be an ancillary service provider to the NGCP, through its wholly-owned subsidiary, Ingrid. Ingrid was incorporated and registered with the SEC on 7 June 2018, with the primary purpose to own, operate, maintain, and rehabilitate energy systems and projects. The Company is targeted to sign an ASPA with NGCP and thereby start commercial operations in 2021.

Renewable Energy Projects in Operation

Guimaras Wind

Background. GWC was incorporated and registered with the SEC on 2 September 1994 to engage in developing and utilizing renewable energy, and pursuing clean and energy-efficient projects. GWC was awarded by the DOE WESC No. 2009-10-009, pursuant to which it developed the 54 MW San Lorenzo Wind Farm in Guimaras, Iloilo.

On 20 May 2013, the DOE confirmed the Declaration of Commerciality of the Guimaras Wind 54MW San Lorenzo Wind Project in San Lorenzo, Guimaras under WESC No. 2009-10-009. The DOE confirmation affirms the conversion of said WESC from Pre-Development to Commercial Stage. On 7 October 2014, Guimaras Wind started delivering power to the grid from the commissioning operations of the first three units of wind turbine generators. On 16 February 2015, Guimaras Wind received from the DOE the confirmation of Commercial Operation starting 27 December 2014 for its 54 MW San Lorenzo Wind Project.

Power Offtaker / Energy Sales. Pursuant to Section 7 of the RE Law and Section 5 of the RE Law IRR, the ERC adopted and promulgated the FIT Rules. Eligible plants are entitled to the appropriate FIT administered and paid by the TransCo. On 10 June 2015, the wind farm was issued a Certificate of Endorsement for FIT Eligibility by the DOE. On 1 December 2015, GWC received its COC- FIT from the ERC which entitles the company to recognize its FIT at an approved rate of ₱7.40, with a retroactive period beginning 27 December 2014, for a guaranteed period of 20 years until 26 December 2034. On 6 July 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible renewable energy plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the project's FIT Rate in 2020 is now ₱8.59/kWh.

Operations Review. Guimaras Wind started delivering power to the grid on 7 October 2014 during the commissioning operations of the first three units of wind turbine generators. The 54MW wind energy plant started Commercial Operations on 27 December 2014.

The average availability and net capacity factor of Guimaras Wind for the years ended 31 December 2019 and 2020 are as follows:

	For the year ended 31 December 2019	**For the year ended 31 December 2020**
Availability Factor (%)	95	94
Net Capacity Factor (%)	19	18

Operations and Maintenance. GWC entered into an Operation and Maintenance Agreement for Wind Turbine Generators with Gamesa Eolica-Unipersonal Philippine Branch ("Gamesa") as the Contractor dated 15 February 2013, where the latter warrants to the company that the annual average availability of the wind farm be no less than 97%. If the annual average availability of the San Lorenzo Wind Farm is less than the availability warranty, Gamesa will pay GWC liquidated damages.

Maibarara Geothermal

Background. On 19 May 2010, the Company, PetroGreen Energy Corporation ("PetroGreen"), and PNOC Renewables Corporation ("PNOC RC") signed a joint venture agreement, a wholly-owned subsidiary of publicly-listed PetroEnergy, to form MGI. MGI, with the following shareholding interests: PetroGreen - 65%; the Company - 25%; and PNOC RC - 10%., would develop and operate the Maibarara Geothermal Power Project ("Maibarara Thermal Project") pursuant to the geothermal renewable energy service contract awarded by the DOE to PetroEnergy, PetroGreen's parent company, and subsequently assigned by PetroEnergy to MGI. On 27 August 2019, the Company and MGI executed an Amendment to the Unit 1 Electricity Supply Agreement ("ESA") and Unit 2 ESA where the electricity fee rate structure was amended and the electricity supply period was amended until 25 June 2039.

Operations Review. Unit 1 and Unit 2 of Maibarara Project commenced commercial operation on 8 February 2014 and on 9 March 2018, respectively.

Operations and Maintenance. MGI has qualified personnel performing the day-to-day operations of the Maibarara Project. MGI observes scheduled shutdowns to conduct major mechanical, electrical, and control and instrumentation maintenance activities.

The ACEIC Philippine Transaction

On 9 October 2019, ACEIC assigned its rights, interests, and obligations in the following companies to the Company as payment for its subscription to unissued shares and shares to be issued out of the increase in the authorized capital stock of the Company.

MonteSol

Background. In 2015, ACEIC entered into a subscription and shareholders' agreement with VRC (formerly "Bronzeoak Clean Energy") for the development, construction and operation of the MonteSol Project, a solar power farm located in Bais City, Negros Oriental. This project is owned and operated by MonteSol. The first phase of the project was for an 18 MWdc solar power plant with a total project cost of ₱1.3 billion, which was completed in February 2016 and is currently dispatching its full capacity to partially meet the energy requirements of Dumaguete City and Cebu City. The Company believes that there is further potential for the expansion of the initial 18 MWdc solar power plant to up to 40 MWdc.

Power Offtaker / Energy Sales. On 26 May 2015 and 15 October 2015, the MonteSol Project secured the certificates of registration with the DOE and BOI, respectively, as a renewable energy developer of solar energy resources. On 3 June 2016, the DOE certified the MonteSol Project as an eligible project under the FIT system. On 14 July 2016, the ERC issued a provisional authority to operate in favor of MonteSol and on 8 December 2016 qualified this to a provisional authority to operate as a renewable energy generation company, thereby entitling it to a FIT Rate of ₱8.69/kWh for a period of 20 years from 13 March 2016. On 6 February 2017, the Company received final authority by way of its COC-FIT from the ERC and recognized revenues from energy sales using the FIT Rate.

Pursuant to Section 7 of the RE Law and Section 5 of the RE Law IRR, the ERC adopted and promulgated FIT rules. Eligible plants are entitled to the appropriate FIT Rate for its energy sales, which is administered and paid by the TransCo. On 6 July 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible renewable energy plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the project's FIT Rate in 2020 is now ₱10.12/kWh.

Operations Review. The MonteSol Project started commercial operations in February 2016 initially at WESM prices until the receipt of the COC allowing the company to retroactively recognize revenue from generation starting from March 2016 at FIT Rate.

The average net capacity factor of the MonteSol Project for the years ended 31 December 2018, 2019, and 2020 were at 16%, 15%, and 16%, respectively.

Operations and Maintenance. The MonteSol Project utilizes photovoltaic technology to convert sunlight to electricity using 68,160 modules and 16 inverters. On 20 April 2016, MonteSol signed a technical consultancy and services agreement with Conergy Asia & ME PTE Ltd, an Operations and Maintenance Agreement with Physics Research Sales and Services Corp., O&M Coordination Agreement and a Wrap Agreement and Waiver of Defenses under the Offshore Contract and O&M Contract for the operation and maintenance of the plant for five years from the issuance of the certificate for the Performance Acceptance test for MonteSol as defined in the offshore supply contract it signed with Conergy Asia & ME PTE Ltd.

MonteSol then signed another Operations and Maintenance Agreement with PRSS dated 1 November 2019 for the operation and maintenance of the plant for another two years from the date of the agreement.

ACE Renewables

ACE Renewables was incorporated and registered with the SEC on 6 April 2005 as a holding company with the primary purpose to purchase, subscribe for, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of property of every kind and description, shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts or obligations of an corporation or corporations, domestic or foreign. ACE Renewables is a shareholder in NLREC and in ACE Endevor.

Viage

Viage was incorporated and registered with the SEC on 22 August 2005 as holding company to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose real and personal property of every kind in particular, shares of stock, voting trust certificates, bonds, debentures, notes, evidences of indebtedness association, domestic or foreign, including those of the Government of the Philippines, or any of its instrumentalities, without being a stockbroker or dealer. Viage is a shareholder in NPDC.

Northwind Power

<u>Background</u>. In March 2011, ACEIC acquired a 50% effective stake in NPDC, which owns and operates Northwind Power, which was then a 33 MW wind farm located in Bangui Bay, Ilocos Norte. The wind farm currently has total of 26 wind turbines and is the first commercial wind farm ever established in Southeast Asia. Commercial operations started in June 2005 with 15 wind turbines (Phase 1) followed by an additional five turbines in August 2008 (Phase 2) and another six turbines in September 2014 (Phase 3), increasing the project's generation capacity to 51.9 MW.

ACEIC acquired an additional 17.8% stake in NPDC in 2016. This increased ACEIC's effective ownership interest from 50.0% to 67.8%.

<u>Power Offtaker / Energy Sales</u>. Northwind Power delivers all its generation to the national grid via its own 57 kilometer 69kV transmission line from its plant site in Bangui, Ilocos Norte to the substation of the NGCP in Laoag City, Ilocos Norte.

The tariff on the generation of Phases 1 and 2 is a FIT Rate of ₱5.76/kWh specific to the company, approved by the ERC in its decision dated 30 June 2014. The FIT Rate is valid for 20 years less the actual years of operation as provided for under the FIT Rules.

The tariff on the Phase 3 turbines is the national FIT Rate of ₱8.53/kWh and is valid for a period of 20 years. Annual adjustment to the FIT Rate is provided for under the FIT Rules. On 6 July 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible renewable energy plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the project's FIT Rate in 2020 is now ₱6.92/kWh and ₱9.90/kWh for Phases 1 and 2, respectively.

<u>Operations Review</u>. Phases 1 and 2 use Vestas turbines and have a total 33 MW of capacity and while Phase 3 uses Siemens turbines and have a total 18.9 MW of capacity.

The average availability factor and net capacity factor of Northwind Power for the years ended 31 December 2018, 2019, and 2020 are as follows:

		For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
Phase 1 & 2	Availability Factor (%)	90	91	94
	Net Capacity Factor (%)	28	23	27
Phase 3	Availability Factor (%)	96	93	90
	Net Capacity Factor (%)	34	25	28

Operations and Maintenance. After the expiration of the O&M warranty on Northwind Power's Phase I and II turbines in 2010 and 2013 respectively, the turbines had been maintained and operated by NPDC personnel. However, major repairs and software upgrades are outsourced to Vestas.

In 2013, NPDC signed a five-year Service and Availability Agreement ("SAA") with Siemens, covering the same period as the O&M warranty for Phase III. Under the SAA, Siemens warrants that the measured average availability ("MAA") of the project shall not be less than the warranted average availability ("WAA") of 95%. Should the MAA fall below 95%, Siemens shall pay NPDC damages. The SAA also provides for an incentive if the MAA exceeds the incentive threshold of 97%.

Upon expiration of the SAA on 25 September 2019, Siemens and NPDC executed a 10-year Long Term Full Service Agreement with the same WAA and incentive threshold, which will be extended to 15 years. In January 2020, NPDC executed an Umbrella Agreement by and among Siemens, NLREC and NPDC combining the MAA for the 33 Siemens turbines of the two windfarms (Northwind Power and North Luzon Renewables). Under the Umbrella Agreement, Siemens warrants a combined WAA of 98% during high wind months of October to March and 95% during low wind months of April to September. Should the MAA be less than the WAA, Siemens shall pay NLREC and NPDC damages. If the MAA exceeds the incentive threshold of 98.5% during high wind months or 95.5% during low wind months, NLREC or NPDC shall pay an incentive to Siemens.

Philippine Wind

PWHC was incorporated and registered with the SEC on 12 November 2009 as a holding company for renewable energy corporations. It is the parent company of NLREC, which owns and operates the 81MW wind farm in Barangay Caparispisan, Pagudpod, Ilocos Norte or Northwind Power, through the Investment Framework Agreement and Shareholders' Agreement dated 12 July 2013 among ACEIC, UPC Philippines Wind Holdco I B.V., and PINAI.

PWHC owns 100% ownership interest in Ilocos Wind, a shareholder in NLREC.

Ilocos Wind

Ilocos Wind was incorporated and registered with the SEC on 16 December 2009, and owns 28.7% of NLREC.

North Luzon Renewables

Background. In July 2013, ACEIC signed an Investment Framework Agreement and shareholders' agreement with UPC Philippines Wind Holdco I B.V., a wholly-owned company of UPC Renewables and PINAI. Under the agreements, the parties agreed to develop wind farm projects in Ilocos Norte through Northern Luzon UPC Asia Corp. as their joint venture company (now named NLREC)

Under the Investment Framework Agreement, an initial equity investment was agreed upon for North Luzon Renewables, which was the first 81 MW wind farm project in Caparispisan, Pagudpod, Ilocos

Norte, and had a total project cost of approximately U.S.$220 million. ACEIC funded 64% of the project's equity, with PINAI funding 32% and UPC Renewables funding 4%.

North Luzon Renewables started commercial operations on 11 November 2014. On 11 December 2014, the DOE through the issuance of a certificate of endorsement certified the project as an eligible project under the FIT system.

In September 2015, ACEIC sold a portion of its ownership stake in NLR to Luzon Wind Energy Holdings BV. Subsequent to such sale, ACEIC remains the single largest shareholder in NLR with a 25.7% voting interest.

On 5 November 2019, ACEIC, through its subsidiary ACEN, signed a share purchase agreement with PINAI for the acquisition of PINAI's 31% effective preferred equity ownership and 15% effective common equity ownership in NLREC.

Power Offtaker / Energy Sales. The power generated by North Luzon Renewables is supplied to the NGCP via its 62 kilometers, 115 kV transmission line from the project site to the NGCP substation in Laoag City, Ilocos Norte.

In April 2015, North Luzon Renewables received the FIT COC from the ERC entitling the wind farm to a FIT Rate of ₱8.53/kWh for a period of 20 years. The FIT Rate covers the period from 11 November 2014 to 10 November 2034. On 6 July 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible renewable energy plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the project's FIT Rate in 2020 is now ₱9.90/kWh.

Operations Review. The wind farm is comprised of 27 wind turbines with individual capacity of 3MW each. The average availability and net capacity factor of North Luzon Renewables for the years 31 December 2018, 2019, and 2020 are as follows:

	For the year ended 31 December 2018	**For the year ended 31 December 2019**	**For the year ended 31 December 2020**
Availability Factor (%)	94	94	96
Net Capacity Factor (%)	38	31	35

Operations and Maintenance. On 11 July 2013, the company signed a service maintenance and availability agreement ("SMAA") with Siemens, its supplier of WTGs, to provide and carry out certain service and maintenance activities for the WTGs to support the company's day-to-day operations of the WTGs and retain Siemens to provide an availability warranty.

Under the SMAA, Siemens performs its services in accordance with the annual maintenance service plan reviewed and accepted by NLREC. The annual maintenance plans are prepared no later than 60 days prior to the commencement date and updated 60 days prior to the expiration of the previous plan year or as necessary to reflect on-going maintenance issues. Each annual maintenance service plan includes breakouts of Siemens' plan for providing the services. Services include maintenance and inspection, waste management during the performance of services and remote monitoring of the WTGs on a 24-hour a day, seven days a week basis. Siemens also warrants that the MAA of the project shall not be less than the WAA of 96%. Should the MAA fall below 96%, Siemens shall pay NLR damages. The SMAA also provides for an incentive if the MAA exceeds the incentive threshold of 97%.

The SMAA was amended on 26 June 2015, changing the term of the agreement, from the commencement date to the fifth annual anniversary of the WTG Commissioning Completion date to 15 January 2015 to 15 January 2020 and the daily fee paid to Siemens from ₱4,990 to ₱5,448.

A further amendment was executed on 20 April 2018 amending the Availability Test Procedure.

Upon expiration of the SMAA, Siemens and NLREC executed a 15-year Long Term Full Service Agreement on 24 January 2020. NLR also executed an Umbrella Agreement by and among Siemens, NLREC and NPDC combining the MAA for the 33 Siemens turbines of the two windfarms (North Luzon Renewables and Northwind Power). Under the Umbrella Agreement, Siemens warrants a combined WAA of 98% during high wind months of October to March and 95% during low wind months of April to September. Should the MAA be less than the WAA, Siemens shall pay NLREC and NPDC damages. If the MAA exceeds the incentive threshold of 98.5% during high wind months or 95.5% during low wind months, NLR or NPDC shall pay an incentive to Siemens.

IslaSol

Background. In 2019, ACEN signed a share purchase agreement with PINAI for the acquisition of PINAI's ownership interest in IslaSol. On 26 February 2020, the PCC approved the transaction. On 23 March 2020, closing occurred and the purchase price in the amount of ₱1.6 billion was paid by Giga Ace 3, Inc. ("GigaAce3"), ACEN's wholly-owned subsidiary and the entity designated by ACEN to purchase the PINAI's shares in IslaSol. ACEN's ownership of the company increased to 100% upon completion of the transaction. At present, IslaSol owns a 32 MWdc solar farm in La Carlota City, Negros Occidental ("IslaSol II") and a 48 MWdc solar farm in Manapla, Negros Occidental ("IslaSol III"). IslaSol II and IslaSol III began their commercial operations on 29 March 2016 and 8 March 2016, respectively, and are currently dispatching their full capacity to the grid. IslaSol II uses a mix of JA Solar and Astronergy 260W solar panels, while IslaSol III uses JA Solar panels ranging from 265W to 275W.

On 22 May 2020, IslaSol signed with ThomasLloyd a subscription agreement for 33,691 Redeemable Preferred Shares E in IslaSol at a subscription price of ₱2,780,224,857.21, to be issued out of the increase in IslaSol's authorized capital stock. Following the issuance of the shares to ThomasLloyd and a programmed partial redemption of GigaAce 3's IslaSol shares, ThomasLloyd's and ACEN's (through GigaAce 3 and VRC) ownership interests in IslaSol will be at 34% and 66%, respectively.

Power Offtaker / Energy Sales. IslaSol II is connected to the Bacolod-San Enrique 69 kV line, while IslaSol III is directly connected to NGCP's Cadiz substation. On 13 January 2017, the ERC granted IslaSol II provisional authority to operate and issued its COC on 5 June 2017. For IslaSol III, the ERC granted a provisional authority to operate on 29 July 2016, which was extended on 23 January 2017. IslaSol III's COC was eventually issued on 10 July 2017.

Operations Review. The average availability factor and net capacity factor of the IslaSol I and II for the years 31 December 2019 and 2020 are as follows:

	For the year ended 31 December 2019	**For the year ended 31 December 2020**
Availability Factor (%)	99	98
Net Capacity Factor (%)	17	16

Operations and Maintenance. Both IslaSol II and IslaSol III use photovoltaic technology to convert sunlight to electricity with IslaSol II utilizing 123,096 modules and 32 inverters, while IslaSol III utilizes 179,040 modules and 45 inverters. On 12 January 2016, IslaSol signed a technical consultancy and services agreement with Conergy Asia & ME PTE Ltd, an Operations and Maintenance Agreement with Physics Research Sales and Services Corp., O&M Coordination Agreement and a Wrap Agreement and Waiver of Defenses under the Offshore Contract and O&M Contract for the operation and maintenance of the plant for five years from the issuance of the Certificate for the Performance Acceptance Test for IslaSol as defined in the offshore supply contracts it signed with Conergy Asia & ME PTE Ltd.

SacaSol

Background. In 2019, ACEN signed a share purchase agreement with PINAI for the acquisition of PINAI's ownership interest in SacaSol. On 13 February 2020, the PCC approved the transaction. On 23 March 2020, closing occurred and the purchase price in the amount of ₱3.0 billion was paid by Giga Ace 2, Inc., ACEN's wholly-owned subsidiary and the entity designated by ACEN to purchase the PINAI's shares in SacaSol. ACEN's ownership of the company increased to 100% upon completion of the transaction.

Located in San Carlos City, Negros Occidental, SacaSol AB (a 22 MWdc solar farm) and SacaSol CD (a 23 MWdc solar farm) began operating commercially on 15 May 2014 and 6 September 2015, respectively, with both solar farms currently dispatching full capacity to the grid. The SacaSol solar farms use a combination of Astronergy 270W PV solar modules and JA Solar 245W PV Modules.

Power Offtaker / Energy Sales. SacaSol AB and SacaSol CD are connected to the San Carlos-Cadiz 69 kV line. SacaSol AB has been awarded a guaranteed FIT Rate of ₱9.68/per kWh, subject to adjustment as may be approved by the ERC, for 20 years. For SacaSol CD, the awarded guaranteed FIT Rate is ₱8.69/per kWh, also subject to adjustment as may be approved by the ERC, for 20 years. On 6 July 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible renewable energy plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the project's FIT Rate in 2020 is now ₱11.28/kWh and ₱10.12/kWh for SacaSol AB and SacaSol CD, respectively.

Operations Review. The average availability factor and net capacity factor of SacaSol solar farms for the years ended 31 December 2019 and 2020 are as follows:

	For the year ended 31 December 2019	**For the year ended 31 December 2020**
Availability Factor (%)	99	98
Net Capacity Factor (%)	17	17

Operations and Maintenance. Both SacaSol AB and SacaSol CD use photovoltaic technology to convert sunlight to electricity. SacaSol AB utilizes 83,208 modules and 22 inverters, while SacaSol CD utilizes 88,946 modules and 22 inverters. On 25 September 2015, SacaSol signed a technical consultancy and services agreement with Conergy Asia & ME PTE Ltd, an Operations and Maintenance Agreement with Physics Research Sales and Services Corp., O&M Coordination Agreement and a Wrap Agreement and Waiver of Defenses under the Offshore Contract and O&M Contract for the operation and maintenance of the plant for five years from the issuance of the Certificate for the Performance Acceptance Test for SacaSol as defined in the offshore supply contract it signed with Conergy Asia & ME PTE Ltd.

South Negros Biopower, North Negros Biopower, and San Carlos Biopower

Background. On 20 March 2018, AC Energy International (then Presage Corporation) and Zabaleta & Co. entered into a share purchase agreement for acquisition of 21,484 common shares in Isla Bio, which represents a 42.97% voting interest. Isla Bio is the entity that holds interests in three biomass plants in Negros Occidental province that are under construction, namely: (1) 19 MW (net) San Carlos BioPower Project, (2) 22 MW (net) South Negros BioPower, and (3) 22 MW (net) North Negros BioPower.

The biomass plants are conceptualized to be highly efficient power plants capable of combusting a range of locally available biomass to generate power by a steam turbine-driven generator utilizing tried and proven technologies while ensuring environmental compliance. Biomass, including but not limited to, agricultural residue such as sugarcane trash and coconut husks/shells, as well as wood and grasses, will be the main fuel utilized in such plants.

South Negros Biopower, North Negros Biopower, and San Carlos Biopower have substantially completed construction and are targeting to achieve commercial operations within 2021.

Renewable Energy Projects Under Construction

Alaminos Solar and Alaminos Battery Energy Storage System Project

In January 2020, the Company has commenced construction of its 120 MWdc solar power farm project to be located in the Municipality of Alaminos, Laguna, through its wholly-owned subsidiary, SolarAce1, with project completion expected by May 2021. In October 2020, the Company commenced construction of the 2x20 MW Alaminos Battery Energy Storage System Project. The project uses Seraphim monocrystalline panels and is expected to sell its output to ACEN's RES Business upon completion.

Palauig Solar

In July 2020, the Company has commenced construction of its 60 MWdc solar farm located in the Municipality of Palauig, Zambales, through its wholly-owned subsidiary Gigasol3, with project completion expected by April 2021. The project uses Seraphim monocrystalline panels and is expected to sell its output to ACEN's RES Business upon completion.

Renewable Energy Development Platforms

ACEN is scaling up its renewable energy platforms and existing partnerships with a strong pipeline of projects in the Philippines and through the transfer of ACEIC's international portfolio (see ACEIC International Transaction) and targets to reach financial close for various renewable projects with an expected gross capacity of over 5,000 MW in the next five years.

As of the date of this Prospectus and in respect of projects in the pipeline, the following summarizes the pipeline of ACEN through ACE Endevor and AC Energy International upon completion of the ACEIC International Transaction:

Location	Expected gross capacity (MW)
Philippines	>3,400
Australia	>5,200
Vietnam	>2,400
India	~300
Others	~600
Total	**~12,000**[7]

For its Philippine operations, the Company expects its pipeline of projects to include 500 MW worth of projects expected to achieve financial close within 12 months from the date of this Prospectus. Upon completion of the ACEIC International Transaction, ACEN's pipeline shall increase by an additional 500MW worth of projects, including with financial close expected to happen within 12 months from date of this Prospectus.

See "Risk Factors—Risks Relating to the Company and its Businesses— The Company may not successfully implement its growth strategy and the impact of acquisitions and investments could be less favourable than anticipated;—Risks and delays relating to the development of greenfield power projects

[7] Includes pipeline of ACEN, pipeline of AC Energy International, and AC Energy International's share in international platforms with gross capacities of 1,361 MW, 736 MW, and 4,524MW, respectively as reported in the updated fairness opinion issued by FTI Consulting dated 18 March 2021.

could have a material adverse effect on the Company's operations and financial performance." on page 56 of this Prospectus.

ACE Endevor

AC Endevor was incorporated and registered with the SEC on 10 November 2014 to engage in all aspects of exploration, assessment, development and utilization of renewable and other energy resources and storage of electricity. ACEIC acquired 100% of the ownership interests in ACE Endevor in March 2017 with the intent to make ACE Endevor its project development, management and operations platform.

ACE Endevor currently provides operations and management support to renewable energy companies that include SacaSol, IslaSol and MonteSol.

ACE Endevor wholly owns VRC, PWPC, Gigasol2, LCC Bulk Water, MCV Bulk Water, SCC Bulk Water, HDP Bulk Water, Solienda, and SJLD.

ACE Endevor also has an ownership interest in Isla Bio, the parent company of SCBP, SNBP, and NNBP, and in Ingrid and Ingrid Power 3 Holdings, Inc.

Visayas Renewables

VRC was incorporated and registered with the SEC on 24 June 2015 with a primary purpose to evaluate, examine, license, purchase, promote, develop, engage, and market in whole or in part in the manufacture and sale of electric current, biofuels and other utilities of any kind and character.

It has ownership interests in SacaSol, IslaSol and MonteSol.

Pagudpud Wind

PWPC was incorporated and registered with the SEC on 9 December 2009 as a holding company for renewable energy and other corporations. PWPC is the parent company of BWPC, which is the project company for the proposed Balaoi-Caunayan wind farm in Ilocos Norte.

Bayog Wind

BWPC was incorporated and registered with the SEC on 13 January 2010. BWPC holds WESC Nos. 2010- 02-038 and 2014 06-073 issued by the DOE for the development, construction, ownership and operation of wind farms in the towns of Balaoi and Caunayan in Ilocos Norte. Pursuant to these WESCs, BWPC intends to develop the proposed Balaoi wind project with a target capacity of up to 160MW.

The implementation of the Balaoi wind project is governed by the Investment Framework Agreement and the Shareholders' Agreement executed by and among BWPC, ACEIC, AC Energy International, UPC Philippines HoldCo II B.V., and Pagudpud Wind Power Corp. in November 2018. In 2019, AC Energy International transferred all of its ownership in PWPC to ACE Endevor, and ACE Endevor executed a Deed of Accession to accede to the agreements executed in relation to the Balaoi-Caunayan wind farm project.

Gigasol2

Gigasol2 was incorporated and registered with the SEC on 13 March 2017 to engage in the business of exploring, developing, and utilizing renewable energy projects in the Philippines. In 2018, Gigasol2 acquired 100% ownership of AC Laguna Solar, Inc., AC La Mesa Solar, Inc., AC Subic Solar Inc., Gigasol1, Inc., Gigasol3, SolarAce1, and SolarAce2 Energy Corp. It also acquired 100% ownership of Bataan Solar Energy, Inc., and Santa Cruz Solar Energy, Inc. in 2019.

AC La Mesa Solar

AC La Mesa Solar, Inc. was incorporated and registered with the SEC on 20 September 2016 with the primary purpose to carry on the business of exploring, developing, and utilizing renewable energy resources, such as but not limited to, biomass, biogas, hydropower, wind, and solar energy, including operating, managing, maintaining and rehabilitating energy systems, to include bulk procurement, marketing and setting up of arrangement and brokerage of the same solar energy systems as necessary for the generation, transmission, distribution and sale and delivery of electricity to domestic, commercial, industrial users or distribution companies, and the acquisition and/or lease of franchises from private and/or government entities. It is a wholly-owned subsidiary of Gigasol2.

It is the holder of Solar Energy Service Contract No. 2017-05-396, pursuant to which it has the exclusive right to explore, develop, and utilize solar energy resources within a certain area in Quezon City.

Bataan Solar

Bataan Solar Energy, Inc. was incorporated and registered with the SEC on 27 July 2016 with the primary purpose to carry on the business of operating, managing, maintaining, and rehabilitating solar energy systems, including bulk procurement, marketing and setting up of arrangement and brokerage of the same solar energy systems as necessary for the generation, transmission, distribution and sale and delivery of electricity to domestic, commercial, industrial users or distribution companies, and the acquisition and/or lease of franchises from private and/or government entities. It is a wholly-owned subsidiary of Gigasol2.

It is the holder of Solar Energy Service Contract No. 2017-06-410, pursuant to which it has the exclusive right to explore develop, and utilize solar energy resources within a certain area in the Municipality of Mariveles in the Province of Bataan. The Company began the construction of the Bataan Solar lab in September 2020. The renewable energy laboratory shall be used to study state-of-the-art PV modules and other emerging technologies that may be incorporated by the Company in its upcoming projects.

Negros Island Biomass

Isla Bio was incorporated and registered with the SEC on 11 November 2016 as a holding company for renewable energy projects. On 20 March 2018, AC Energy International acquired a 42.97% voting interest in Isla Bio. Isla Bio holds interests in three biomass plants in Negros Occidental that are under construction, namely: (1) 20 MW plant of SCBP located in San Carlos City, (2) 25 MW plant of SNBP located in La Carlota City, and (3) 25 MW plant of NNBP located in the Municipality of Manapla.

Other Energy Projects

Ingrid Power

Ingrid was incorporated and registered with the SEC on 7 June 2018, with the primary purpose to own, operate, maintain, and rehabilitate energy systems and projects. It is a wholly-owned subsidiary of ACEIC. Ingrid is currently developing a 150 MW diesel power plant in Brgy. Malaya, Pililia, Rizal, to be an ancillary service provider to the NGCP.

Other Businesses

Retail Electricity Supply Business

The Company began its active participation in the WESM when it obtained membership as a Wholesale Aggregator on 20 September 2007. The WESM serves as a platform where electricity generated by power producers are centrally coordinated and traded like any other commodity in a market of goods. On 19 November 2012, the Company secured its RES license from the ERC under RES License No. SL-2012- 11-009 to supply electricity to the Contes1 Market. On 20 November 2019, the ERC issued to the Company RES License No. 11-2019-0057RS valid until 19 November 2022.

As of 31 December 2020, the Company holds around 182 MW of retail customer contracts.

Bulk Water Supply Business

ACE Endevor owns 100% ownership interests in bulk water supply companies SCC Bulk Water, HDP Bulk Water, LCC Bulk Water, and MCV Bulk Water. The companies entered into water supply contracts for the provision of water to the power generation plants of SCBP, San Carlos Bioenergy, Inc., SNBP, and NNBP, respectively, in Negros Occidental.

Land Lease and Development

The Company, through its subsidiaries, owns 100% ownership interests in Solienda. and SJLD and ~66% of MSPDC. These companies enter into various contracts with the Company's projects to assist in the management and maintenance, among others, of select renewable projects.

Solienda

Solienda was incorporated and registered with the SEC on 29 November 2016 to deal and engage in land lease and real estate business. On 5 December 2016, San Julio Realty, Inc. assigned to Solienda the absolute and irrevocable title, rights and interest in the contract of lease, and the subsequent amendment agreements, with San Carlos Sun Power, Inc., SacaSol and SCBP.

San Julio Land

SJLD was incorporated on 20 June 2014 with a primary purpose to deal and engage in land and real estate business, to hold, own, develop, manage, administer, purchase, lease, encumber, construct, alter in whole or in part, or otherwise deal in and dispose of, for itself or for others, for profit, all kinds of real estate projects, including, but not limited to, residential, commercial, industrial, as well as utilities, with or for persons and entities an under such terms and conditions as may be permitted by law; to enter into joint ventures and other similar arrangements in the furtherance of such land and real estate business. SJLD has ownership interest in MSPDC.

Manapla Sun Power

MSPDC was incorporated and registered with the SEC on 16 December 2014 with a primary purpose to engage in the business or renewable energy such as, but not limited to biomass, mini-hydro or solar power and ancillary business, and to own, lease, operate, manage or develop public or private lands. In March 2017, ACEIC, acquired 66.2% of MSPDC. MSDPC is the landowner of and the lessor for IslaSol's solar farm in Manapla, Negros Occidental.

Petroleum Exploration

ACEN, through its subsidiary, ACE Enexor, is an investor in various consortia engaged in petroleum exploration, development and production.

Petroleum exploration involves the search for commercially exploitable subsurface deposits of oil and gas through geological, geophysical and drilling techniques. A petroleum discovery is made when significant amounts of oil and/or gas are encountered in a well and are flowed to the surface. Following a discovery, additional wells (appraisal or delineation wells) are drilled to determine whether the petroleum accumulation could be economically extracted or not. If the results are positive, the oil or gas field is developed by drilling production wells, and installing the necessary production facilities such as wellheads, platforms, separators, storage tanks, pipelines and others.

The Company applies for or acquires interest in selected petroleum service contracts covering areas usually in the exploration phase. Due to the high risk and capital-intensive nature of the business, the Company normally participates in several consortia and takes significant but minority interest. Subject to results of technical and risk-economic studies prior to exploratory drilling, the Company may farm out or dilute its interest in exchange for financial consideration and/or non-payment of its pro-rata share of exploration drilling costs. If a petroleum discovery is made, the Company will fund its share of appraisal drilling and economic studies. Upon delineation of a commercial discovery, financing for up to 70% of field development costs is available in the international market.

As projects are in the exploratory stage, the Company derives no revenues from petroleum production. At this time, the Company believes it has sufficient petroleum projects on hand given its resources and risk tolerance.

Product and Distribution

The principal products of petroleum production are crude oil and natural gas. Crude oil is usually sold at market price in its natural state at the wellhead after removal of water and sediments, if any. Depending on the location of the oil field, the oil produced may be transported via offshore tankers and/or pipeline to the refinery. Natural gas may be flared, reinjected to the reservoir for pressure maintenance, or sold, depending on the volume of reserves and other considerations. Natural gas is commonly transported by pipeline. However, if the deposit is very large and the market is overseas, the gas may be liquefied into liquefied natural gas (LNG) and transported using specialized tankers.

Petroleum Service Contracts and Agreements

Under a service contract, a private enterprise that seeks to develop domestic oil and gas resources is deemed as a contractor that must provide all required services, technology and financing, and assume all exploration risks. In the event of commercial production, the service contractor is paid a stipulated service fee, in addition to reimbursement of validated investments.

Oil and gas exploration and production is a high-risk business. The worldwide commercial success rate is three percent, *i.e.,* only one out of 30 exploratory wells results in a commercial discovery. It is also capital-intensive. Pre-drill geological and geophysical studies may run up to a few millions of dollars. The cost of a single offshore exploratory well could exceed U.S.$30 million, whereas field development costs could reach hundreds of millions of dollars. To manage exploration risks, oil exploration firms usually form consortia or joint ventures.

The Company is at present a co-contractor in two service contracts with the Philippine government. A service contract grants the contractor the exclusive right to explore, develop and produce petroleum resources within the contract area. In the event of commercial production, the Government and the contractor share in the profit. Service contracts grant the contractor an exploration period of seven years, with an option to extend for a limited number of years. If the reserves found are deemed commercial, the service contract allows a production period of 25 years, to extendible for a maximum of 15 years.

The Company's oil and gas operations are in the exploratory stage.

Contracts where ACE Enexor has participating interests, as of 31 December 2020, are as follows:

Contract	Location	Working Interest	Issue Date	Commercial Terms	Partners	Work Program 2019
SC 6 Block A	Northwest Palawan	7.78%	1 Sept 1973	A	Philodrill Corp., PetroEnergy Resources, Philex Petroleum, Forum Energy Philippines, Anglo Philippine Holding, Alcorn Petroleum and Minerals Operator: Philodrill Corp	Completed seismic interpretation and mapping and integration of quantitative inversion results to resource evaluation. Ongoing technical studies over the northern part of the block. Ongoing farm-in negotiations for the development of Octon Oil Discovery.
SC 6 Block B	Northwest Palawan	2.475% Carried Interest	1 Sept 1973	A	Philodrill Corp., Nido Petroleum Ltd., Oriental Petroleum and Minerals Corp., Forum Energy Philippines Corp., Alcorn Petroleum & Minerals Corp. Operator: Philodrill Corp.	On 12 April 2018, DOE approved the transfer of the 14.063% participating interest from ACE Enexor to SC 6B continuing parties. ACE Enexor retained its 2.475% Carried Interest in the block.
SC 55 (through subsidiary Palawan55)	Offshore West Palawan	75.00%	5 August 2005	A, B	Palawan55 Exploration & Production Corporation, Pryce Gases, Inc.	The DOE confirmed the entry of SC 55 into the Appraisal Period effective 26 April 2020.

Contract	Location	Working Interest	Issue Date	Commercial Terms	Partners	Work Program 2019
					Operator: Palawan55 Exploration & Production Corporation	The Consortium completed Quantitative Interpretation Studies and Resource Assessment. Committed work program under the Appraisal Period includes Geological and Geophysical studies and drilling of a well within the next two years.

Notes: For Commercial Terms, it pertains to the following:

A = Contractor provides all required services and technology funding. Contractor is entitled to a service fee out of production equivalent to 40% of net proceeds. Net proceeds would refer to the balance of gross income after deducting Filipino participation incentive allowance and operating expenses.

B = The 75.00% interest in SC 55 is owned by Palawan55, a 69.35% owned subsidiary of ACE Enexor.

SC 6: Cadlao, Block A and B (Northwest Palawan)

SC 6 covers three blocks located in Offshore Northwest Palawan, namely: Block A with 108,000 hectares, and Block B with 53,300 hectares and the Cadlao production area.

On 22 January 2021, the Executive Committee of ACE Enexor approved its withdrawal from the SC 6 Consortium. See section on "***Recent Developments***" on page 29 of this Prospectus.

SC 55 (West Palawan)

SC 55 was awarded by the DOE on 5 August 2005. The exploration period is valid for seven years, extendible for three years, and the production period is valid for 25 years. The original members of the consortium and their corresponding interests were Otto Energy (Operator) with 85% and ACEN with fifteen percent (15%). ACEN has a Participation Agreement with the predecessor's interest of Otto Energy which provides that the latter will shoulder ACEN's share of costs up to the drilling of the first exploratory well. In addition, ACEN has the option to acquire 5% interest from Otto Energy after the drilling of the first well under the SC.

SC 55 covers 900,000 hectares in offshore West Palawan. It is a deep-water block in the middle of a proven regional oil and gas fairway that extends from the productive Borneo offshore region in the southwest, to the offshore Philippine production assets northwest of Palawan. At that time, the block was deemed to have one giant prospect (with at least 500 million barrels mean resource potential) and a number of leads. The consortium committed to undertake a work program consisting of a new 400 km 2D seismic survey, processing and interpretation of 200 km of vintage 2D seismic data and 358 km of gravity and magnetic data, within the first 18 months of the contract term. The partners have successive options to drill up to four wells during the balance of the seven-year exploration period.

The DOE approved the consortium's entry into the 2nd Sub Phase of the exploration period, which entails a commitment to drill one ultra-deep water well. Processing and interpretation of 954 km of 2D seismic date acquired in June 2007 were already completed, but due to no availability of a suitable rig, the DOE approved the consortium's request to swap work commitments for the 2nd and 3rd Sub Phases of the exploration period to allow the drilling of the first commitment well by 4 August 2010 instead of 4 August 2009.

The consortium requested and the DOE agreed to the substitution of a 2D 3D seismic program for one ultra-deep water well commitment under the 3rd Sub Phase of the exploration period (from 5 August 2009 to 5 August 2010), and deferment of the mandatory partial relinquishment of the contract area until completion of the proposed substitute 2D 3D seismic program. The consortium further requested and the DOE approved a one year extension of the 3rd Sub Phase to 5 August 2011 following execution by Otto Energy of a Farm-In Option Agreement with BHP Billiton Petroleum (Philippines) Corporation of Canada ("BHP Billiton") which provided for BHP Billiton's funding of a new 3D seismic survey over the area.

On 3 June 2010, Palawan55 signed an Option Agreement with Frontier Gasfields Pty. Ltd. of Australia which granted the latter the option to acquire the 5% interest that Palawan55 has the option to acquire from Otto Energy after the drilling of the first well in the area.

On 3 February 2011, Palawan55 signed an agreement with Otto Energy assigning Palawan55's 8.18% participating interest to the latter in exchange for a carry in the costs of a second well in the block, should Otto Energy elect to participate in said well. Estimated budget for drilling the second well is U.S.$65 million or ₱2.86 billion at an exchange rate of U.S.$1 = ₱44.

In December 2011, BHP Billiton acquired 60% participating interest in SC 55 from Otto Energy and committed to drill one deep water well at its sole cost within the 4th Sub Phase.

The consortium elected to enter the 4th Sub Phase which entails a commitment to drill one deep water well by 5 August 2012. The revised work schedule is shown below:

Sub Phase	**Date**	**Work program**
4	August 2011 - August 2013	One (1) deepwater well
5	August 2013 - August 2014	One (1) deepwater well

The DOE granted a one-year extension of the 4th Sub Phase until 5 August 2013 to enable BHP Billiton to procure a suitable drilling rig that could drill an identified deepwater prospect. On 3 May 2013, BHP Billiton filed a force majeure notice with the DOE due to significant delays in obtaining a clearance from the Palawan Council for Sustainable Development ("PCSD") for the drilling of the Cinco1 well.

On 4 June 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed Cinco1 drilling to the Palawan Council for Sustainable Development ("PCSD"). The PCSD approved the issuance of the Strategic Environmental Plan Clearance ("SEP Clearance") for the drilling of Cinco1 well but BHP Billiton sought amendment and clarification on certain conditions set by PCSD. As at 30 October 2013, BHP Billiton received the amended SEP Clearance and requested the DOE a 14-month extension of the current Sub Phase considering the length of the force majeure period.

In the first week of November 2013, BHP Billiton verbally informed the partners that it has decided not to participate in the drilling of the Cinco1 well. In March 2014, the DOE approved the transfer of BHP Billiton's interest to Otto Energy Philippines, Inc. Otto Energy submitted a revised work program focusing on the drilling of the Hawkeye prospect. The DOE approved the new work program in April 2014 and revised the schedule of the remaining Sub Phases as follows:

Sub Phase	**Work Program and Budget**	**Revised Work Schedule**
4	Drill 1 deepwater well @ U.S.$3 MM	6 August 2011 – 23 December 2014
5	Drill 1 deepwater well @ U.S.$3 MM	23 December 2014 – 23 December 2016

In January 2014, BHP Billiton and Otto Energy signed definitive agreements for the reassignment of the former's participating interest to the latter. The DOE approved the transfer of the 60% participating interest of BHP Billiton to Otto Energy Philippines, Inc. and the transfer of Operatorship to Otto Energy. The approval formalized the exit of BHP Billiton in SC55.

On 15 October 2014, Otto Energy requested the DOE a one-year extension of Sub-Phase 4 to 23 December 2015. The requested extension was approved by the DOE on 7 November 2014.

On 31 July 2015, Otto Energy commenced drilling of the Hawkeye-1exploratory well and on 17 August 2015 completed the drilling to a total depth of 2,920 meters. The well discovered gas which is deemed to be non-commercial. Otto Energy informed its partners of its decision to withdraw from the service contract.

On 22 December 2015, the consortium requested the DOE for a two-year contract moratorium and proposed technical studies that would assess the impact of the results of Hawkeye-1 on the remaining prospectively of the area. On 14 June 2016, the DOE extended the term of SC 55 until 23 December 2017.

On 21 November 2016, Otto Energy and Otto Energy Philippines notified the DOE of their withdrawal from SC 55. As at 3 March 2017, the transfer of interest from Otto Energy to the continuing parties was under processing by the DOE.

On 22 November 2017, Palawan55 notified the DOE of its willingness to assume its pro-rated, post-adjustment share (37.50%) of Otto Energy's outstanding training fund obligation in conjunction with the DOE's approval of the assignment of interests and favorable consideration for a reasonable extension of the moratorium period that would allow execution of the committed technical studies.

ACE Enexor's stake in SC 55 is held through Palawan55 Exploration & Production Corporation, an upstream oil and gas company. ACE Enexor owns 69.35% of Palawan55, while the remaining 30.65% is owned by ACEN.

On 26 March 2018, the DOE approved the transfer of participating interests from Otto Energy to the continuing partners, Palawan55, Century Red Pte. Ltd. and Pryce Gases, Inc. As a result of the transfer, the Palawan 55's 6.82% participating interest in SC 55 have been adjusted to 37.50%. The timeline of the moratorium period, with a commitment to conduct Quantitative Inversion Study, was also revised to reflect the transfer of interest. Further, the DOE formally confirmed Palawan55 as Operator of the block.

On 23 August 2018, Palawan55 awarded the 3D Marine PreSTM and PreSDM Reprocessing and Quantitative Inversion Services Contract to Down Under Geosolutions (Asia) Sdn Bhd. The project commenced on 10 September 2018. Seismic reprocessing of 1,000 sq. km. of 3D seismic data was completed.

Quantitative Interpretation Study aimed at identifying the gas-bearing zones in the service contract is ongoing.

On 24 July 2019, the SC 55 Consortium notified the DOE of its decision to enter Sub-phase 5 effective 26 August 2019, without prejudice to the Consortium's option to enter the Appraisal Period no later than the said date. SP5 carries a commitment of drilling one ultra-deep-water well.

On 9 August 2019, the SC 55 Consortium notified the DOE of its entry into the Appraisal Period of SC 55 effective 26 August 2019. The SC 55 consortium committed to drill one deep-water well within the first two years of the Appraisal Period and, following reinterpretation of certain seismic data outside of the current study area, may undertake a new 3D seismic program to mature other prospects within SC

55 to drillable status. The SC 55 consortium submitted an indicative Appraisal Work Program to the DOE to support this commitment.

On 20 September 2019, Century Red formally issued a Deed of Assignment assigning its 37.50% interest in SC 55 to Palawan55, subject to approval of the DOE.

On 13 February 2020, after careful review and evaluation, DOE found Palawan55 to be technically, financially and legally qualified and have approved the transfer of Century Red Pte. Ltd.'s entire 37.5% participating interests in SC 55 to Palawan55.

As a result thereof, the partners in SC 55 and their respective participating interests are adjusted as follows:

Palawan55	75.00%	Operator
Pryce Gases	25.00%	

On 13 April 2020, the DOE confirmed the entry of SC 55 into the Appraisal Period effective 26 April 2020 which carries a firm one (1) well drilling commitment within the first two years of said period.

On 28 August 2020, ACE Enexor's subsidiary Palawan55 received the DOE's approval of SC 55's Appraisal Period Work Program and Budget with the firm amount of U.S.$1,702,020 committed for the contract year April 2020 to April 2021. Further, the DOE stated that it expects the submission of the proposed budget for the drilling of one well after the drilling proposal has been approved by the DOE.

Pursuant to the above Work Program and Budget, SC 55's completed seismic interpretation, quantitative interpretation, resource assessment and preliminary drilling preparations during the year.

On 23 September 2020, the Consortium requested for the declaration of a one-year Force Majeure in view of the far-reaching adverse effects of the COVID-19 pandemic and the induced low oil price, on the global upstream petroleum industry. The request is currently being evaluated by the Department of Energy as of date.

As at 31 December 2020, Palawan 55 holds 75.00% participating interests in SC 55, respectively, and has no pending violation with the DOE.

Sources and Availability of Raw Materials

For its power business, the 23% of the Company's attributable capacity is fueled by renewable energy sources while 77% are sourced from thermal energy which is fueled by coal and bunker fuel as of 31 December 2020.

For thermal energy power plants, composed of SLTEC and other diesel power plants, the Company has different contracts for its annual fuel requirements. For its bunker fuel requirements, its mainly sourced from Shell, Phoenix, and Petron. For its coal requirements, its main supplier is Semirara Mining Corporation. As there are several suppliers of coal and bunker fuel, the Company believes it is not dependent on a single supplier for such raw materials.

Distribution of Product

Under the EPIRA, generation companies are allowed to sell electricity to distribution utilities or to retail electricity suppliers through either bilateral contracts or the WESM. See discussion under "***Regulatory Framework***" on page 221 of this Prospectus.

The Company has around 182 MW of retail customer contracts as of 31 December 2020. In addition, the recent Supreme Court ruling, upholding the requirement of Power Supply Agreements submitted by MERALCO and other distribution utilities with the ERC after 30 June 2015 to undergo a competitive selection process, provided an opportunity for the Company to enter into wholesale supply contracts with the distribution utility. The Company won the bid to supply MERALCO with a 200MW baseload demand from 26 December 2019 to 26 December 2029. Subsequently, the Company won the bid to supply 110MW mid-merit supply to MERALCO from 26 December 2019 to 26 December 2024. The Company received a copy of the provisional ERC approvals for the contracts on 31 January 2020 and the final approvals on 13 May 2020 for the baseload and on 1 June 2020 for the mid-merit. The Company's larger supply portfolio will help supply this demand, coupled with the new projects in the pipeline.

In addition to this, 250 MW in the Company's renewable energy portfolio have feed-in tariffs under 20-year contracts with the Philippine government as of the date of this Prospectus.

Competition

The Company believes that it will face competition in both the development of new power generation facilities, the acquisition of existing power plants, competition for financing for these activities, as well as in the electricity supply business. The performance of the Philippine economy and the potential for a shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of various electric power generation projects within the Philippines. Accordingly, competition for and from new power projects, and in retail electricity supply may increase in line with the long-term economic growth in the Philippines. Key competitors for market share in the Philippines include the following power companies and their affiliated retail electricity suppliers:

- Aboitiz Power Corporation ("Aboitiz Power") is a leading player in the Philippine power industry with interests in privately-owned power generation companies, RES services, and distribution utilities. Aboitiz Power's portfolio of power generating plants consist of a mix of renewable and thermal power plants. The company has an attributable net sellable capacity of 3,494 MW as of 31 December 2020.
- First Gen Corporation ("First Gen") is engaged in the business of power generation through its gas and renewable energy plants. It owns and/or operates net installed capacity of 4,492 MW through itself and its other subsidiaries as of 31 December 2020.
- Energy Development Corporation ("EDC") is a renewable energy company and a subsidiary of First Gen, with an installed capacity of 1,480 MW that accounts for almost 20% of the Philippines' total installed RE capacity as of 31 December 2020. EDC's total installed capacity includes 1,186 MW in geothermal, which represents a sizeable portion of the country's total installed geothermal capacity for the same period.
- SMC Global Power Holdings ("SMC Global Power") is one of the largest power companies in the Philippines with a diversified portfolio utilizing a mix of coal, natural gas, and hydroelectric power plants. Its combined capacity of 4,697 MW as of 30 September 2020 represents 20% of the national grid, 27% of the Luzon grid, and 8% of the Mindanao grid as of the same period. These power assets are under Independent Power Producer Administrators Agreements with PSALM, or are owned or under joint-venture agreements classified as Independent Power Producers.
- Meralco PowerGen Corporation ("MGen") was incorporated to engage in the power generation business. It is a wholly owned subsidiary of MERALCO, the Philippines' largest electricity distribution utility. MGen aims to build a diversified power generation portfolio with 3,000 MW total combined capacity, including 1,000 MW in renewable energy.

For the petroleum exploration business, the Company believes that competition for market of petroleum does not have a materially adverse effect on its current operations.

Material Permits and Licenses

The Company has engaged SyCip Salazar Hernandez & Gatmaitan (“SyCip Law”) as independent legal counsel to review and issue an opinion on matters relating to the material permits and licenses of the Company. Accordingly, SyCip Law has reviewed the material permits and licenses necessary for its business for this Prospectus. The permits and licenses of the Company examined by SyCip Law together with pertinent details are provided in Annex B. While the Company does not expect that any permits which are in the process of renewal or application will be withheld or delayed, there can be no assurance that third parties and the government will act on these promptly.

Employees

As of 31 December 2020, the Company has 725 total employees with 144 employed by the Company directly and 581 employed by the Company’s subsidiaries, of which 606 are non-managerial and 119 are managerial personnel in terms of role. The Company and its subsidiaries and affiliates is expecting to continue to have at least 700 employees by 31 December 2021.

The Company has no Collective Bargaining Agreement with its employees. No employees were on strike for the past three years nor are they planning to go on strike.

The relationship between management and employees has always been of coordination and collaboration. The Company believes that professionalism, open communication and upright engagement between management and employees are the effective ways to resolve workplace concerns.

Aside from compensation, the Company’s employees are given medical, hospitalization, vacation and sick leave, and personal accident insurance benefits. There are also medical benefits from the Company that extends to employee’s dependents. Also, the Company has a retirement fund based on statutory benefits. It is a funded, noncontributory, defined benefit pension plan covering all full-time employees of ACEN. The benefits are based on tenure and remuneration at the time of retirement.

Legal Proceedings

The Company believes that none of the legal proceedings to which the Group, or any member of the Group, is a party would materially affect its business. Neither the Company nor any member of the Group is currently involved in any arbitration proceedings that may have, or have had, a material adverse effect on its financial condition and no such proceeding is pending or threatened. This notwithstanding, the Company discloses the Power Barge 102 Oil Leakage discussed below.

To the best knowledge and/or information of the Company, the current Directors and the Executive Officers are not, except as otherwise disclosed in this Prospectus, presently or during the last five years, involved or have been involved in any material legal proceeding adversely affecting or involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere.

Power Barge 102 Oil Leakage

On 3 July 2020, the Company’s Power Barge 102 located in Barrio Obrero, Iloilo City, discharged fuel oil. Initial findings reveal that the discharge is attributable to ignition of fuel oil in storage which ruptured the barge’s fuel tank. The leakage was contained with the aid of the Philippine Coast Guard, Petron Corporation, and Global Business Power Corp. and skimming of the remaining floating residue was done with the aid of Shell Philippines. The Company engaged Harbor Star Shipping Services, Inc.

to finish the clean-up of both the waters and the coastline. Households within the neighboring area were temporarily relocated in coordination with local government officials while their surroundings underwent clean-up.

On 4 July 2020, PB 102 received a Marine Pollution Inspection Apprehension Report ("IAR") from the Philippine Coast Guard ("PCG") for violation of paragraph 5(a)(1) of the PCG Memorandum Circular No. 01-2005 or the Revised Rules on Prevention, Containment, Abatement and Control of Oil Marine Pollution (M.C. 1-2005). PB 102 submitted its reply to the IAR on 24 July 2020. On 18 August 2020, PCG required Mr. Robert Gambito, in his capacity as Plant Manager, to appear before the PCG for the adjudication of the alleged violation under MC 1-2005. Mr. Gambito attended the hearing before the PCG on 19 August 2020, and another hearing on 3 September 2020.

In a letter dated 14 September 2020 issued by the Investigating and Adjudication Officer, Cdr Joe Luviz V. Mercurio of the Coast Guard District Western Visayas, Coast Guard Station Iloilo, ACEIC was imposed a fine of ₱10,000.00 for allegedly violating M.C. No. 1-2005. On 30 September 2020, ACEIC and the Company filed an Ad Cautelam Notice of Appeal and a Notice of Appeal, respectively, before the PCG Office of the Commandant.

On 6 July 2020, the Department of Environment and Natural Resources-Environmental Management Bureau, Region VI ("DENR-EMB") issued Notice of Violation No. 20-NOVW-0630-164 ("NOV") against the Company for violation of Section 27(a) of the Philippine Clean Water Act. The Company submitted its answer to the NOV on 16 July 2020.

On 28 July 2020, the Company received a Resolution dated 27 July 2020 issued by the DENR-EMB Region VI (the "Resolution"), in relation to the NOV, resolving to submit the case to the Pollution Adjudication Board for determination of the imposable fines under Section 27(a) of R.A. No. 9275 (Clean Water Act of 2004) and Section 4 of P.D. No. 979 (Marine Pollution Decree of 1976). This poses 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 R.A. No. 9275; and (2) ₱50,000 to ₱1,000,000 or imprisonment of not less than one year but not more than six years, or both, for alleged violation of Section 4 of P.D. No. 979. On 12 August 2020, the Company filed its Motion for Reconsideration on the Resolution.

On 28 July 2020, Mr. Robert Gambito received a subpoena and a copy of the complaint-affidavit filed by the PCG with the Office of the City Prosecutor of Iloilo City ("OCP") against ACEIC, John Eric T. Francia (in his capacity as President), and Robert G. Gambito (in his capacity as Plant Manager), for violation of Section 107 of Republic Act No. 8550 as amended by Republic Act No. 10654, or The Philippine Fisheries Code of 1998. Mr. Gambito appeared before the OCP and filed his counter-affidavit on 19 August 2020. On 24 September 2020, a subpoena addressed to John Eric T. Francia was served at ACEIC's office in Makati City, together with a copy of the complaint-affidavit of the PCG. Mr. Francia's counsel requested for a 15-day extension from 9 October 2020, or on or before 24 October 2020 to file Mr. Francia's counter- affidavit, which the OCP granted. On 24 October 2020, Mr. Francia filed his counter-affidavit with the OCP by courier. On 4 December 2020, Mr. Francia, through counsel, received a copy of the Reply Affidavit of PCG dated 27 November 2020. On 4 February 2021, Mr. Francia, through his counsel, filed his Rejoinder Affidavit by courier with the OCP.

On 24 August 2020, the Bureau of Fire Protection ("BFP") filed a criminal case with the OCP against three personnel of Power Barge 102, namely, Rey Villareal, Jethon Villarias, and Adrianne Bodiola, for violation of Article 365 of the Revised Penal Code or Reckless Imprudence Resulting to Damage to Property. Jethon Villarias and Adrianne Bodiola received a copy of the BFP's Complaint-Affidavit and Subpoena on 17 September 2020 and 23 September 2020, respectively. The Subpoena required them to appear before the OCP on 14 September 2020 and to submit their counter-affidavit and other supporting documents.

Since Mr. Villarias and Mr. Bodiola received the Subpoena after the required appearance date by the OCP, their counsel, requested for an extension to file their respective counter-affidavits on or before 7 October 2020. On 6 October 2020, their counsel requested for further 5-day extension or until 12 October 2020 to file the counter-affidavits of Mr. Villarias and Mr. Bodiola. On 12 October 2020, Mr. Bodiola appeared before the OCP and filed his counter-affidavit. On the other hand, Mr. Villarias, through his counsel, requested for further 14-day extension or on or before 27 October 2020 to submit his counter-affidavit as Mr. Villarias was ordered to observe self-isolation protocol due to exposure to a COVD-19 positive case. On 26 October 2020, Mr. Villarias appeared before the OCP and filed his counter-affidavit. With respect to Mr. Villareal, his counsel filed a Manifestation on 12 October 2020 that Mr. Villareal has yet to receive his Subpoena and that he will be filing his counter-affidavit after receipt thereof.

On 18 December 2020, the OCP furnished another Subpoena addressed to Mr. Villarias, Mr. Bodiola, and Mr. Villareal through their counsel. The Subpoena required them to appear before the OCP on 21 December 2020 for a clarificatory hearing on the case. On 21 December 2020, Mr. Villarias, Mr. Bodiola, Mr. Villareal, together with their counsel appeared before the OCP. Following his appearance at the OCP, Mr. Villareal was given until 4 January 2021 to file his counter-affidavit. On 4 January 2021, Mr. Villareal appeared before the OCP and filed his counter-affidavit. On 12 January 2021, Mr. Villarias, Mr. Bodiola, and Mr. Villareal, through their counsel, received BFP's Reply Affidavit to their Counter-Affidavits. In its Reply-Affidavit, BFP refuted the allegations and defenses raised by Mr. Villarias, Mr. Bodiola, and Mr. Villareal in their Counter-Affidavits, and included a list of alleged residents of Zone 3, Brgy. Bo. Obrero whose health and property were allegedly affected as a consequence of the accidental oil spill incident. On 25 January 2020, Mr. Villarias, Mr. Bodiola, and Mr. Villareal, through their counsel, filed a Joint Rejoinder-Affidavit contending among others, that 1) the resultant damage to the health and properties of the alleged residents of Zone 3, Brgy. Bo. Obrero is a mere afterthought having been belatedly raised only in the Reply-Affidavit; and 2) BFP failed to substantiate how the alleged respiratory problems of the residents can be attributed to the oil spill as in fact, some medical abstracts showed that the alleged health issues were COVID-19 related.

On 23 February 2021, Mr. Villarias, Mr. Bodiola, and Mr. Villareal, through their counsel, received a copy of the OCP's Resolution dated 1 February 2021: 1) dismissing the complaint against Mr. Villarias and Mr. Villareal; and 2) recommending the filing in court of an Information for Reckless Imprudence Resulting in Damage to Property under Article 365 of the Revised Penal Code as amended by Section 97 of RA 10951 against Mr. Bodiola. Given the adverse findings of the OCP with respect to Mr. Bodiola, Mr. Bodiola, through his counsel, filed a Partial Motion for Reconsideration of the OCP's Resolution on 5 March 2021.

On 29 December 2020, the Company received from the BFP a Notice of Imposition of Administrative Fine in the total amount of PhP40,343.00 for the alleged violation of: 1) Section 12.0.0.4, paragraph B, sub-paragraph (2)(a) of the Revised Implementing Rules and Regulations ("RIRR") of Republic Act No. 9514 or the Revised Fire Code of the Philippines ("Fire Code"), for failure to provide safety measures for the following hazardous operations or processes: Welding, Cutting and Other Hot Works; and (2) Section 12.0.0.4, paragraph B, sub-paragraph (8)(d) of the Fire Code RIRR, for failure to secure and submit documentary requirements such as, but not limited to: Storage, Conveyance, Installation and Other Clearances (*e.g.*, fireworks display, fumigation/fogging, fire drill, welding, cutting and other hotworks). On 4 January 2021, the Company paid the administrative fine, and together with the payment, the Company also submitted a cover letter to the BFP, stating that payment of said administrative fine was made without admission of liability or prejudice to defenses raised by the Company or other relevant parties in other proceedings involving the same incident.

The Company believes that none of the foregoing legal proceedings would materially affect its business.

Material Contracts

As of 31 December 2020, the Company is a party to the following material contracts as disclosed in PSE EDGE:

Management Contract of the Company

The Company renewed its management contract with PHI as managing company on 20 November 2018. Under the management contract, the managing company had general management authority with corresponding responsibility over all operations and personnel of the Company. The renewal had a term of five years commencing on 1 September 2018. On 24 June 2019, PHI assigned all its rights, interest, and obligations under the management contract to ACEIC.

Share Purchase Agreement for PHINMA Solar

On 11 December 2018, the Company executed a Share Purchase Agreement with Union Galvasteel Corporation where the Company agreed to sell 50% of the Company's total shares in PHINMA Solar Energy Company ("PSEC") to Union Galvasteel Corporation.

On 3 July 2019, the Company sold all its shares in PSEC to PHN.

Deed of Absolute Sale with PHN

On 19 June 2019, the Company signed a Deed of Absolute Sale with PHN to purchase PHN's 32,481,317 Shares, representing 12.993% of the total outstanding capital stock, in ACE Enexor. The sale became effective on 24 June 2019 when the PSE authorized the special block sale, which was executed by the crossing of the Shares through the PSE.

Deed of Absolute Sale with PHI

On 19 June 2019, the Company signed a Deed of Absolute Sale with PHI to purchase PHI's 30,481,111 common shares, representing 12.192% of the total outstanding capital stock, in ACE Enexor. The sale became effective on 24 June 2019 when the PSE authorized the special block sale, which was executed by the crossing of the Shares through the PSE.

Subscription Agreement with ACEIC

On 24 June 2019, the Company issued 2,632,000,000 new Shares at the issue price equivalent to its par value of ₱1.00 per Share. With the Company's issuance of the Shares, ACEIC, which also bought PHN's and PHI's interests in the Company, became the majority stockholder of the Company.

Incorporation of New Companies

The subsidiaries of the Company incorporated the following companies in furtherance of its development activities:

New Company and Date of Incorporation	Capitalization	Principal Shareholder and Subscription	Primary Purpose
GigaWind1 Inc. 14 October 2019	1,600,000 Common at ₱1.00/share 14,400,000 Preferred at ₱1.00/share	Gigasol 2, Inc. - 99% 399,980 Common 3,600,000 Preferred	To carry on the business of exploring, developing, and utilizing renewable energy resources, such as but not limited to,

New Company and Date of Incorporation	Capitalization	Principal Shareholder and Subscription	Primary Purpose
			biomass, biogas, hydropower, wind, and solar energy, including operating, managing, maintaining, and rehabilitating energy systems, to include bulk procurement, marketing, and setting up of arrangements and brokerage of the same energy systems as necessary for the generation, transmission, distribution, sale, and delivery of electricity to domestic, commercial, industrial users or distribution companies, and the acquisition and/or lease of franchises from private and/or government entities and such other rights and activities incidental thereto, or for the purposes set forth herein.
GigaWind2 Inc. 14 October 2019	1,600,000 Common at ₱1.00/share 14,400,000 Preferred at ₱1.00/share	Gigasol 2, Inc. - 99% 399,980 Common3,600,000 Preferred	Same as the purpose stated immediately above.
SolarAce3 Energy Corp. 14 October 2019	1,600,000 Common at ₱1.00/share 14,400,000 Preferred at ₱1.00/share	Gigasol 2, Inc. - 99% 399,980 Common 3,600,000 Preferred	Same as the purpose stated immediately above.
SolarAce4 Energy Corp. 14 October 2019	1,600,000 Common at ₱1.00/share 14,400,000 Preferred at ₱1.00/share	Gigasol 2, Inc. - 99% 399,980 Common 3,600,000 Preferred	Same as the purpose stated immediately above.
Ingrid2 Power Corp. 14 October 2019	1,600,000 Common at ₱1.00/share 14,400,000 Preferred at ₱1.00/share	AC Energy Development, Inc. (now ACE Endevor) - 99% 399,980 Common 3,600,000 Preferred	To own, operate, manage, maintain, and rehabilitate energy system and projects, to provide services, including advisory and consultancy services, in relation to

New Company and Date of Incorporation	Capitalization	Principal Shareholder and Subscription	Primary Purpose
			energy projects, and in such other activities related thereto; and to acquire and/or lease land, and franchises from private and/or government entities and such other rights and activities incidental thereto, or for the purpose set forth herein.
Ingrid3 Power Corp. 14 October 2019	1,600,000 Common at ₱1.00/share 14,400,000 Preferred at ₱1.00/share	AC Energy Development, Inc. (now ACE Endevor) - 99% 399,980 Common 3,600,000 Preferred	Same as the purpose stated immediately above.
Giga Ace 1, Inc. 14 November 2019	100,000 Common at ₱1.00/share	ACEN - 74.99% 74,995 Common *30,000 Common shares pending transfer to ACEN	To carry on the general business of generating, marketing, selling and supplying energy derived from coal, natural gas, fuel, diesel, gas turbine, steam power plant, fossil fuel, renewable energy sources (including but not limited to hydro, wind, solar, biomass, geothermal, or ocean/tidal), and other viable sources of power; to develop, construct, install, build, commission, operate, own, maintain, rehabilitate, operate, manage, lease and transfer power generating plants and related facilities, for both renewable and non-renewable energy sources, and other generating plants of any type and technology and related facilities; to engage in the business of a retail electricity supplier and energy consolidator or aggregator including sourcing, selling, brokering, marketing and

New Company and Date of Incorporation	Capitalization	Principal Shareholder and Subscription	Primary Purpose
			aggregating of electricity to the end-user; and to provide related services such as those necessary or appropriate in connection with the foregoing, to such an extent and in such manner as may be permitted by applicable law and provided that it shall not operate as a public utility. Provided that the corporation shall not solicit, accept or take investments/placements from the public neither shall it issue investment contracts.
Giga Ace 2, Inc. 14 November 2019	100,000 Common at ₱1.00/share	ACEN - 74.99% 74,995 Common *30,000 Common shares pending transfer to ACEN	Same as the purpose stated immediately above.
Giga Ace 3, Inc. 14 November 2019	100,000 Common at ₱1.00/share	ACEN - 74.99% 74,995 Common *30,000 Common shares pending transfer to ACEN	Same as the purpose stated immediately above.
Giga Ace 4, Inc. 14 November 2019	100,000 Common at ₱1.00/share	ACEN - 74.99% 74,995 Common *30,000 Common shares pending transfer to ACEN	Same as the purpose stated immediately above.
Giga Ace 5, Inc. 14 November 2019	100,000 Common at ₱1.00/share	ACEN - 74.99% 74,995 *30,000 Common shares pending transfer to ACEN	Same as the purpose stated immediately above.
Giga Ace 6, Inc. 14 November 2019	100,000 Common at ₱1.00/share	ACEN - 74.99% 74,995 Common *30,000 Common shares pending transfer to ACEN	Same as the purpose stated immediately above.

New Company and Date of Incorporation	Capitalization	Principal Shareholder and Subscription	Primary Purpose
Giga Ace 7, Inc. 14 November 2019	100,000 Common at ₱1.00/share	ACEN - 74.99% 74,995Common *30,000 Common shares pending transfer to ACEN	Same as the purpose stated immediately above.
Giga Ace 8, Inc. 14 November 2019	100,000 Common at ₱1.00/share	ACEN - 74.99% 74,995 Common *30,000 Common shares pending transfer to ACEN	Same as the purpose stated immediately above.
Giga Ace 9, Inc. 14 November 2019	100,000 Common at ₱1.00/share	ACEN - 74.99% 74,995 Common *30,000 Common shares pending transfer to ACEN	Same as the purpose stated immediately above.
Giga Ace 10, Inc. 14 November 2019	100,000 Common at ₱1.00/share	ACEN - 74.99% 74,995Common *30,000 Common shares pending transfer to ACEN	Same as the purpose stated immediately above.

Deed of Assignment with ACEIC

On 4 November 2019, ACEIC and the Company signed a Deed of Assignment whereby ACEIC transferred its right to purchase the 20% ownership stake of Axia Power in SLTEC in favor of the Company.

Completion of the Company's acquisition of Axia Power's ownership stake in SLTEC is subject to satisfaction of certain conditions precedent.

Share Purchase Agreements with PINAI

On 4 November 2019, the Company signed a share purchase agreement with PINAI (amended and restated on 14 November 2019) for the acquisition of shares in PWHC, which directly and indirectly owns ~67% of NLREC. The share purchase agreement with PINAI is for the acquisition of its 31% effective preferred equity ownership and 15% effective common equity ownership in NLR. On 28 January 2020, the PCC approved the NLR transaction. On 27 February 2020, the acquisition was completed and the final purchase price in the amount of ₱2.573 billion was paid by Giga Ace 1, Inc., the Company's wholly-owned subsidiary and the entity designated by the Company to purchase and hold the PWHC shares.

On 2 December 2019, the Company signed a share purchase agreement with PINAI for the acquisition of PINAI's ownership interest in IslaSol and SacaSol. On 13 February 2020, the PCC approved the SacaSol transaction. On 23 March 2020, closing for the SacaSol transaction occurred and the purchase price in the amount of ₱2.981 billion was paid by Giga Ace 2, Inc., the Company's wholly-owned subsidiary and the entity designated by the Company to purchase the PINAI's shares in SacaSol.

On 26 February 2020, the PCC approved the IslaSol transaction. On 23 March 2020, closing for the IslaSol transaction occurred and the purchase price in the amount of ₱1.629 billion was paid by Giga Ace 3, Inc., the Company's wholly-owned subsidiary and the entity designated by the Company to purchase the PINAI's shares in IslaSol.

Subscription Agreement with Ingrid

On 18 December 2019, the Company signed a subscription agreement with Ingrid for the subscription by the Company to 50,000 Class A common shares and 5,651,000 Class A Redeemable Preferred Shares ("RPS") in Ingrid, at the subscription price of ₱4,900,000.00 for the common shares and ₱565,100,000 for the RPS. The Company has fully paid-in the common shares and paid 25% of the subscription of the RPS. Ingrid is developing a 300MW diesel power plant in Pililia, Rizal. Construction of the first 150MW commenced in the first quarter of 2020. The issuance of the shares is subject to the necessary regulatory approvals for increase of Ingrid's authorized capital stock and creation of new shares.

Subscription Agreement with SolarAce1

On 10 January 2020, the Company signed a subscription agreement with SolarAce1 for the subscription by the Company to 6,000,000 Class A common shares and 180,000,000 Class A RPS of SolarAce1, with a total subscription price of ₱1,860,000,000.00. The Company has fully paid-in the common shares and paid 35% of the subscription of the RPS. SolarAce1 is developing a 120MWdc solar power farm project to be located in the Municipality of Alaminos, Laguna.

Subscription Agreement with GigaAce1

On 26 February 2020, the Company signed a subscription agreement with Giga Ace 1, Inc. ("GigaAce1") for the subscription by the Company to 75,000 common shares to be issued out of the unissued authorized capital stock of GigaAce1, and 43,069,625 common shares and 53,562,609 Class A RPS of GigaAce1 to be issued out of the increase in authorized capital stock of GigaAce1, with a total subscription price of ₱2,573,375,620. The Company has fully paid-in both for the common shares and Class A RPS. The subscription was used by GigaAce1 to fund the acquisition of the ownership interest of PINAI in PWHC.

On 3 March 2020, the Company signed a subscription agreement with GigaAce1 for the subscription by the Company to an additional 1,170,000 common shares and 32,500 Class A RPS of GigaAce1, with a total subscription price of ₱12,000,000.00. The Company has fully paid-in both for the common shares and Class A RPS. The subscription will be used by GigaAce1 to fund administrative and operating costs.

Subscription Agreement with GigaAce2

On 20 March 2020, the Company signed a subscription agreement with Giga Ace 2, Inc. ("GigaAce2") for the subscription by the Company to 3,041,096,860 common shares to be issued out of the increase in authorized capital stock of GigaAce2, with a total subscription price of ₱3,041,096,860.26. The Company has fully paid for the common shares. The subscription was used by Giga Ace 2 to fund the acquisition of the ownership interest of PINAI in SacaSol.

Subscription Agreement with GigaAce3

On 20 March 2020, the Company signed a subscription agreement with Giga Ace 3, Inc. ("GigaAce3") for the subscription by the Company to 1,662,654,537 common shares to be issued out of the increase in authorized capital stock of GigaAce3, with a total subscription price of ₱1,662,654,537.06. The Company has fully paid for the common shares. The subscription was used by GigaAce3 to fund the acquisition of the ownership interest of PINAI in IslaSol.

Second Amendment and Restated Deed of Assignment

The Company and ACEIC executed on 14 May 2020 a Second Amended and Restated Deed of Assignment further amending the Deed of Assignment dated 9 October 2019 (the "Original Deed") and the Amended and Restated Deed of Assignment dated 12 November 2019 (the "Amended Deed"), with effect from the execution of the Original Deed on 9 October 2019, covering the issuance of 6,185,182,288 Shares in the Company in favor of ACEIC in exchange for ACEIC's shares of stock in its various Philippine subsidiaries and affiliates.

The Original Deed and the Amended Deed were further amended only (1) to update Schedule 1 thereof, to reflect the SEC's approval of the increase in the capital stock of ACE Endevor and ACE Renewables, (2) to include the stock certificate numbers of the shares of stocks to be transferred, and (3) to confirm the percentage ownership in MonteSol being transferred, without changing the number of shares.

Subscription of ThomasLloyd in IslaSol

On 22 May 2020, IslaSol signed with ThomasLloyd a subscription agreement for 33,691 Redeemable Preferred Shares E in IslaSol at a subscription price of ₱2,780,224,857.21, to be issued out of the increase in IslaSol's authorized capital stock.

Following the issuance of the said shares to ThomasLloyd and a programmed partial redemption of GigaAce3's IslaSol shares, ThomasLloyd's and the Company's (through GigaAce3 and VRC) ownership interests in IslaSol will be at 34% and 66%, respectively.

Ingrid Shareholders' Agreement

On 23 July 2020, the Company and ACE Endevor, the Company's wholly-owned subsidiary, signed a shareholders' agreement with Axia Power, a subsidiary of Marubeni Corporation, for the development, construction and operation of the 150MW diesel power plant project in Pililia, Rizal (the "Ingrid Project"), which is expected to be operational in the first quarter of 2021. Under the shareholders' agreement, Axia Power will acquire 50% of the shares and 50% of the economic rights in the Company's subsidiary Ingrid, the special purpose vehicle of the Ingrid Project, while the Company will hold 50% shares and 45% of the economic rights, with ACE Endevor having a 5% share of the economic rights in the Ingrid Project. The plant will supply peaking and reserve power to the Luzon grid. On 1 December 2020, the Company received a copy of PCC Decision No. 20-M-017/2020 dated 24 November 2020 finding that the transaction "will not likely result in substantial lessening of competition" and resolving "to take no further action with respect to the proposed Transaction among Axia Power, ACE PH, Endevor and Ingrid Power."

Subscription Agreements Pursuant to 11 June 2020 Board Approval

On 24 July 2020, the Company signed the following subscription agreements with the special purpose vehicles for development projects used by the Group:

(1) Subscription to 75,000 common shares of Giga Ace 4, Inc. to be issued out of the unissued authorized capital stock. The Company fully paid the ₱75,000.00 subscription in cash to be used to fund administrative and operating costs.

(2) Subscription to 75,000 common shares of Giga Ace 5, Inc. to be issued out of the unissued authorized capital stock. The Company fully paid the ₱75,000.00 subscription in cash to be used to fund administrative and operating costs.

(3) Subscription to 75,000 common shares of Giga Ace 6, Inc. to be issued out of the unissued authorized capital stock. The Company fully paid the ₱75,000.00 subscription in cash to be used to fund administrative and operating costs.

(4) Subscription to 75,000 common shares of Giga Ace 7, Inc. to be issued out of the unissued authorized capital stock. The Company fully paid the ₱75,000.00 subscription in cash to be used to fund administrative and operating costs.

(5) Subscription to 75,000 common shares of Giga Ace 8, Inc. to be issued out of the unissued authorized capital stock. The Company fully paid the ₱75,000.00 subscription in cash to be used to fund administrative and operating costs.

(6) Subscription to 75,000 common shares of Giga Ace 9, Inc. to be issued out of the unissued authorized capital stock. The Company fully paid the ₱75,000.00 subscription in cash to be used to fund administrative and operating costs.

(7) Subscription to 75,000 common shares of Giga Ace 10, Inc. to be issued out of the unissued authorized capital stock. The Company fully paid the ₱75,000.00 subscription in cash to be used to fund administrative and operating costs.

Subscription Agreement with Bataan Solar

On 17 November 2020, the Company signed a subscription agreement with Bataan Solar Energy, Inc. ("BSEI") for the subscription by the Company to additional 7,999,190 common shares and 71,992,425 Class A Redeemable Preferred Shares ("RPS") in BSEI, at the subscription price of ₱39,995,950.00 for the common shares and ₱359,962,125.00 for the RPS to be paid in tranches with ₱99,989,520.00 payable on date of subscription and the balance payable upon BSEI's capital call. The infusion will be used by BSEI to further the opportunities presented by emerging clean energy technologies, including battery storage, and for various development activities such as securing land, permitting, undertaking project studies, project planning, and procuring and installing equipment for new technologies, including battery storage, in Mariveles, Bataan. The issuance of the shares is subject to the necessary regulatory approvals for increase of BSEI's authorized capital stock and creation of new shares.

Ingrid Shareholders' Agreement and Subscription

On 15 October 2020, the Company assigned to Ingrid the total amount of ₱570 million (divided into ₱150,000,000.00 outstanding receivables from Ingrid, and ₱420,000,000.00 deposits for future subscription) in exchange for, and as payment for, a subscription to be issued out of the increase in the authorized capital stock of Ingrid. The proceeds are intended to be used for the construction of the 150MW diesel Ingrid power plant project in Pililia, Rizal, including for the substation and transmission line.

Subscription Agreement with ACE Endevor, Inc.

On 3 November 2020, the Company signed a subscription agreement with ACE Endevor, Inc. ("ACE Endevor") for the subscription by ACEN to 4,419,095 Redeemable Preferred Shares to be issued out of the unissued authorized capital stock of ACE Endevor. The subscription will be used by ACE Endevor to fund the requirements of its various development projects.

Subscription Agreement with ACE Shares Services, Inc.

On 4 November 2020, the Company signed a subscription agreement with ACE Shares Services, Inc. ("ACESS") for the subscription by the Company to additional 99,000,000 common shares in ACESS at the subscription price of ₱99,000,000.00 to be issued out of the increase in authorized capital stock of ACESS. The infusion will be used by ACESS to fund its administrative and operating costs.

Arran Investment Pte Ltd Investment

On 30 December 2020, ACEN, Arran and ACEIC signed an investment agreement and intend, upon the completion of the subscription by Arran to primary shares, to sign a shareholders' agreement that will document the rights and obligations of Arran as an investor in ACEN, pursuant to the 11 November 2020 resolution of the Board of Directors approving the proposal of Arran, an affiliate of GIC Private Limited ("GIC"), to acquire an effective 17.5% ownership stake in ACEN (the "Arran Investment"). The 17.5% ownership stake is on a fully diluted basis assuming that the Offer and the ACEIC International Transaction have been completed.

The Arran Investment will be implemented through a combination of subscription to four billion primary Shares (via a private placement) and purchase of secondary Shares from ACEIC at a price of ₱2.97 per Share on a post-Rights Offer basis, subject to agreed price adjustments. The price for the Arran Investment represents a 25% premium to the Board-approved offer price for the Rights Offer and is at par with the theoretical ex-rights price using the 30-day VWAP of ₱3.51 per Share as of 10 November 2020.

On 18 March 2021, ACEN and Arran signed a subscription agreement for the allotment and issuance by ACEN of 4 billion Common Shares via private placement, constituting 20.04% of the total outstanding Common Shares, at the subscription price of ₱2.97 per Share ("Arran Primary Issuance"). ACEN intended to utilize the proceeds as follows: (1) funding of the development and construction of the Group's renewable energy projects, including the PV Solar Power Plant in Arayat, Pampanga and the Balaoi-Caunayan wind farm project in Ilocos Norte, as well as possible expansions of existing plants and acquisition of other operating plants, of approximately up to ₱10 billion, estimated to be used in the 1st half of 2021 at the earliest; (2) repayment of debt drawn earlier to fund development funding requirements; and (3) funding of working capital requirements and for general corporate purposes of approximately up to ₱500 million, estimated to be used in the first quarter of 2021 at the earliest. Since the Common Shares to be issued pursuant to the private placement will not exceed 35% of the resulting total subscribed capital stock, it is exempt from pre-emptive rights of existing stockholders pursuant to the second paragraph of Article Seventh of ACEN's Articles of Incorporation. Shareholder approval for the listing of the Common Shares with the PSE was secured in ACEN's ASM held on 19 April 2021.

The completion of the purchase by Arran of secondary Shares from ACEIC is subject to the completion of the ACEIC International Transaction, which is expected to occur in the fourth quarter of 2021, and applicable regulatory approvals.

GIC is a leading global investment firm established in 1981 to manage Singapore's foreign reserves. As a disciplined long-term value investor, GIC is uniquely positioned for investments across a wide range of asset classes, including equities, fixed income, private equity, real estate and infrastructure. Headquartered in Singapore, GIC has investments in over 40 countries and employs over 1,700 people across 10 offices in key financial cities worldwide.

Subscription Agreement with Buendia Christiana Holdings Corp.

On 22 December 2020, the Company signed a subscription agreement with BCHC for the subscription by Company of 3,500,000 Redeemable Preferred B Shares at a subscription price ₱350,000,000.00 to be issued out of the increase in authorized capital stock of BCHC. The subscription will be used by BCHC to fund acquisition of potential project sites.

Waivers Obtained for Certain Loan Covenants of the Company

In view of additional loan drawdowns towards the end of 2019 in preparation for (a) the funding of new projects of the Company, particularly the 120MWdc solar power plant in Alaminos, Laguna and the installation of the 150MW initial phase of modular engines in the diesel plant in Pililia, Rizal, and (b) the acquisition of additional shares in NLREC, SacaSol and IslaSol, the Company expected that it will not meet certain financial ratios for 2019 in some of its outstanding loan facilities with Philippine banks having an aggregate outstanding principal amount of ₱3.6 billion. To avoid triggering any breach under the terms of the relevant loan facilities, the Company sought and was granted by the lenders a waiver of the financial covenants on debt service coverage ratio and the debt to equity ratio of the Company for the 31 December 2019 testing.

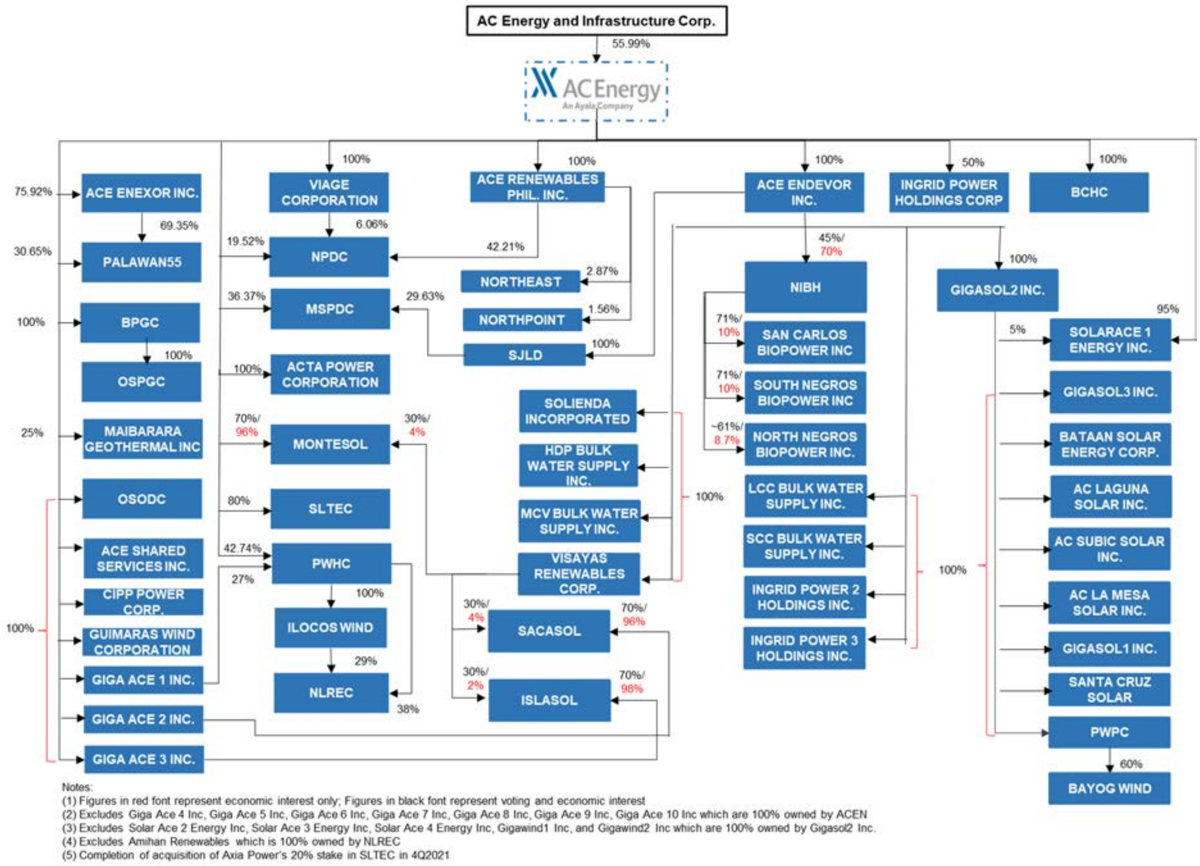
For the 31 December 2020 testing, the Company expected that it will again not meet certain financial ratios for 2020 in some of its outstanding loan facilities with Philippine banks having an aggregate outstanding principal amount of ₱1.68 billion. This was on account of additional loan drawdowns throughout 2020, necessitated by the delay in the planned capital infusion from the Rights Offer, to fund, in addition to the projects mentioned above for 2019, the 60MWdc solar power plant in Palauig, Zambales and the installment payment to acquire shares in SLTEC. To avoid triggering any breach under the terms of the relevant loan facilities, the Company sought and was granted by the lenders a waiver of the financial covenants on debt service coverage ratio, debt to equity ratio and current ratio of the Company for the 31 December 2020 testing.

The next date on which these ratios will be tested is at 31 December 2021 at which time the Company expects that it will be in full compliance with all the terms and covenants of each of these facilities.

CORPORATE STRUCTURE

The following chart illustrates the Company's material shareholders and Subsidiaries as of the date of this Prospectus. For a detailed breakdown of the Subsidiaries, see discussion under "***Subsidiaries and Associates***" beginning on page 182 of this Prospectus.

Ownership Structure as at 19 April 2021



Subsidiaries and Associates

The following table presents certain information regarding the Company's Subsidiaries and Associates:

Subsidiary or Associate	Percentage as of Ownership 31 December 2020	 Post Consolidation*
Guimaras Wind Corporation	100.00%	100.00%
ACE Enexor, Inc.	76.30%	76.30%
CIP II Power Corporation	100.00%	100.00%
Palawan55 Exploration & Production Corporation	30.65%	30.65%
Bulacan Power Generation Corporation	100.00%	100.00%
One Subic Power Generation Corporation	100.00%	100.00%
One Subic Oil Distribution Corporation	100.00%	100.00%
South Luzon Thermal Energy Corporation	45.00%	100.00%
ACTA Power Corporation	50.00%	100.00%
Maibarara Geothermal, Inc.	25.00%	25.00%
ACE Endevor, Inc.		100.00%
MCV Bulk Water Supply, Inc.		100.00%
LCC Bulk Water Supply, Inc.		100.00%
San Julio Land Development Corp.		100.00%
Ingrid 2 Power Corp.		100.00%

Subsidiary or Associate	Percentage as of Ownership 31 December 2020	Post Consolidation*
Ingrid 3 Power Corp.		100.00%
ACE Renewables Philippines, Inc.		100.00%
Viage Corporation		100.00%
Visayas Renewables Corp.		100.00%
Ingrid Power Holdings, Inc.		50.00%
NorthWind Power Development Corp.		67.79%
Monte Solar Energy Inc.		100.00%
Manapla Sun Power Development Corp.		66.22%
Philippine Wind Holdings Corp.		42.74%
Ilocos Wind Holding Co., Inc.		100.00%
North Luzon Renewable Energy Corporation		29.00% (through Ilocos) Wind 38.00% (through PWHC)
Amihan Renewable Energy Corp.		38.00%
Pagudpud Wind Power Corp.		100.00%
Bayog Wind Power Corp		60.00%
SCC Bulk Water Supply, Inc.		100.00%
Solienda, Inc.		100.00%
HDP Bulk Water Supply, Inc.		100.00%
Gigasol 2, Inc.		100.00%
SolarAce 1, Inc.		100.00%
SolarAce 2, Inc.		100.00%
SolarAce 3, Inc.		100.00%
SolarAce 4, Inc.		100.00%
Gigawind 1, Inc.		100.00%
Gigawind 2, Inc.		100.00%
Gigasol 1, Inc.		100.00%
Gigasol 3, Inc.		100.00%
AC La Mesa Solar, Inc.		100.00%
AC Subic Solar, Inc.		100.00%
AC Laguna Solar, Inc.		100.00%
Bataan Solar Energy, Inc.		100.00%
Santa Cruz Solar Energy, Inc.		100.00%
Buendia Christiana Holdings Corp		100.00%
ACE Shared Services, Inc.		100.00%
Giga Ace 1, Inc.		100.00%
Philippine Wind Holdings Corp.		27.07%
Giga Ace 2, Inc.		100.00%
San Carlos Solar Energy, Inc.		70.00%
Giga Ace 3, Inc.		100.00%
Negros Island Solar Power, Inc.		60.00%
Giga Ace 4, Inc,		100.00%
Giga Ace 5, Inc,		100.00%
Giga Ace 6, Inc,		100.00%
Giga Ace 7, Inc,		100.00%
Giga Ace 8, Inc,		100.00%
Giga Ace 9, Inc,		100.00%
Giga Ace 10, Inc,		100.00%
Negros Island Biomass Holdings		45.12%
South Negros BioPower, Inc.		71.00%
San Carlos BioPower, Inc.		71.00%
North Negros BioPower, Inc.		61.00%

Note: * See "***ACEIC Philippine Transaction***" on page 21 of this Prospectus. Based on voting rights.

Companies existing under ACEN prior to ACEIC Philippine Transaction

Guimaras Wind Corporation, formerly PHINMA Renewable Energy Corporation and Trans-Asia Renewable Energy Corporation. GWC was incorporated and registered with the SEC on 2 September 1994 to engage in the development and utilization of renewable sources of energy. It presently operates and maintains the 54MW Wind Farm in San Lorenzo, Guimaras.

ACE Enexor, Inc., formerly PHINMA Petroleum and Geothermal, Inc., Trans-Asia (Karang Besar) Petroleum Corporation, and Trans-Asia Petroleum Corporation (TAPET). ACE Enexor was incorporated and registered with the SEC on 28 September 1994 to engage in the business of oil exploration and well development. It was listed with the PSE on 28 August 2014 using TAPET as its ticker symbol. ACE Enexor is engaged in oil exploration and well development. On 31 May 2017, it amended its Articles of Incorporation to change its name from Trans-Asia Petroleum Corporation to PHINMA Petroleum and Geothermal, Inc., using "PPG" as its stock ticker symbol, to reflect the company's expansion into geothermal exploration. On 11 November 2019, it further amended its Articles of Incorporation to change its name to ACE Enexor, Inc., using "ACEX" as its stock ticker symbol, to reflect the change in ownership at ACEN.

CIP II Power Corporation. CIPP was incorporated and registered with the SEC on 2 June 1998 to construct, erect, assemble, commission, operate, maintain and rehabilitate gas turbine and other power generating plants. It was then registered with the PEZA on 23 June 1998, as an ecozone utilities enterprise. On 28 December 2006, the Company purchased 100% of the shares of stock of CIPP from Ascendas Utilities PTE Limited, a Singaporean corporation. CIPP operated a 21MW Bunker C-fired power plant in Carmelray Industrial Park II (CIP II) Special Economic Zone in Calamba City, Laguna and was the sole provider of power in the industrial park. In December 2010, CIPP's Board of Directors approved the transfer of the power plant from Laguna to Bacnotan, La Union. The power plant was successfully transferred to La Union and started commercial operations on 17 January 2013.

Palawan55 Exploration & Production Corporation. Palawan55 was incorporated and registered with the SEC on 16 November 2012 to engage in the business of exploration, prospecting, discovery, development, extraction, production and exploitation of crude oil, natural gas, natural gas liquids and other forms of petroleum, the products and by-products thereof and to process, manufacture, refine prepare for market, buy, sell, and transport or otherwise deal in same in crude, raw or refined condition. It is a 69.35% owned subsidiary of ACE Enexor. Palawan55 owns a 75% interest in SC 55. The corporation has not started its commercial operation.

Bulacan Power Generation Corporation, formerly PHINMA Power Generation Corporation and Trans- Asia Power Generation Corporation. BPGC was incorporated and registered on 18 March 1996 to build, construct, erect, own, equip, install, operate, maintain, sell, lease power generation plants, facilities, machineries, equipment and to sell any electricity generated by such power plants. ACEN formed then BPGC in a joint venture with Holcim (Philippines), Inc. ("Holcim") until the Company purchased Holcim's 50% stake in BPGC on 1 January 2013. It is involved in the operation and maintenance of a 52 MW power generation plant, including the related facilities, machinery and equipment.

BPGC owns One Subic, which was incorporated and registered with the SEC on 4 August 2010 to engage in the business of owning, constructing, operating, developing and maintaining all types of power generation plants. One Subic started its operation on 17 February 2011. On 12 May 2014, BPGC purchased from Udenna Energy Corporation the entire outstanding shares of stock of One Subic, the lessee and operator of the 116MW Subic Diesel Generator Power Plant.

One Subic Oil Distribution Corp., formerly Trans-Asia Gold and Minerals Development Corporation. OSODC was incorporated and registered with the SEC on 2 July 2007 to engage in the business of mining and mineral exploration within the Philippines and other countries. Effective March 2009, OSODC suspended its exploration activities. On 20 September 2017, the SEC approved the change of name from "Trans-Asia Gold and Minerals Development Corporation" to "One Subic Oil Distribution Corp." and the amended primary purpose of OSODC, which is to engage in the fuel oil importation and distribution business. OSODC has not started commercial operations.

South Luzon Thermal Energy Corporation. SLTEC was incorporated and registered with the SEC on 29 July 2011 to engage in the business of owning, developing, constructing, operating, repairing and maintaining power generation plants, as well as generating, marketing and selling electricity, including the provision of services necessary or incidental thereto. It was initially owned 50/50 by ACEN and ACEIC until Axia Power, a subsidiary of Marubeni Corporation, purchased ACEN's 5% interest and ACEIC's 15% interest in SLTEC in December 2016. Subsequently, upon ACEIC's assignment of its right to purchase the 20% ownership stake of Axia Power in SLTEC in favor of the ACEN on 4 November 2019 and expected completion in the fourth quarter of 2021, ACEN will own 100% of SLTEC. It currently owns and manages a 2x135MW clean coal power plant in Calaca, Batangas. The first unit of the plant started its commercial operations in April 2015, and the second unit started in February 2016.

ACTA Power Corporation. ACTA was incorporated and registered with the SEC on 9 February 2012 to engage in the business of owning, developing, constructing, operating, repairing, and maintain power generation facilities of any kind, as well as generating, marketing and selling electricity. Through a joint venture with Ayala Corporation in February 2012, ACTA is currently owned 50/50 by the Company and ACEIC. ACTA has not started commercial operations.

Maibarara Geothermal, Inc. MGI was incorporated and registered with the SEC on 11 August 2010, to implement the integration development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation. It is a joint venture among PetroGreen (65%), PNOC RC (10%), and ACEN (25%). The first unit of the plant commenced commercial operation on 8 February 2014. The second unit was connected to the Luzon grid on 9 March 2018.

Companies transferred pursuant to the ACEIC Philippine Transaction

ACE Endevor, Inc., formerly AC Energy Development, Inc., San Carlos Clean Energy, Inc. ACE Endevor was incorporated and registered with the SEC on 10 November 2014 to engage in all aspects of exploration, assessment, development and utilization of renewable and other energy resources and storage of electricity. ACE Endevor is a wholly-owned subsidiary of ACEIC, through the latter's acquisition of the former in March 2017. It is ACEIC's renewable energy development, management and operations platform. ACE Endevor wholly owns LCC Bulk Water, MCV Bulk Water, and SJLD.

Gigasol2, Inc. Gigasol2 was incorporated and registered with the SEC on 13 March 2017 to engage in the business of exploring, developing, and utilizing renewable energy projects in the Philippines. On 12 July 2018, AC Energy International transferred to Gigasol2 100% ownership of AC Laguna Solar Inc., AC La Mesa Solar Inc., AC Subic Solar Inc., Gigasol 1 Inc., Gigasol 3 Inc., SolarAce 1, and SolarAce 2 Inc. Gigasol2 also holds the project holding companies SolarAce 3, Inc., SolarAce 4, Inc., Gigawind 1, Inc., and Gigawind 2, Inc., and owns PWPC which incorporated and registered with the SEC on 9 December 2009 as a holding company for renewable energy and other corporations. PWPC is the parent company of BWPC, which is the project company for the proposed Balaoi-Caunayan wind farm in Ilocos Norte.

HDP Bulk Water Supply, Inc. HDP Bulk Water was incorporated and registered with the SEC on 20 October 2017 to engage in the business of extraction, generation, supply and distribution of water. HDP Bulk Water supplies water to San Carlos Bioenergy, Inc. under a Water Supply Contract executed on 31 October 2006, which was assigned to HDP Bulk Water on 11 December 2017.

Ingrid Power Holdings, Inc. Ingrid was incorporated and registered with the SEC on 7 June 2018, with the primary purpose to own, operate, maintain, and rehabilitate energy systems and projects. On 23 July 2020, the Company and ACE Endevor, the Company's wholly-owned subsidiary, signed a shareholders' agreement with Axia Power, whereby Axia Power will acquire 50% of the shares and 50% of the economic rights in the Company's subsidiary Ingrid, the special purpose vehicle of the Ingrid Project, while the Company will hold 50% shares and 45% of the economic rights, with ACE Endevor having a 5% share of the economic rights in the Ingrid Project. See also discussion on "***Recent Developments - Subscription by Axia to Ingrid***" on page 32 of this Prospectus. Ingrid is currently developing a 150 MW diesel power plant in Brgy. Malaya, Pililia, Rizal, to be an ancillary service provider to the NGCP.

Manapla Sun Power Development Corp. MSPDC was incorporated and registered with the SEC on 16 December 2014 with a primary purpose to engage in the business or renewable energy such as, but not limited to biomass, mini-hydro or solar power and ancillary business, and to own, lease, operate, manage or develop public or private lands. In March 2017, ACEIC acquired 66.2% of MSPDC. MSDPC is the landowner of and the lessor for IslaSol's solar farm in Manapla, Negros Occidental.

Monte Solar Energy Inc. MonteSol was incorporated and registered with the SEC on 25 July 2014 with the primary purpose to carry on the business of exploring, developing and utilizing renewable energy resources, such as but not limited to biomass, biogas, hydropower, wind, solar energy, including operating, managing, maintaining and rehabilitating solar energy systems, to include bulk procurement, marketing and setting up of arrangement and brokerage of the same solar energy systems as necessary for the generation, transmission, distribution and sale and delivery of electricity to domestic, commercial, industrial users or distribution companies. MonteSol owns and operates a 18 MWdc solar power plant at Bais, Negros Oriental.

ACE Renewables Philippines, Inc. ACE Renewables was incorporated and registered with the SEC on 6 April 2005 as a holding company with the primary purpose to purchase, subscribe for, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of property of every kind and description, shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts or obligations of an corporation or corporations, domestic or foreign. It is a wholly- owned subsidiary of ACEIC. ACE Renewables is a shareholder in NPDC, which developed the country's first commercial wind farm, and owns and operates the 52MW Bangui wind project in Bangui, Ilocos Norte.

Negros Island Biomass Holdings, Inc. Isla Bio was incorporated and registered with the SEC on 11 November 2016 as a holding company for renewable energy projects. On 20 March 2018, AC Energy International and Zabaleta & Co. entered into a share purchase agreement for the acquisition of 21,484 common shares in Isla Bio, which represents a 42.97% voting interest. On 1 October 2019, AC Energy International transferred its ownership in Isla Bio to ACE Endevor. Isla Bio is the entity that holds interests in three biomass plants in Negros Occidental that are currently under construction, namely: (1) 20 MW plant of San Carlos BioPower, Inc. in San Carlos City, (2) 25 MW plant of South Negros BioPower Inc. located in La Carlota City, and (3) 25 MW plant of North Negros BioPower, Inc. located in the Municipality of Manapla.

North Luzon Renewable Energy Corp. NLREC was incorporated and registered with the SEC on 31 May 2006. NLREC is a partnership among ACEIC, UPC Philippines Wind, Mitsubishi Corporation's DGA, and PINAI. On 5 November 2019, ACEN acquired PINAI's 31% effective preferred equity ownership and 15% effective common equity ownership in NLREC. NLREC owns and operates an 81MW wind farm in Barangay Caparispisan, Pagudpod, Ilocos Norte, which started its commercial operations in 11 November 2014. NLREC owns Amihan Renewable Energy Corp., which was incorporated and registered with the SEC on 16 January 2017 for the primary purpose to develop, construct, own, and operate renewable energy projects, transmission lines and towers in the Philippines for the purpose of generation and sale of electric power, and in connection therewith, to construct, install erect, maintain, import or export edifices, structures, machinery and equipment necessary for the generation and sale of electric power; to employ (among others) technicians, experts and engineers in every branch of scientific skill and endeavor; to acquire, purchase, own, lease, and sub-lease real and other property; and to apply for, obtain and secure franchises, permits and licenses as may be necessary or incidental to conduct the foregoing purposes. Amihan Renewables has not started commercial operations.

Northwind Power Development Corp. NPDC was incorporated and registered on 15 June 2000 with a purpose to engage in the generation of electricity from renewable energy sources. NPDC developed the country's first commercial wind farm, owns and operates the 52 MW Northwind Power in Bangui, Ilocos Norte. Phase I of Northwind Power consists of 15 wind turbines and started commercial operation in June 2005. Phase II of Northwind Power was completed in August 2008 and added five more wind turbines bringing total capacity to 33 MW. Finally, Phase III of Northwind Power added six more new wind turbines with a total installed capacity of 19 MW and was completed in October 2014.

Philippine Wind Holdings Corp. formerly UPC Philippine Wind Holdings Corp. PWHC was incorporated and registered with the SEC on 12 November 2009 as a holding company for renewable energy corporations. It is the parent company of Ilocos Wind Energy Holding Corp. (a holding company incorporated and registered with the SEC on 16 December 2009) and NLREC, the latter owns and operates the 81MW wind farm in Barangay Caparispisan, Pagudpod, Ilocos Norte.

SCC Bulk Water Supply, Inc. SCC Bulk Water was incorporated and registered with the SEC on 9 September 2015, with the primary purpose to engage in the collection, purification and distribution of water in Negros Occidental. On 18 December 2017, AC Energy International acquired 100% interest in SCC Bulk Water. On 1 October 2019, AC Energy International transferred its ownership in SCC Bulk Water to ACE Endevor. It has obtained the contract for the supply and distribution of water to San Carlos Biopower, Inc.

Solienda Incorporated. Solienda was incorporated and registered with the SEC on 29 November 2016 to deal and engage in land lease and real estate business. On 5 December 2016, San Julio Realty, Inc. assigned to Solienda the absolute and irrevocable title, rights and interest in the contract of lease, and the subsequent amendment agreements, with San Carlos Sun Power, Inc.

Viage Corporation. Viage was incorporated and registered with the SEC on 22 August 2005 as holding company to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose real and personal property of every kind in particular, shares of stock, voting trust certificates, bonds, debentures, notes, evidences of indebtedness association, domestic or foreign, including those of the Government of the Philippines, or any of its instrumentalities, without being a stockbroker or dealer. Viage is a shareholder in NPDC, which developed the country's first commercial wind farm, and owns and operates the 52MW Northwind Power in Bangui, Ilocos Norte.

Visayas Renewables Corp., formerly Bronzeoak Clean Energy Inc. VRC was incorporated and registered with the SEC on 24 June 2015 with a primary purpose to evaluate, examine, license, purchase, promote, develop, engage, and market in whole or in part in the manufacture and sale of electric current, biofuels and other utilities of any kind and character. It is currently a holding company co-owning shares in SacaSol, IslaSol and MonteSol.

Buendia Christiana Holdings Corp., BCHC was incorporated and registered with the SEC on 10 May 2019 as a holding company. On 12 December 2019, ACEN entered into a subscription agreement BCHC to subscribe to the increase in authorized capital stock of BCHC, thereby becoming a wholly-owned subsidiary of ACEN. BCHC is intended to be the landholding company of ACEN.

Companies integrated to ACEN after the ACEIC Philippine Transaction

ACE Shared Services, Inc. ACE Shared Services was incorporated and registered with the SEC on 5 December 2019 for the primary purpose to provide a full range of business process outsourcing services, such as, but not limited to, financial and general accounting/bookkeeping services (without engaging in the practice of accountancy), including but not limited to data entry, scanning, records management and data analysis; information technology services including but not limited to application hosting, maintenance, deployment, and technical support; procurement services including but not limited to data entry, contract preparation, contract administration services including data entry, contract preparation, contract monitoring; sales administration services including but not limited to billing and collection; human resources management including but not limited to payroll and claims processing and reimbursement; manpower related services and other related functions.

Giga Ace 1, Inc. Giga Ace 1 was incorporated and registered with the SEC on 14 November 2019 as a holding company for renewable energy and other corporations. Giga Ace 1 is the entity designated by ACEN to hold the PWHC shares acquired from PINAI.

Giga Ace 2, Inc. Giga Ace 2 was incorporated and registered with the SEC on 14 November 2019 as a holding company for renewable energy and other corporations. Giga Ace 2 is the entity designated by ACEN to hold the SacaSol shares acquired from PINAI.

Giga Ace 3, Inc. Giga Ace 3 was incorporated and registered with the SEC on 14 November 2019 as a holding company for renewable energy and other corporations. Giga Ace 3 is the entity designated by ACEN to hold the IslaSol shares acquired from PINAI.

Giga Ace 4, Inc., **Giga Ace 5, Inc.**, **Giga Ace 6, Inc.**, **Giga Ace 7, Inc.**, **Giga Ace 8, Inc.**, **Giga Ace 9, Inc.**, and **Giga Ace 10, Inc.**, are all project holding companies incorporated on 14 November 2019 with the primary purpose to carry on the general business of generating, marketing, selling and supplying energy derived from coal, natural gas, fuel, diesel, gas turbine, steam power plant, fossil fuel, renewable energy sources (including but not limited to hydro, wind, solar, biomass, geothermal, or ocean/tidal), and other viable sources of power; to develop, construct, install, build, commission, operate, own, maintain, rehabilitate, operate, manage, lease and transfer power generating plants and related facilities, for both renewable and non-renewable energy sources, and other generating plants of any type and technology and related facilities; to engage in the business of a retail electricity supplier and energy consolidator or aggregator including sourcing, selling, brokering, marketing and aggregating of electricity to the end-user; and to provide related services such as those necessary or appropriate in connection with the foregoing, to such an extent and in such manner as may be permitted by applicable law and provided that it shall not operate as a public utility. See "***Incorporation of New Companies***" in "***Material Contracts***" beginning on page 172 of this Prospectus.

INDUSTRY OVERVIEW

Certain information, market data, industry forecasts and other data used in this Prospectus were obtained or derived from internal surveys, market research, governmental data, publicly available information and/or industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information are not guaranteed and have not been independently verified by the Issuer and the Joint Bookrunners. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer and the Joint Bookrunners make any representation or warranty, express or implied, as to the accuracy or completeness of such information. In addition, such information may not be consistent with other information compiled within or outside the Philippines.

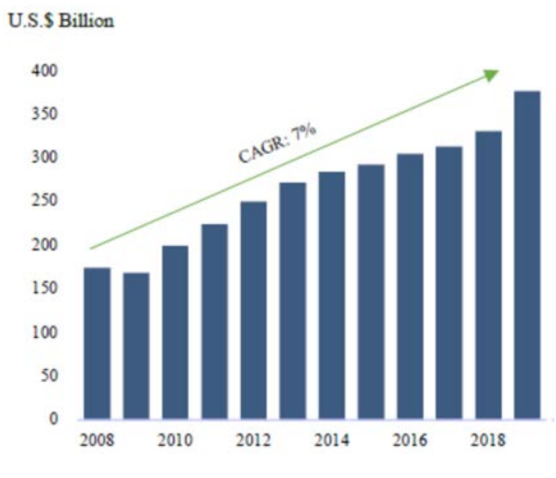
The Philippine Economy

According to the World Bank, the Philippines' nominal gross domestic product ("GDP") reached U.S.$377 billion in 2019. The services sector continues to be the main growth driver and the economy was also supported by robust industrial, and agricultural activities.

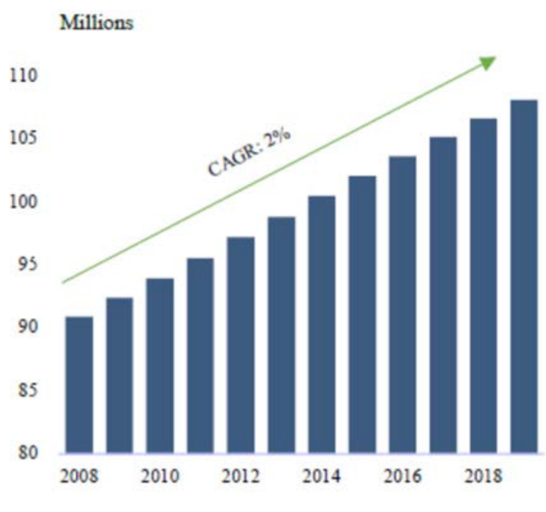
Based on information from the BSP, there was a net inflow of foreign direct investment ("FDI") of U.S.$7.6 billion in 2019, the majority of FDI were directed to electricity, gas, steam and air conditioning supply, financial and insurance, real estate, and manufacturing industries.

According to the World Bank, Philippines' population increased by 1.4% year-on-year to reach 108.1 million and life expectancy at birth improved to 71 years. Unemployment rate stood at 2.2%.

Annual Nominal GDP (2008–2019)



Population (2008–2019)



Source: World Bank

The Philippine economy contracted by 8.3% year-on-year in the 4th quarter of 2020, according to the Philippine Statistics Authority. This was lower than the 0.7% contraction recorded in the 1st quarter of 2020 and 11.4% contraction recorded in the 3rd quarter of 2020. The contraction in GDP was attributed to decrease in construction (25.3%), other services (-45.2%) and food service activities (-42.7%). Of the major economic sectors, the Industry and Services sector both decreased during the period by 9.9% and 8.4%, respectively, while financial and insurance activities, information and communication and public administration and defense experienced a growth of 4.4%, 3.6% and 0.6% respectively. Expenditures also posted negative growth rates, with household consumption down by 7.2%, gross capital formation at -29.0%, and exports and imports at -10.5% and -18.8%, respectively. Conversely, government final consumption expenditure posted positive growth of 4.4%. However, the Philippine government believes that the economy is on the road to recovery as the Asian Development Bank (ADB) expects that the Philippine economy will start to rebound slowly in the second half of 2020, followed by a stronger growth in 2021. In its Asian Development Bank Outlook (ADO) 2020 Update, the ADB forecasts a 6.5% growth in the economy in 2021 as the outbreak is contained, the economy is further opened, and more government stimulus measures are implemented. Similarly, the World Bank, in its latest Philippines Economic Update report released on 8 December 2020, projects that economic growth is expected to return to above 5.9% in 2021 and 6.0% in 2022. Fitch Ratings' forecast of 2020 GDP contraction is now 8.0%. The Philippine economy had been growing at an average rate of 6.5% since 2012.

The BSP reported a 10. 8% decline in net foreign direct investment for the first 11 months of 2020 compared to 2019, declining to U.S.$5.8 billion from last year's U.S.$6.5 billion due the weak global outlook and investors' confidence following the COVID-19 pandemic. BSP data also showed that net investments in equity capital increased as placements rose by 6.4% to US$1.4 billion from US$1.3 billion in the first 10 months of 2020 and 2019, respectively.

The Philippine Electricity Market

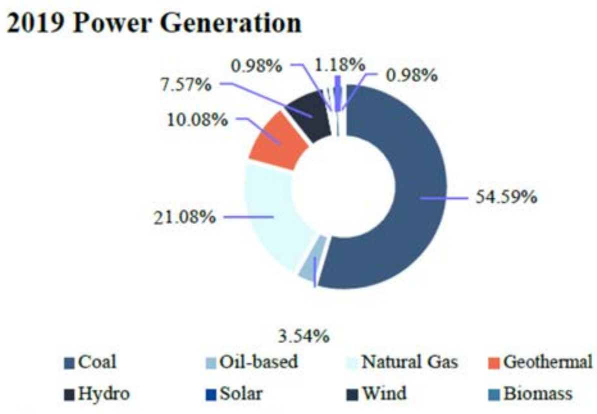
The Philippine Electricity Market is divided into four major sectors: (i) generation, (ii) transmission, (iii) supply (through the WESM) and (iv) distribution. See discussion under "***Regulatory Framework***" on page 221 of this Prospectus.

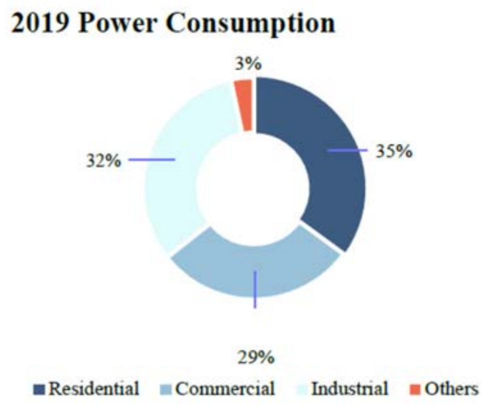
Philippine Power Sector

Power Supply and Demand Highlights

In spite of the slowdown in the growth of the Philippine economy in 2019 to 5.9% compared to 6.2% in 2018, the total electricity sales and consumption all over the country still posted a notable figure of 106,041GWh in 2019 from 99,765 GWh in 2018, equivalent to 6.3% growth from the previous year, and a 5.2% CAGR from 2008-2019.

Given its limited supply of natural resources, the Philippines relies on coal and oil imports for electricity generation. The Philippines Government awarded 22 solar projects and one wind project in 2019.





Source: Department of Energy

According to the DOE, electrical sales increased by 5.4% year-on-year to 87,118 GWh, representing a 5.3% CAGR during 2008–2019. This was largely driven by the following sectors in order of power consumption volume:

1. Residential, the most energy intensive sector, had power consumption increase by 8.1% year-on- year due to election-related activities and warmer temperature in the summer months;

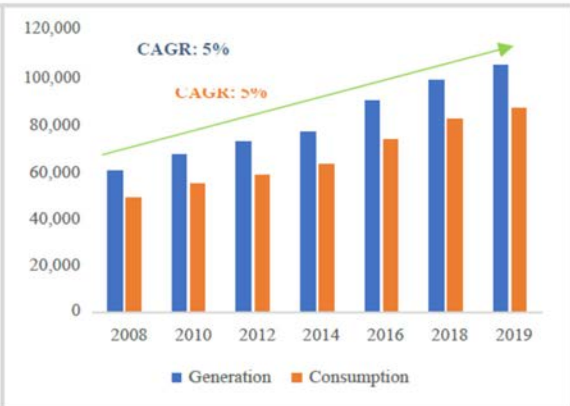
2. Industrial, the second most energy intensive sector, had power consumption increase by 2.2% year- on-year from the 7.9% growth in 2018. The decline can be attributed to the slowdown in public construction at the start of 2019 as a result of the delayed approval of the government's 2019 budget and the 45-day public works ban due to the 2019 national and local elections on 13 May 2019; and

3. Commercial, the third most energy intensive sector, had power consumption increase by 6.1% year-on-year due election-related activities and the El Niño event throughout 2019 brought about by substantial utilization of cooling equipment.

In addition, the DOE also maintains a necessary reserve margin of up to 20% of excess peak demand. Breaching this barrier adversely affects spot prices.

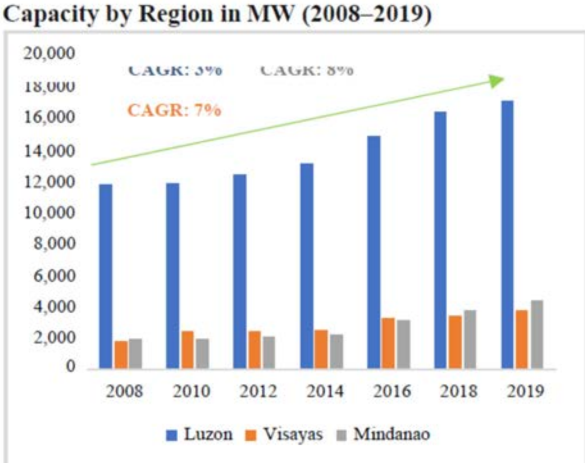
Capacity and Peak Demand in MW (2008–2019)

Power Generation and Consumption in GWH (2008–2019

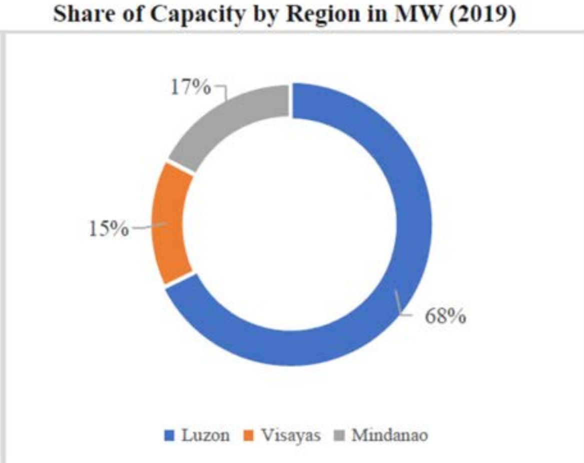


Source: Department of Energy

Capacity by Region in MW (2008–2019)



Share of Capacity by Region in MW (2019)



Source: Department of Energy

Power Demand

As of 2019, the Philippines total peak demand (representing total non-coincidental peak demand of Luzon, Visayas and Mindanao grids) was recorded at 15,581MW. The Luzon grid contributed 11,344MW or 73% of the total demand while Visayas and Mindanao each have a share of 14% (2,224MW) and 13% (2,013MW), respectively. In spite of the slowdown in the growth of the Philippine economy in 2019 to 5.9% compared to 6.2% in 2017, the total electricity sales and consumption all over the country still posted a notable figure of 106,041 GWh in 2019 from 99,765 GWh in 2018. Out of these total sales and consumption, 59,301 GWh or 55.9% was contributed by Private Investor Owned Utilities (PIOU's), while 23,213 GWh or 21.9% was from the Electric Cooperatives' contributions. Non-utilities and Other Services were 4,036 GWh (3.8%) and 568 GWh (0.5%), respectively. Total sales accounted to 87,118 GWh, corresponding to 82.2% share to total consumption.

2018 vs. 2019 Peak Demand per Grid (in MW)
Source: Department of Energy

Power Supply
Source: Department of Energy

The total power supply, in terms of installed capacity, grew by 7.2% from 23,815MW in 2018 to 25, 531MW in 2019. A total of 1,674MW new capacities were added to the country's supply in 2019 which include coal-fired (1,559MW), oil-based (8MW), hydropower (31MW), biomass (52MW), and solar (25MW) power plants. In terms of share by grid, Luzon contributed additional capacity of 700MW or 41.8% of the newly installed capacities, with Visayas and Mindanao at 371MW or 22.3% and 602MW or 35.9%, respectively.

Fuel Type	Installed, MW		Dependable	
	2018	2019	2018	2019
Coal	**720**	**1,559**	**690**	**1,409**
Oil-Based	**87**	**8**	**83**	**6**
Natural Gas	**0**	**0**	**0**	**0**
Renewable Energy	**126**	**108**	**122**	**74**
Geothermal	12	0	12	0
Hydro	80	31	80	18
Biomass	34	52	30	36
Solar	0	25	0	20
Wind	0	0	0	0
TOTAL	**934**	**1,674**	**894**	**1,489**

Newly Operational Capacities per Technology, Philippines (in MW)
Source: Department of Energy

Coal still dominated the power mix from 52.1% in 2018 to 54.6% in 2019. The increase in coal generation was attributed to the entry of new coal-fired power plants across the country. However, renewable energy technologies decreased its total generation share to 20.8% due to the drop in generation of hydro and limited penetration of other technologies to the mix. Natural gas contributed 21.1% in the mix while oil-based technologies continued to have the least contribution in the power mix at 3.5%.

Capacities from committed power projects reached 5,767MW by the end of 2019. About 71.5% of these capacities are from coal-fired power projects that will provide baseload capacity in the system in the coming years. The indicative power projects capacity amounted to 42,815MW by the end of 2019. Coal-fired power projects contributed 24.4%, while 50.1% is expected to come from renewable energy technologies.

Electricity Sales and Consumption

Source: Department of Energy

Electricity sales and consumption in Luzon for 2019 reached a total of 77,687 GWh boosting the 2019 growth to 5.7% from 5.6% in 2018. The residential and commercial sector contributed the most to Luzon's overall growth rate. Luzon's share to the country's total electricity sales and consumption remained the largest at 73.3%.

The Mindanao grid recorded 13,805 GWh of electricity sales and consumption. The sustained accelerated growth in Mindanao resulted to 8.1% increase in 2019, relatively in pace with the year-ago rate of 8.2%. The Davao Region contributed the most share with 33.3% in total electricity sales and consumption, while Zamboanga Peninsula, Northern Mindanao, SOCCSKSARGEN, Caraga, and Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) contributed, 12.0%, 24.6%, 18.0%, 9.0% and 3.1%, respectively.

The Visayas grid grew to 14,549 GWh of electricity sales and consumption at a rate of 7.8% from 2018. In the previous years, a 4.3% growth rate was posted in 2018 and 5.0% in 2017. The boost in demand for electricity production can be attributed to the robust economic activities in major provinces, especially in Central Visayas which accounted for more than half of the energy consumption in the grid. Visayan Electric Company, Inc. (VECO), which serves the cities of Cebu, Mandaue, Talisay, Naga, and four municipalities of the greater part of Metro Cebu, contributed 3,714 GWh of electricity, a 10% increase in consumption from the previous year, making them the second largest distribution utility in the Philippines in terms of electricity sales.

TYPE OF DISTRIBUTION UTILITIES	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Private Investors Owned Utilities (PIOU's)				
Residential	15,880	1,360	1,293	18,534
Commercial	19,531	654	604	20,789
Industrial	14,433	2,892	2,257	19,582
Others	196	111	90	397
Total Sales	**50,040**	**5,018**	**4,244**	**59,301**
Own-Use	65	11	5	81
System Loss	2,925	328	311	3,564
Total	**53,030**	**5,356**	**4,560**	**62,946**
Electric Cooperatives (EC'S)				
Residential	6,327	2,838	2,853	12,018
Commercial	2,381	1,233	1,073	4,687
Industrial	1,947	952	1,952	4,851
Others	763	455	438	1,657
Total Sales	**11,418**	**5,478**	**6,317**	**23,213**
Own-Use	23	10	15	48
System Loss	1,408	635	992	3,035
Total	**12,849**	**6,123**	**7,324**	**26,295**
Non-Utilities/Directly Connected	**3,334**	**540**	**162**	**4,036**
Other Services	**1,706**	**503**	**65**	**2,274**
Plant Station Used	**4,379**	**1,649**	**1,065**	**7,094**
Transmission Losses	**2,389**	**378**	**629**	**3,396**
Total Electricity Sales & Consumption (Main Grid)	**76,485**	**14,457**	**13,631**	**104,572**
Total Electricity Sales & Consumption (Off-Grid)	**1,202**	**93**	**175**	**1,470**
Total Electricity Sales & Consumption	**77,687**	**14,549**	**13,805**	**106,041**

2019 Electricity Sales & Consumption of Distribution Utilities, by Grid (in GWh)

Source: Department of Energy

Significant Incidents for 2019

Source: Department of Energy

In terms of significant incidents for 2019, Luzon grid experienced 46 yellow alerts and 16 red alerts occurrences. These were mainly attributed to the high demand coupled with the mild El Niño condition which further increased the demand and brought down the available capacity of hydroelectric power plants in the grid during the summer months. Other factors that contributed to the issuance of these alerts were the series of unplanned outages, and capacity deration of power plants. Furthermore, expected capacity from committed power projects were not able to ease the power situation due to their delayed commissioning. The red alert occurrences resulted in a series of automatic and manual load dropping incidents which led to the implementation of Interruptible Load Program.

Another notable incident in the Luzon grid was the 6.1 magnitude earthquake that occurred at 5:11 PM of 22 April 2019 with the epicenter located 18 kilometers east of Castillejos, Zambales. After the earthquake, several power plants and some transmission lines in central Luzon tripped leaving Luzon with 10,059MW available capacity which was insufficient to supply the system demand. Power in the affected areas were immediately restored, however, a few power plants were isolated due to sustained transmission line outages and equipment problems in the power plant facilities.

On the other hand, Visayas has been a recipient of many yellow alerts and a few red alerts in 2019, having 186 yellow alert notices and 10 red alert notices. These alerts usually occurred in the evening and were amplified on occasions where a significant amount of capacity is unavailable due to plant outages and reduction of output from solar plants. These alert were issued more frequently in 2019 due to increasing demand and the existing transmission line congestions experienced in the region.

Mindanao grid has been known for its over-supply capacity since the addition of coal-fired power plants in the region in 2016. In 2019, there were no recorded yellow and red alerts that disrupted the operation of the Mindanao grid, despite the occurrence of several natural calamities such as earthquakes and typhoons. However, there are still issues on the occurrences of Manual Load Dropping (MLD) in some regions in Mindanao due to the current bilateral dispatch protocol and the absence of the Wholesale Electricity Market (WESM) in the said grid. The mild El Niño in 2019 resulted in depletion of capacities from a few power plants while several Distribution Utilities failed to adjust their respective nominations, thus resulting in over-nomination and MLDs. WESM Mindanao is expected to address the issue once it comes online.

Outlook

The Government of the Philippines recognizes natural gas and renewables as sources for power generation of the future as there has been a recent MOU signed between the DOE and Australian R&D company, Star Scientific Ltd, to commence a study on the potential of hydrogen as a new power source. However, coal power plants remain to be the most economical and immediately available in the short-term to meet the expected increasing demand for electricity.

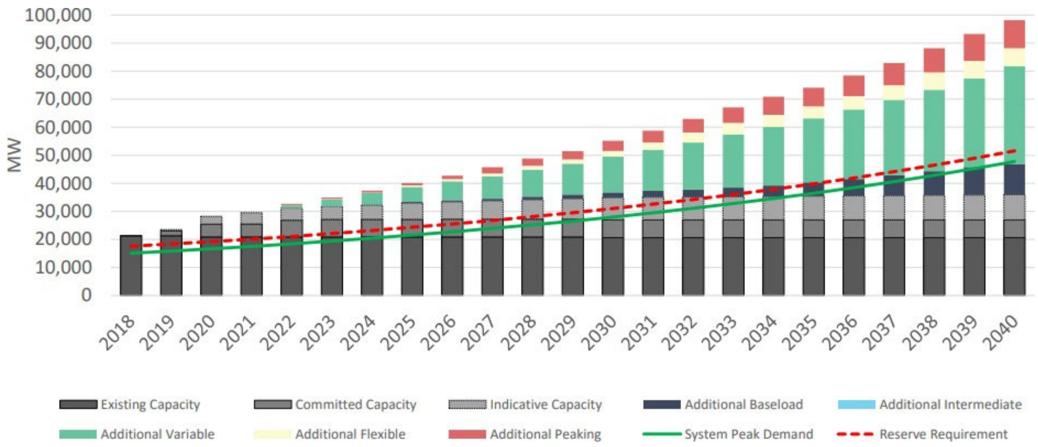
According to the DOE, renewable energy, in particular geothermal, biomass and hydro, is expected to account for over 30% of the Philippines' power supply by 2030. The development of renewable power sources will be facilitated by favorable Government policies, which includes their renewable target of 15 GW of installed renewable capacity by 2030 set by the National Renewable Energy Board ("NREB") with the DOE, and also the Feed-in-Tariff ("FIT") scheme. Under the updated Philippine Energy Plan, the DOE is also looking to attract capital investments for its PHP 10 trillion worth of energy projects.

The Philippines adopted the FIT in 2010 for eligible renewable power projects, including wind, solar, hydro, biomass and hybrid energy sources. Eligible renewable power plants are granted a 20-year entitlement. FIT is designed to accelerate the development of renewable energy by offering guaranteed payments on a fixed rate per KWh basis. However, subsidies will gradually decrease with the expected grid parity of solar and wind to be achieved by 2020 and 2025 for new projects respectively. The DOE also issued in 2017 and 2018, respectively, the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards ("RPS") for On-Grid Areas and Off-Grid Areas. The RPS is a market-based policy that mandates power distribution utilities, electric cooperatives and retail electricity suppliers to source an agreed portion of their energy supply from eligible renewable energy facilities. In October 2020, the DOE declared a moratorium on endorsements for greenfield coal power plants as its most recent assessment revealed the need for the country to shift to a more flexible power supply mix. To support this, the DOE signed a department circular providing the guidelines for the third Open and Competitive Selection Process ("OCSP3") in the awarding of Renewable Energy Service Contracts which covers potential geothermal and hydropower energy resource development and utilization, among others.

As a result of the COVID-19 pandemic, the Philippine government placed Luzon under enhanced community quarantine. During that period, power demand fell about 30%, reflecting the decline in power use by shuttered businesses. The Department of Energy had also requested that the industry defer bill collections by 30 days or until after the lockdown period ended on April 14. As such, the DOE revised the country's projected power demand and supply for the year, estimating that electricity demand will likely remain at the 2019 levels.

Despite this, the Independent Electricity Market Operator of the Philippines (IEMOP) said that peak daily demand as of the first week of September reached its highest level since June at 10,563MW in Luzon due to increased economic activity. Further, the DOE has indicated that the residential sector would likely continue to grow as people opted to remain indoors.

Capacity and Peak Demand (2018–2040)



Source: Department of Energy

Renewable Portfolio Standards

On December 22, 2017, the DOE issued a Department Circular No. DC 2017-12-0015 Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas (the "RPS Rules"). The RPS Rules mandates electric power industry participants to source or produce a specified portion of their electricity requirements from eligible Renewable Energy ("RE") resources in order to encourage development of indigenous and environmentally friendly energy sources. Under the RPS Rules, the mandated participants include:

a) Distribution Utilities for the captive customers;

b) RES for contestable customers;

c) Generating Companies to the extent of the demand of their actual supply to their directly-connected customers;

d) Other entities as may be recommended by the NREB and approved by the DOE.

The RPS Rules established the minimum annual RPS requirement. This pertains to the RE share of electricity coming from RE resources in the energy mix shall be based on an aspirational target of 35% in the generation mix expressed in MWh by 2030, subject to regular review and assessment by the DOE.

The RPS Rules also established the minimum annual incremental RE percentage. This is initially set at 1% to be applied to the net electricity sales of the mandated participant for the previous year, and thereafter adjusted by the DOE as may be necessary.

For the purpose of compliance with the RPS Rules for On-Grid Areas, the eligible RE facilities utilizing the following technologies and resources shall be:

a) Biomass;

b) Waste-to-energy technology;

c) Wind energy;

d) Solar energy;

e) Run-of-river hydroelectric power systems;

f) Impounding hydroelectric power systems;

g) Ocean energy;

h) Hybrid systems as defined in the RE Act with respect to the RE component;

i) Geothermal energy; and

j) Other RE technologies that may be later identified by the DOE;

provided that, the RE facilities utilizing these technologies to be eligible under RPS compliance and Renewable Energy Certificates ("RECs") attribution, they shall have been in commercial operations after the effectivity of the RE Act in 2008

The RPS Rules enabled the creation of an RE Market where mandated participants comply with the minimum annual RPS requirement through the allocation, generation, purchase, or acquisition, generation from net metering arrangements, of RECs. One certificate represents one MWh of generation produced from a registered eligible RE facility.

Retail Competition and Open Access

The EPIRA mandates the implementation of open access to distribution network so that the benefits of competition in the generation/supply sector could reach qualified consumers. The implementation of the retail competition and open access paved the way to the creation of the new segment in the power industry which is the RES.

Retail competition and open access allows contestable customers (*i.e.*, industries, commercial establishments and residential users) to choose their respective retail electricity supplier which could offer the most reasonable cost and provide the most efficient service. Further discussion on RCOA can be found under "***Regulatory Framework***" on page 221 of this Prospectus.

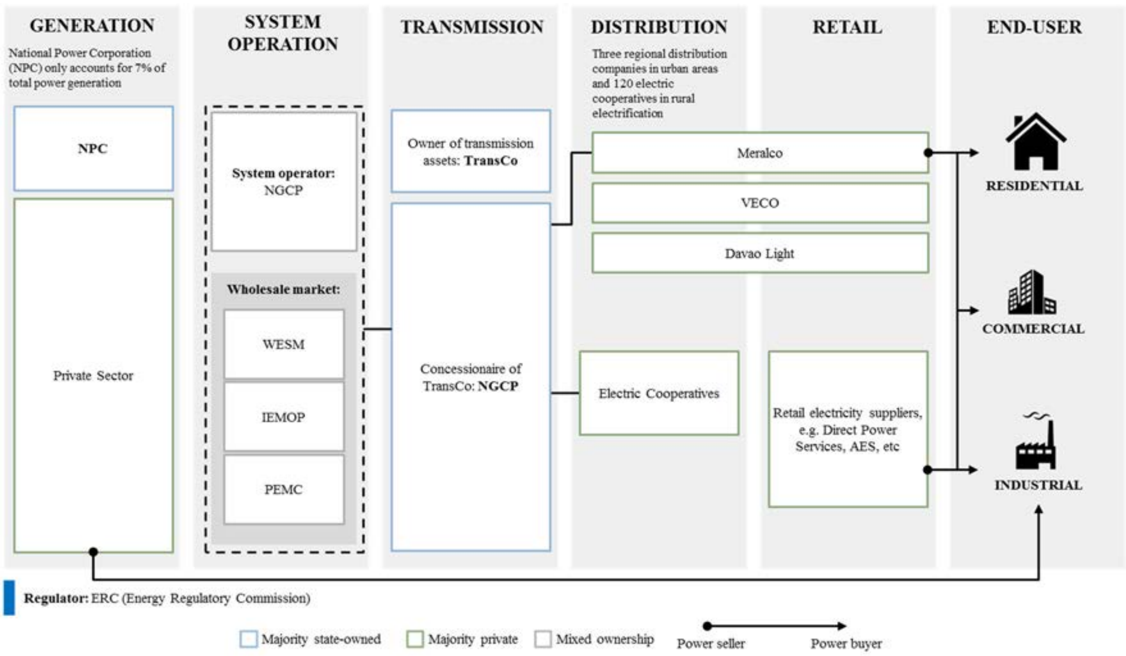
Primary Regulatory Agencies

There are two main energy bodies in the Philippines: (1) The Energy Regulatory Commission ("ERC"), which is an independent quasi-judicial regulatory body, and; (2) the Department of Energy ("DOE"), which is in charge of supervising the restructuring of the electricity industry. Both are governed by the Electric Power Industry Reform Act of 2001 ("EPIRA") to implement provisions of the Act.

The 1991 Foreign Investment Act ("FIA") regulates foreign investment into the Philippines. Within FIA are two negative lists known as the Foreign Investment Negative List which defines the percentage of foreign ownership depending on the nature of the underlying asset or business. Under the energy sector, up to 40% foreign ownership is permitted for the exploration, development and utilization of natural resources (exclusively renewables).

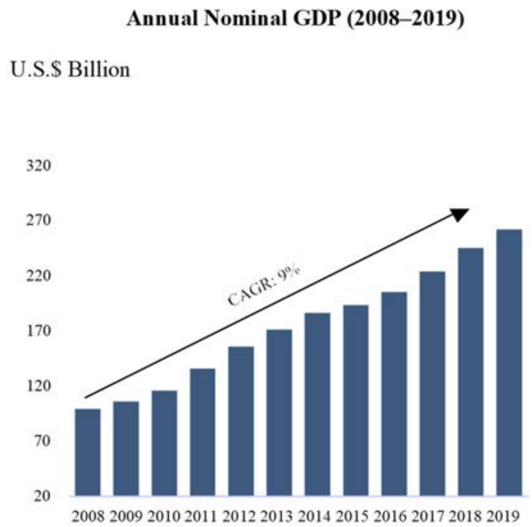
Further discussion on Primary Regulatory Agencies can be found under "***Regulatory Framework***" on page 221 of this Prospectus.

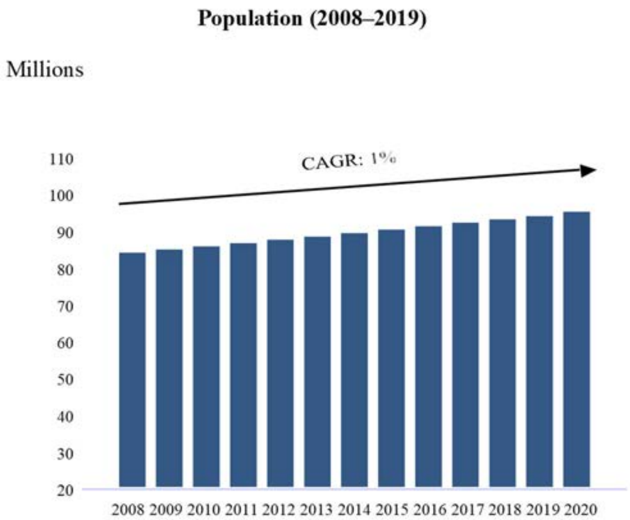
Market Structure



VIETNAM ENERGY MARKET

According to the World Bank, Vietnam's GDP reached U.S.$262 billion in 2019 growing 6.8% year-on-year with strong growth across value added from robust domestic demand and export-oriented manufacturing. Total FDI increased by 9.7% to U.S.$38.2 billion with around 3,883 new projects being licensed. Private firms also increased investments by 17% year-on-year. In 2020, Vietnam's population reached 97.6 million, while estimates for unemployment rate was at 2.7% (3rd quarter 2020).





Source: World Bank, General Statistics Office (GSO) of Vietnam

According to General Statistic Office of Vietnam, as one of the countries that best managed the COVID-19 pandemic, Vietnam recorded a GDP growth of 3.68% in 1Q 2020 (lowest Q1 GDP growth over the past decade), 0.39% in 2Q 2020 and 2.62% in 3Q 2020, rendering the GDP growth in 9 months of 2020 increased by 2.12%. According to government estimates released in late December, the economy is expected to grow 2.9% from a year ago, which is better than China's forecast being 2.3% growth during the same period.

Regulatory Framework

The Ministry of Industry and Trade ("MOIT") monitors and regulates Vietnam's energy industry. There are two key advisory and executive units managing the energy sector, namely, the General Directorate of Energy ("GDE") and the Electricity Regulatory Authority of Vietnam ("ERAV"). The GDE focuses on constructing the law, policy, planning and management of every energy sector; while ERAV regulates activities in the electricity sector to ensure a safe and high quality electricity supply for the economy. However, the GDE was disbanded and replaced by:

- The Authority of Electricity and Renewable Energy;
- Department of Energy Efficiency and Sustainable Development; and
- Department of Oil, Gas and Coal.

The Institute of Energy is responsible for preparing energy policy, national and regional power source development plans, it also conducts research on power facilities and equipment.

There are two main state-owned enterprises in Vietnam's power sector, namely:

- Vietnam Electricity ("EVN"), which has total control of the national power transmission and distribution market in Vietnam; and
- The Vietnam National Coal-Mineral Industries Group ("Vinacomin"), which is mainly involved in the exploration, export, import and sale of coal as well as the operation of coal power plants.
- The Government of Vietnam has plans to liberalize and increase the competition in the sector in three phases:

Phase I (2005-2016) – Vietnam Competitive Generation Market ("VCGM")

- Establishing the rules and procedures for the VCGM (a single-buyer electricity market);
- Formation of a spot market and providing power to power corporations ("PC") based on bulk supply tariff;
- Restructuring and equitizing of EVN power stations; and Increasing the number of generators, among others.

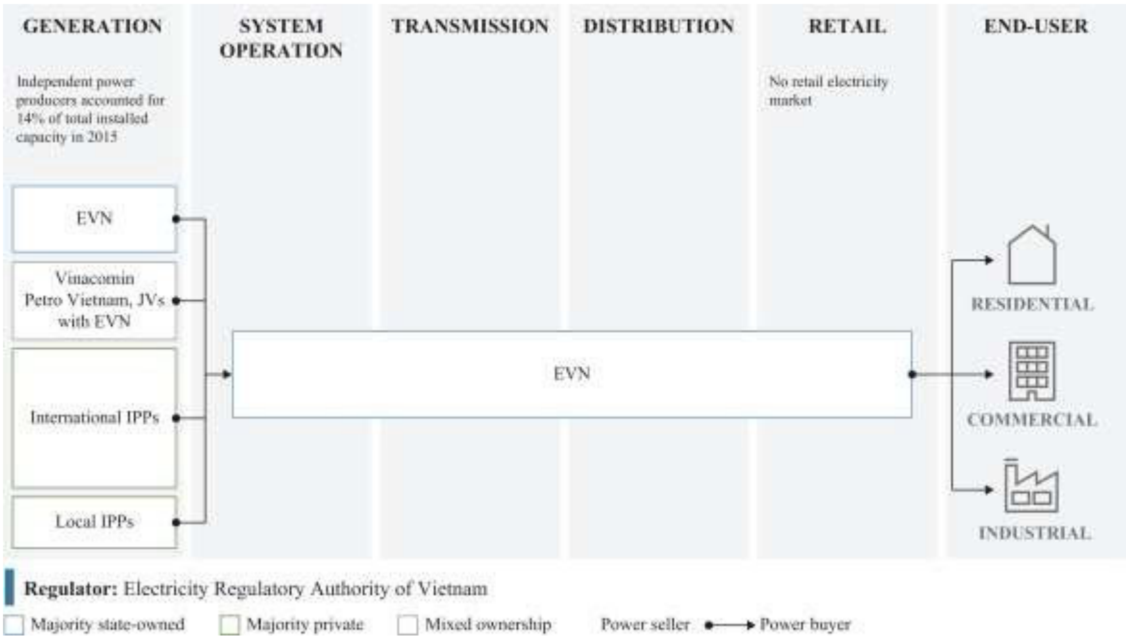
Phase II (2017–2021) – Establishment of Competitive Wholesale Electricity Market

- Generators sold to PCs and eligible large customers through bilateral contracts and the spot market; and
- Establishment of new trading entities to purchase or sell electricity.

Phase III (2022–2025) – Competitive Retail Power Market

- Transition to full retail contestability, where customers will be allowed to select suppliers.

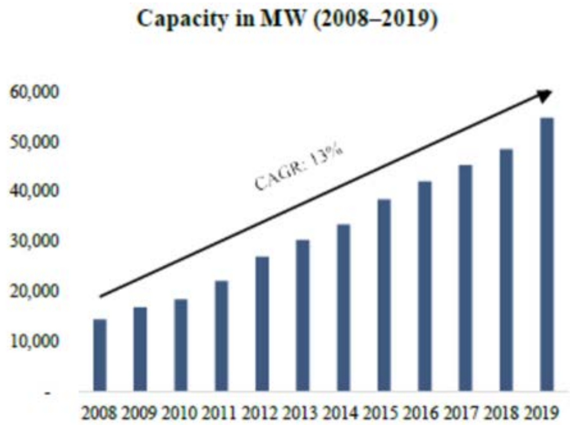
Market Structure



Electricity Supply and Demand

According to the EVN, Vietnam's power capacity in 2019 increased by 13.0% year-on-year to 54,880MW for a CAGR of 12.9% from 2008 to 2019. Total system sales in Vietnam also grew by a CAGR of 9.9% from 2015- 2019. These increases come as the government has implemented many important policies to attract investments into the power sector and is in the process of designing and building the appropriate legal and regulatory framework to ensure competitive and attractive market standards as the Vietnamese economy continues to grow via its increased manufacturing capacity and robust domestic consumption. Electricity demand has grown at a compound annual growth of over 10% since 2000 and is projected to continue to grow at 8% per year through 2030. Electricity sector demand drivers primarily include GDP growth, population growth, and GDP per capita growth.

In the first 6 months of 2020, despite the ongoing COVID-19 pandemic, the EVN still reports increasing power demand (higher than the same period in 2019) and low dam water levels, primarily due to the most widespread and prolonged heat waves in the country over the past 27 years and low rainfall.



Source: IEA, Fitch Solutions, IEEFA, EVN.

Power Prices

Electricity tariff setting has historically been, and to a lesser extent continues to be, a politically sensitive activity, with the involvement of the Prime Minister's Office ("PMO"). Prior to 2011, each tariff adjustment went through a rigid review process starting from EVN's submitted proposal, to the assessment and recommendation by MOIT and the Ministry of Finance ("MOF") before being considered by the Prime Minister for approval. This was a time-consuming process, taking up as much as four to five months to complete and so it generally only took place once a year. The process tended to introduce a time-lag in tariff adjustments, so tariffs were unable to keep pace with the cost of supply.

To address this issue, the Government has introduced more market-based price policy and regulations. In April 2011, the PMO issued the decision on the Market-based Adjustment of Electricity Retail Tariff, which introduced some flexibility to the price setting procedures. These were then amended and replaced in November 2013 with PMO's Decision No. 69/2013/QD-TTg, and more recently, in June 2017 with PMO's Decision No. 24/2017/QD- TTg.

The initial market-based tariff adjustment mechanism resulted in tariff adjustments every six months for the period December 2011 to December 2013, compared to only annual adjustments in the prior period. During 2014-2017, tariff adjustments were much less frequent, with the single increase approved in March 2015, setting the average electricity price at 1,622.01 VND/kWh. This was because the PM's Decision No. 69/2013/QD-TTg imposed a more conservative condition for tariff amendments, which required an increase of 7% or more in the calculated average price to warrant a change.

However, under the Decision No.24/2017/QD-TTg, EVN has achieved greater flexibility as to when it can propose and/or implement a price change caused by movements in the basic input parameters. There were two price increases following this decision: the first increase was approved by MOIT in December 2017 for a 6.08% rise to the average retail price, bringing it to 1,720.65 VND/kWh (7.6 US¢/kWh), and the last adjustment was made in March 2019 for an 8.36% increase with the average price set at 1,864.44 VND/kWh (8 US¢/kWh).

Outlook

The Vietnam government aims to boost its capacity to 125-130 GW by 2030 from an estimated 54 GW at the start of 2020 to meet the fast growing demand in the country. Historical investments of around U.S.$8 billion annually would need to be further increased to up to U.S.$12 billion annually to build up the required capacity and accompanying network infrastructure.

Natural gas is also expected to play a critical role in meeting energy demand. Vietnam's Gas Master Plan shows gas demand growing from the current 10 bcm/year up to 30 bcm/year by 2035. It is anticipated that domestic gas production will fall short of projected demand by 2035 despite the planned development of two new offshore gas fields. To achieve the target set above, approximately U.S.$20 billion is required through 2035 to develop upstream production facilities, pipelines, gas treatment facilities, and LNG infrastructure.

The country is expecting that it will have to mitigate the risk of severe power shortages from 2021 onwards as demand outstrips construction of new power plants.

The country's strategy developed in 2020 calls to raise the share of renewable energy (excluding hydroelectric plants) from less than 10% in 2020 to 20% by 2030 while cutting reliance on coal for electricity production. Coal currently accounts for about 38% of capacity. Vietnam will continue to seek foreign and domestic private investment to develop new plants and expedite the process of privatizing state-owned power companies. However, in the near term, the government expects to generate more electricity from coal and oil to bridge the expected gap in power supply.

In June 2011, wind FIT was introduced to the market. However, the industry has criticized its low subsidy and it has failed to attract the interest of private investors. In Sep 2018, the Government announced a new level of wind FIT (onshore: U.S.$0.085 per kWh; offshore: U.S.$0.098 per kWh), a 9% increase in onshore FIT and a 26% increase in offshore FIT to provide new incentives to investors. The new FIT comes with a deadline on November 2021.

In May 2017, FIT was first announced for solar power, with the utility-scale solar projects entitled to a 20-year FIT of U.S.$0.0935 per kWh. The 2017 FIT had a deadline of June 2019 which led to an influx of investments over the 6-month period ending June 2019. This supported the development of around 4.6 GW of projects.

In April 2020, the Vietnam government set new FIT rates of U.S.$. 0.0709 cents/ kWh for ground mounted projects, U.S.$. 0.0769 cents/ kWh for rooftop and U.S.$. 0.0769 cents/ kWh for floating solar installations. Developers will only qualify for the new rates if the projects began construction before 23 November 2019 and are put into commercial operation by 31 December 2020. As this criteria would allow only around 300 MW of projects to be eligible, the MOIT proposed to relax the criteria, to projects that had already obtained investment approval, thus increasing the eligible capacity to around 3 GW.

In 2020, amidst Vietnam's relatively successful management of the COVID-19 pandemic, EIU expects electricity consumption growth to slow down to 1.9%. Consumption is expected to recover in 2021 to average a robust 5.1% annually until 2029. This expected higher consumption reflects Vietnam's rapid industrial and commercial growth, as well as a fast rate of urbanization, rising living standards and expanding rural demand.

The government is also set to layout its latest Power Development Master Plan for 2021-2030 with a vision to 2045 ("**PDP 8**"). Building on the growth brought by PDP 7 which laid out the plan for 2011-2020, the preliminary draft of PDP 8 published by MOIT in July sees the country's installed capacity growing by more than double its current capacity to 138GW in 2030 and 222GW in 2040.

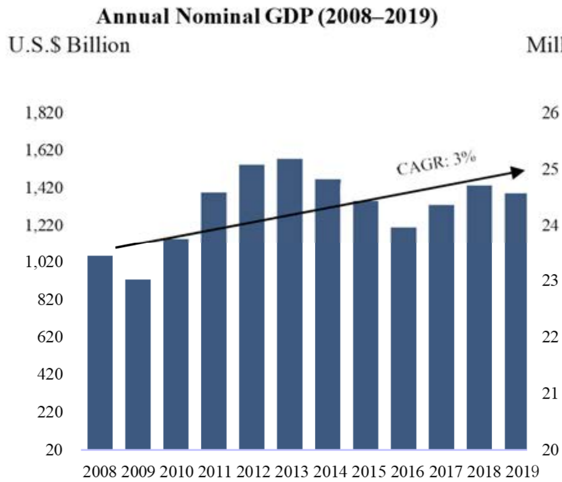
The expansion is to be driven by solar and wind energy projects and gas-fired power plants. The three sources combined will make up 47% of the system in 2030, going up to 60% in 2040. PDP 8 is also seen cancelling or delaying until after 2030 up to 17GW of coal-fired capacity, nearly half of the pipeline following the financial and environmental problems brought by coal IPPs.

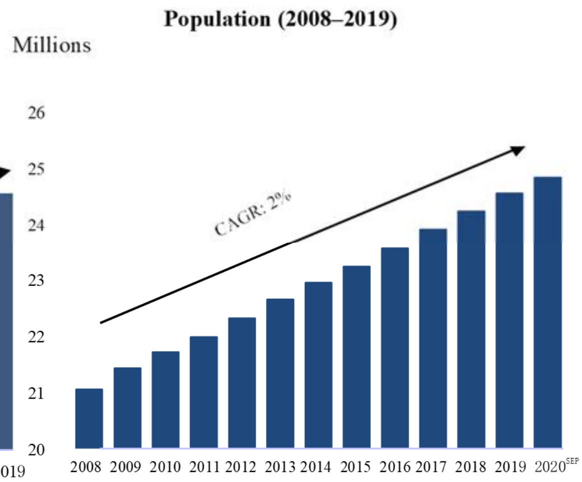
The Ministry of Industry and Trade (MOIT) has proposed new FiT rates for wind projects and will grant a six month extension to the existing November 2021 COD deadline. Following that, the new rates is expected to be at US7.02cent/kWh and 8.47cent/ kWh for onshore and offshore wind respectively from May 2022 to December 2022; and US6.81cent/kWh and US8.21cent/kWh for projects that reach COD in November 2023.

Fitch Solutions expects the transmission infrastructure sector to see ongoing improvements as the government and state utility look to expand its grid infrastructure rapidly to keep pace with its capacity growth. The MOIT has also proposed a PPP bill to allow private investments into in transmission lines and substations, which will support the growth of the sector.

AUSTRALIA ENERGY MARKET

Australia continues to be one of the world's most stable economies due to its consistent output and activity. According to the World Bank, Australia's nominal GDP reached U.S.$1.4tn in 2019 with strong underlying economic fundamentals, such as low unemployment rate and continued investment in the infrastructure sector. Australia's population increased by 0.9% year-on-year to 25.7 million as of 30 September 2020. As of January 2021, Australia's unemployment rate increased 0.8 pts to 5.8% from 2020.





Source: World Bank, Australian Bureau of Statistics

According to Australian Bureau of Statistics, following extreme bush fires in early 2020 and the COVID-19 pandemic, the Australian economy contracted by 0.3% in 1Q 2020 and 7.0% in 2Q 2020; however, the economy recorded a near-record growth of 3.4% in 3Q 2020 and 3.1% in 4Q 2020 as the stringency of public health measures was relaxed, rendering the whole year GDP fell by 1.1%.

Regulatory Framework

From a regulatory perspective, Australia's power sector is governed and organized in three tiers: (1) Federal; (2) State; (3) Territory and Local – the Federal Government and State municipals own national energy resources.

The Australian Energy Regulator ("AER") regulates wholesale and retail energy markets and energy networks functional in eastern and southern Australia:

- Wholesale energy market, AER monitors participants' bidding and rebidding, market dispatch and prices, network constraints and outages, demand forecasts and forecasts of production and capacity;
- Retail energy market, AER monitors and enforces compliance with obligations to Retail Law, Rules and Regulations, report on market performances and energy businesses and approve policies energy retailers must comply with among others; and
- Energy networks, AER regulates electricity networks by setting a ceiling on how much revenue they can earn.

The Australian Energy Market Operator ("AEMO") represents the amalgamation of 6 electricity and gas market bodies: the National Electricity Market Management Company, Victorian Energy Networks Corporation, Electricity Supply Industry Planning Council, Retail Energy Market Company, Gas Market Company, and Gas Retail Market Operator. AEMO's responsibilities include but are not limited to the operation of the NEM in Eastern and Southern Australia, system security of the NEM grid, country-wide transmission planning. AEMO also oversees Australia's energy market governance with the Australia Energy Market Commission and AER.

The Department of the Environment and Energy ("DEE") oversees matters related to energy, including:

1. Energy security;

2. International engagement;

3. Energy efficiency programs; and

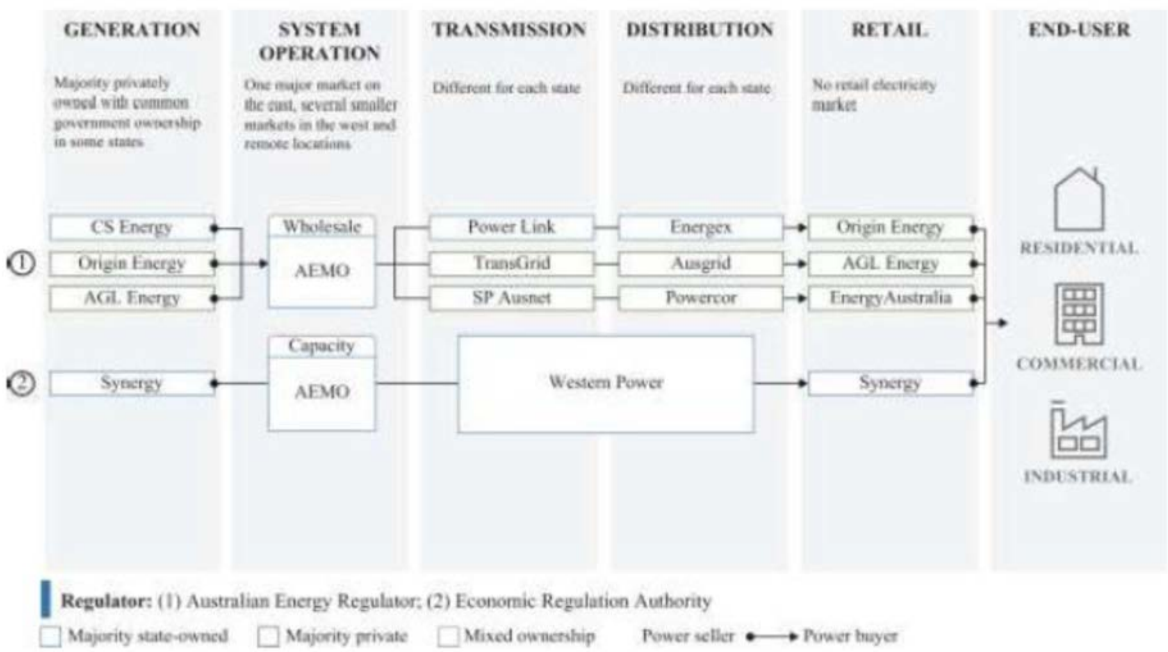
4. Energy markets.

The Department of Industry, Innovation and Science oversees matters related to power resources and each state and territory has their own respective departments. The National Electricity Market ("NEM") enables flow of electricity between the Australian Capital Territory, New South Wales, Queensland, South Australia and Victoria. Western Australia and the Northern Territory are not connected to the NEM. The NEM is comprised of a wholesale and retail sector with all electricity traded via a centralized pool.

NEM Grid Map

Source: AEMO

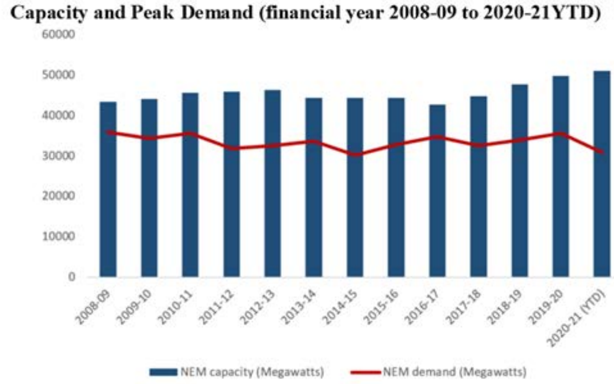
Market Structure



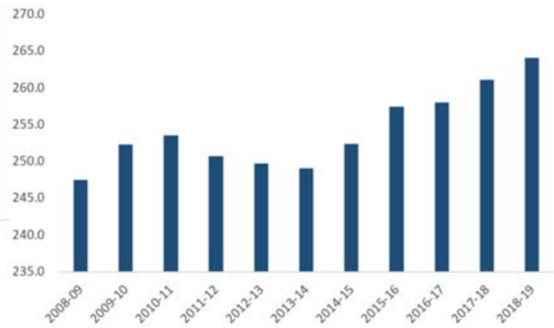
Electricity Supply and Demand

According to AER, power generation capacity increased by 4.1% year-on-year to 49,832MW in financial year[8] 2019-10, amounting to a CAGR of 1.3% between financial year 2008-09 and 2019-20. Peak demand increased by 5.0% year-on-year to 35,626MW, resulting in a CAGR of -0.1% between financial year 2008-09 and 2019-20. This is due to a slowdown in energy use in the manufacturing sector. In addition, Australia's power generation for financial year 2018-19 was at 265.1TWh, amounting to a 0.6% CAGR between financial year 2008-09 and 2018-19.

Capacity and Peak Demand (financial year 2008-09 to 2020-21YTD)



Power Generation in TWh (financial year 2008-09 to 2018-19)



Power Prices

Spot power prices throughout financial year[9] 2009-10 to 2019-20 across the certain states of Australia increased at an average CAGR of 3.6%. There were four events that caused relatively larger price movements: (1) financial year 2008-09 had relatively higher network costs; (2) financial year 2011-12 to 2013-14 saw the introduction of the carbon tax as part of the Clean Energy Act introduced and implemented; (3) financial year 2014-15 had planned power plant outages and a series of heat waves; (4) 2016 onwards had rollout of improved technologies such as low-carbon power generation and cheaper renewables. However, in financial year 2019-20, spot prices dropped by an average of 31.7% from financial year 2018-19 primarily due to Australia's clean-energy shift. In financial year 2020, spot prices reached its lowest average across all areas in five years. According to the Australian Energy Regulator, falling electricity prices are brought by lower fuel costs for generators, record highs in renewable output, and record lows in coal output since the start of the NEM in 1998.

According to According to Q2 2021 Australia Power Report by Fitch Solutions, a report released by the Australian Energy Market Commission (AEMC) in 2018 outlined their expectation that electricity prices would fall between 2019 and 2020, due to a reduction in wholesale costs driven by the commissioning of new generation and battery storage. AEMC states that the average consumer would be paying around AUD28 less by July 2020. In fact, wholesale electricity prices are falling rapidly, driven by the influx of renewable energy generation onto the grid. It was reported by Australia's Energy Market Operator that prices on the NEM fell to AUD72/MWh in the final quarter of 2019. The price average, a 20% drop from the year prior, was largely driven by increased variable electricity generation, notably solar and wind. These falling wholesale prices are likely to place downward pressure on consumer prices while also making it difficult for baseload coal-fired power plants to compete.

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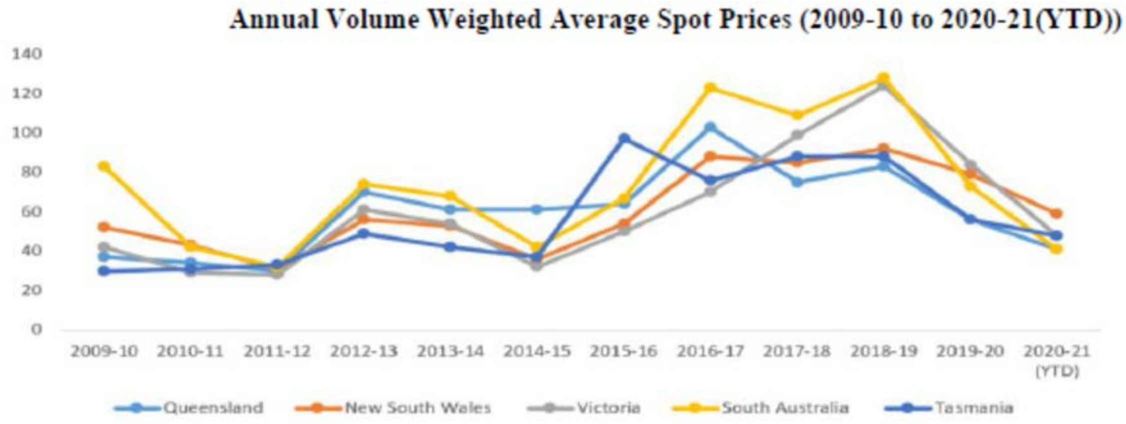
8 According to AER, financial year ends 30 June

9 According to Australian Government - Department of Industry, Science Energy and Resources, financial year ends 30 June



Source: Australian Government - Department of Industry, Science Energy and Resources
Note: 2021 YTD is as of 10 March 2021.

Outlook

Australia has a long history of using coal as its main energy source due to its abundant reserves. However, since 2012, the country has begun to phase out some of its coal-fired capacity as the Australian Government is committed to decarbonize the economy and to shift the energy mix towards cleaner sources.

From 2012–2017, there were twelve coal-fired power plant closures across Queensland, New South Wales, Victoria, Western Australia and South Australia with capacity totaling 5,589MW.

List of coal-fire powered station closures since 2012

Station	State	Capacity (MW)	Year of closure
Swanbank B	Queensland	180	2012
Munmorah	New South Wakes	600	2012
Collinsville	Queensland	180	2012
Morwell	Victoria	189	2014
Redbank	New South	144	2014
Wallewarang C	New South Wales	1,000	2014
Callide A Unit 4	Queensland	30	2015
Anglesea	Victoria	160	2015
Northern	South Australia	546	2016
Playford	South Australia	240	2016
Hazelwood	Victoria	1,760	2017
Muja	Western Australia	240	2017

In 2016, the country entered into the Paris Agreement, under which the country pledged to reduce carbon emissions to 26–28% below 2005 levels by 2030. In order to align with its obligation, the Australian Government expects all brown coal power stations and over two thirds of black coal power stations to be closed by then. According to AEMO's National Transmission Network Development Plan, up to 63% of existing coal plants may be decommissioned in the next 20 years.

The Government of Australia has set a Renewable Energy Target ("RET") that aims to achieve a minimum of 20% of energy generated from renewable sources by 2020. The RET is made up of two schemes: (1) The Largescale Renewable Energy Target and (2) The Small-scale Renewable Energy Scheme. The first scheme incentivizes investments into, and the expansion of renewable energy power stations as high-energy users are required to source part of their electricity demand from renewable sources while the second scheme creates financial incentives for individuals and small businesses to install eligible small-scale renewable energy sources. The Clean Energy Finance Corporation ("CEFC") was established by the Australian Government under the Clean Energy Finance Corporation Act 2012, CEFC co-finances and invests, directly and indirectly in renewable energy and energy efficiency projects. After two years of large scale investment in renewable energy of aggregate 15,700MW of new capacity, predominantly in wind and solar projects, the Clean Energy Council reported in September 2019 that it has achieved its 20% renewable energy composition goal. The same target requires energy retailers to sell at least 33,000 TWh of electricity from renewable sources, while Australia has already met these targets in late-2019, the same targets remain through 2030 until the RET scheme ends. Investment commitments in new generation facilities have also drastically decreased in 2019 due to policy uncertainty beyond the 2020 RET.

In 2020, the AEMO released its second Integrated System Plan ("ISP") which aims to guide stakeholders with regard to investments needed in the NEM for the development of a secure energy future while meeting target emission trajectories in the country. The first ISP was prepared in 2018 and is to be updated every 2 years. The 2020 ISP exhibits an actionable roadmap for Eastern Australia's power system to augment the NEM transmission grid and create an optimal development path for Australia's energy system. When implemented, AEMO expects the ISP investments to bring AU$11 billion in net market benefits to consumers through reduced power bills, it also stipulates that by 2035, there may be periods in which nearly 90% of electricity demand will be met by renewable generation. The AEMO also expects Australia's target of a 26% reduction in 2005-level emissions to be exceeded by 2030 within the NEM (pro-rata as Western Australia and the Northern Territory are not connected to the NEM).

The ISP describes its expected developments through 2040 as follows:

16. Coal-fired generation is expected to drop from 23GW to 9GW

17. Small-scale distributed energy resource systems are expected to double or triple

18. Over 26GW of grid-scale variable renewable energy will be needed beyond what is already committed and anticipated

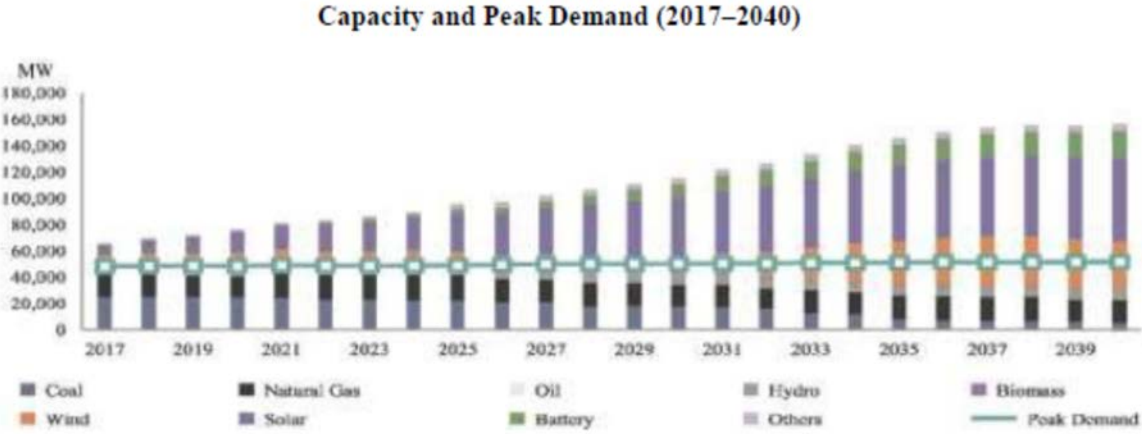
19. 6-19GW of new dispatchable resources will be needed in support of the increase in VREs

20. Power system services will also be needed to support the system as it moves away from thermal generation

According to Bloomberg New Energy Finance ("BNEF"), Australia is expected to produce over 50% of the country's energy mix from renewable energy sources and to add 90,000MW of new renewables capacity by 2040. Total capacity is expected to grow by 2.8 times from 2017–2040 to reach 175,240MW. Solar is expected to take up the largest share among renewable energy mix with 52%, followed by wind with 18%, hydro with 10% and then geothermal with 9%. Along with the increase in installed capacity, AEMO's Integrated System Plan has identified a range of new investments which could augment the existing transmission network.

The country has a mature renewable market like other major economies. Even without any subsidy from the Government, the levelized cost of energy ("LCOE") of onshore wind and utility photovoltaic ("PV") is considered competitive with coal-fired and combined-cycle gas turbine ("CCGT"). According to BNEF, in Australia, the LCOE of both onshore and offshore wind and utility PV will decrease to U.S.$ 25-40/MWh by 2050, or 25%-40% and 9%-15% LCOE of coal and CCGT respectively.

AEMO has confirmed that the NEM can operate with 100% renewable energy while meeting the current NEM reliability requirement. While this is a process that will take over a decade to perform, the Australian Government is preparing the national grid for the renewable transformation. The South Australian Government has committed to provide further grid stability by building Australia's largest battery storage capacity of 129MWh via their A$150 million renewable technology fund at the end of 2018; the Victorian Government and Australian Renewable Energy Agency announced A$50 million to be invested in energy storage projects to provide 80MWh of energy storage.



Source: BNEF

In 2020, as Australia deals with the impact of COVID-19, its energy sector continued its transition from a centralized system of large fossil fuel (mainly coal) generation towards a decentralized system of widely dispersed, relatively small scale renewable (mainly wind and solar) generators. In AEMO's Quarterly Energy Dynamics ("QED") report for 2Q2020, it also found that the pandemic did not have a significant impact on electricity demand. The National Energy Market reported that operational demand was only down 2% compared to the same period in 2019.

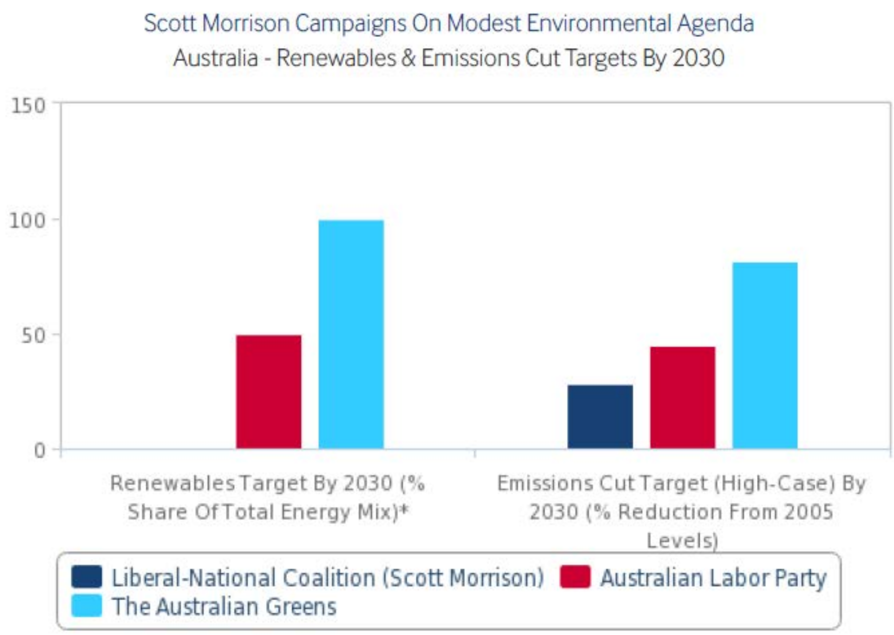
According to Fitch Solutions, ongoing progress with smart grid technologies and energy storage facilities, alongside increased self-generation and reforms to the National Electricity Market, is expected to drive improvements across the transmission and distribution sector over the coming decade, improving energy efficiency and supporting the integration of a surge in renewables sources.

Australia's various carbon emission targets and renewable energy capacity targets were backed up with various legislative measures, including carbon taxes, subsidies for the development of green energy and investment in research and development. Australia's sustainable energy policy is, however, in a state of flux and, for various reasons, these earlier commitments are looking less certain. In 2013, Australia changed its government, bringing to power an administration that takes a more sceptical view of the impact of greenhouse gases on global warming. It is becoming clear that the government incentive package is undermining traditional forms of power generation, where operators are starting to experience losses and have been forced to close or mothball power stations. There is increasing popular opposition to higher energy tariffs, which have been blamed on carbon taxes, and there is a strengthening presumption that growth in renewables is now self-sustaining and does not need federal subsidy or fiscal incentives.

In this context, the federal government launched a review of the Renewable Energy Target (RET), with a specific remit to look at the impact it is having on home and industry power bills. Among the changes the review recommended were the reduction of the target for renewables (potentially by as much as half, from 41TW to 21TW), abolishing the carbon tax, reducing subsidies for green energy (including a potential scrapping of the Small-Scale Renewable Energy Scheme (SRES) for domestic consumers), and closing down the various institutions designed to promote green energy such as the Australian Renewable Energy Agency and the Clean Energy Financing Corporation. The RET was eventually reduced and now stands at 33TW. The SRES was left largely intact, and solar and biomass were not affected by the changes, but the outlook for wind power is less certain.

The re-election of Morrison in the May federal election is likely to see status quo maintained with regard to energy policies at the federal level. A hard proponent of fossil energy sources such as coal and gas, the incumbent prime minister ran on a modest environmental agenda, voicing his scepticism towards the climate change policies and emissions reduction plans set forth by the opposition. Instead of rolling out ambitious renewables and clean energy expansion targets, Morrison spent the bulk of his first term trying to reduce prohibitively high gas prices in Australia, particularly in the east coast states, partly due to excessive commitment of local gas for exports.

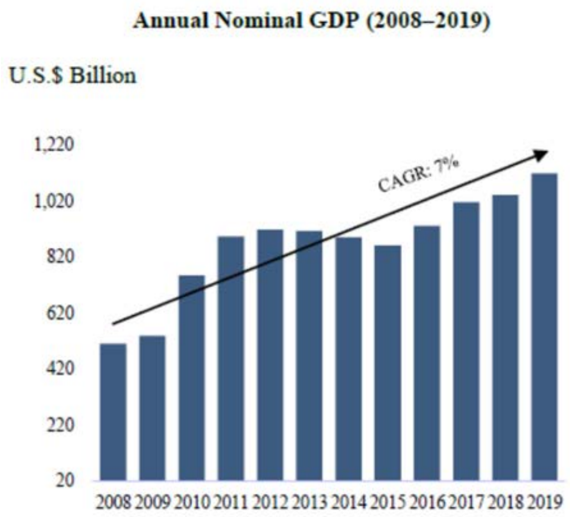
Amid the backdrop of weakening national-level support for renewable energy, state-level support has remained mostly resilient and has now become an increasingly important mechanism in driving growth in the renewable energy sector. This will remain the case going forwards. That said, policy mechanisms and renewable energy targets vary by state and territories, given that they have some autonomy when setting regulations. They include specific rooftop solar policies, FiTs, capacity auctions and battery storage incentives. Electricity retailers are also becoming more important in determining FiTs at the distributed level.

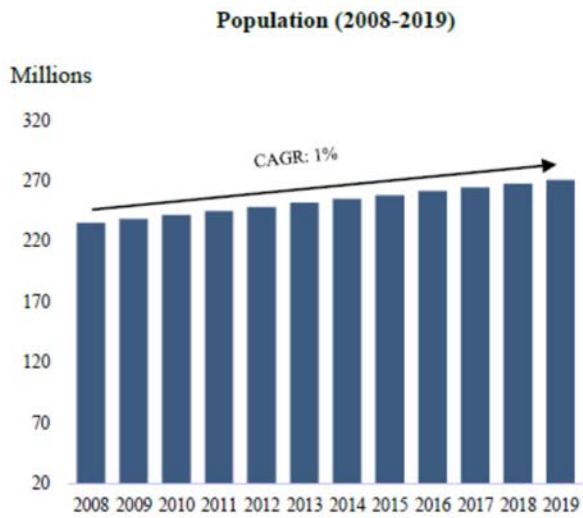


Source: Fitch Solutions

INDONESIA ENERGY MARKET

According to the World Bank, Indonesia's nominal GDP increased by 7.4% to U.S.$1,119 billion in 2019, driven largely by private consumption as inflation remained low, and labor markets strong. Household spending accounted for more than half of GDP. Investments, the second largest contributor to GDP growth grew by 4.45%. Indonesia's population grew by 1.1% year-on-year to reach 270 million in 2019.





Source: World Bank

In Q2 2020, the Indonesian economy experienced its first contraction since 1999 at 5.3%, prior to this, the economy still experienced a growth of 3.0% in Q1 2020 (year-on-year). The Indonesian economy contracted by 2.2% in Q4 2020, resulting in an overall a decline of 2.1%in of the year 2020. As of February 2021, the Indonesian government is targeting a growth of 5.0% for the year 2021.

Regulatory Framework

Indonesia's Kebijakan Energi Nasional ("KEN"; National Energy Policy) is governed by the Ministry of Energy and Mineral Resources ("MEMR"), which is responsible for approval of tariffs and development of retail tariffs. The KEN is defined by the Energy Law which contains principles encompassing utilization of energy resources, final energy use, security of supply, energy pricing, international partnerships and outlines the roles and responsibilities of the central and regional Governments:

- Policy planning;
- Regulatory frameworks;
- Energy development priorities;
- Energy research and development; and
- Business roles.

The Government appointed the state-owned electricity company PLN as the sole electricity business authority, or Pemegang Kuasa Usaha Ketenagalistrikan ("PKUK"), which is responsible for providing electricity to the whole of Indonesia. The industry consists of electricity business entities which are title holders of electricity supply business licenses, or Izin Usaha Penyediaan Tenaga Listrik ("IUPTL"). The IUPTL vertically integrates electricity supply, power generation, transmission, distribution and sale of electricity.

Each power generation source and respective activities are guided by a specific set of laws:

- Oil and Gas Law
- Geothermal Energy Law;
- Mineral and Coal Mining Law; and
- Electricity Law.

Indonesia currently has FDI limitations across different subsectors within the energy and natural resources space, including but not limited to:

- 95% for power generation beyond 10MW in general;
- for private-public partnerships, 100% for power generation beyond 10MW during concession period; and
- 90% for geothermal operating and maintenance services.

Market Structure

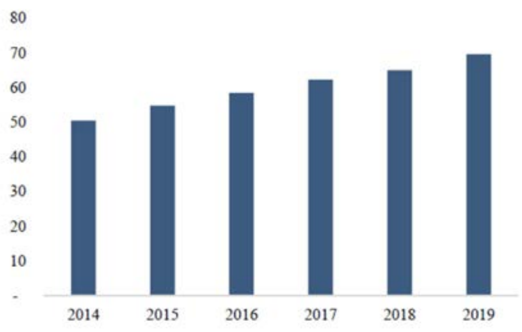
Electricity Supply and Demand

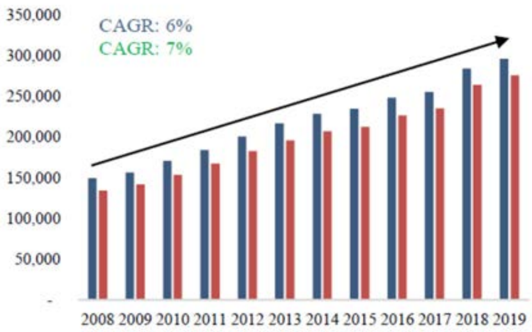
According to Indonesia's Ministry of Energy and Mineral Resources, Indonesia's power capacity increased by 7.1% year-on-year to reach 69.6 GW in 2019. The MEMR also noted that the installed capacity of power plants in Indonesia was recorded 71 GW at the end of June 2020, 1.9% higher than its record at the end of 2019.

According to IEA, power generation increased at a rate of 4.2% year-on-year to 295,448 GWh in 2019, equivalent to a 6.4% CAGR during 2008–2019. This was a result of the Government's efforts to expand the power grid's access to more households and push to replace fossil fuel sources with renewables. Power consumption increased by 4.5% year-on-year to 275,200 GWh, 6.7% CAGR during 2008–2019.

As of September 2020, the MEMR expects the country's electricity consumption to fall by 6.25% for 2020 from last year, primarily due to the ongoing pandemic and its effects on the economy as a whole.

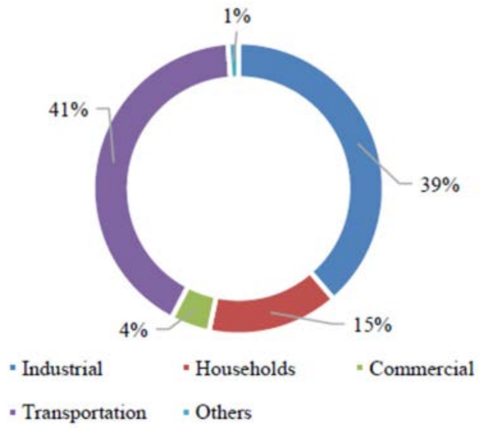
Capacity GW (2014–2019)	Power Generation and Consumption in GWh (2008–2019)

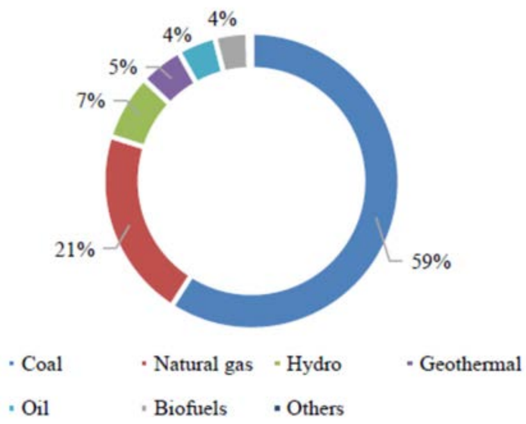




Capacity GW (2014–2019)

Power Generation and Consumption in GWh (2008–2019)





Source: IEA, MEMR, ESDM.

Power Prices

Spot power prices throughout 2010–2019 in Indonesia varied across different sectors. Power prices have largely been kept low because much of the power value chain is controlled by PLN and the Government has been providing subsidies. However, since 2013, the Government began reforming the subsidy bill and has steadily been budgeting less for power subsidies, which helps explain the subsequent increase of power prices.

Outlook

Demand is also boosted by the Government's priority to electrify the country's numerous islands. With respect to the supply side, power capacity is expected to grow at 7.8% p.a. until 2050, dominated by renewable energy sourced (mainly hydro and geothermal) and coal sourced power.

In the long run, renewables are expected to be one of the main drivers behind Indonesia's power generation capacity growth. By 2025, the Government targets to have 23% of power coming from new and renewable power sources and 31% by 2050 with focus on the development of decentralized solar PV, such as mini solar power energy systems. New and renewable power sources are:

- Liquefied coal;
- Coal bed methane;

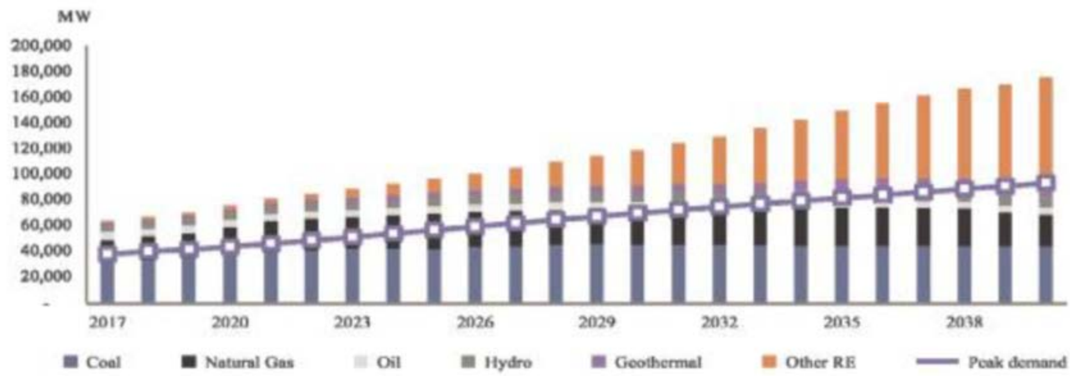
- Gasified coal;
- Nuclear energy; and
- Renewable sources.

In order to incentivize investment in the solar sector, in 2016, the Government introduced the FIT scheme to solar developers; the wind power FIT is currently under review. Other government strategies to support the renewable energy market include income tax incentives and exemptions from Import Duty and Import VAT.

Nevertheless, renewable energy expansion in Indonesia will depend on several factors, including the development of transmission and distribution grids to support renewable energy generation; it will also depend on the stability of regulatory frameworks, for example, the Government introduced an auction system for the solar market in 2013 and subsequently canceled the system in 2014.

According to BNEF, Indonesia is expected to produce over 33% of the country's energy mix from renewable energy sources and to add 60,017MW of new renewables capacity by 2040. Total capacity is expected to grow by 1.8 times from 2017–2040 to reach 179,680MW. Solar is expected to take up the largest share of the country's renewable energy mix with 29%, followed by coal with 24%.

Capacity and Peak Demand (2017–2040)



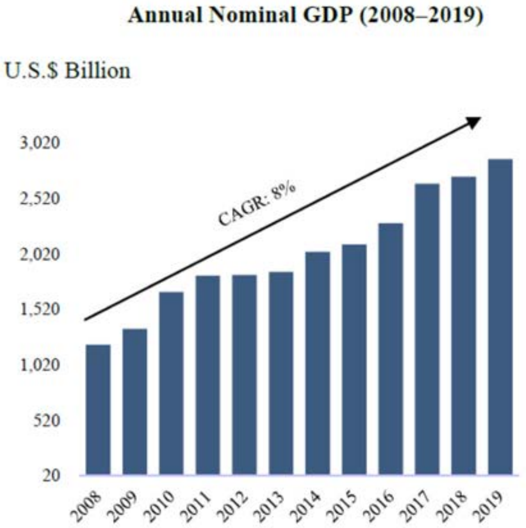
Source: BNEF

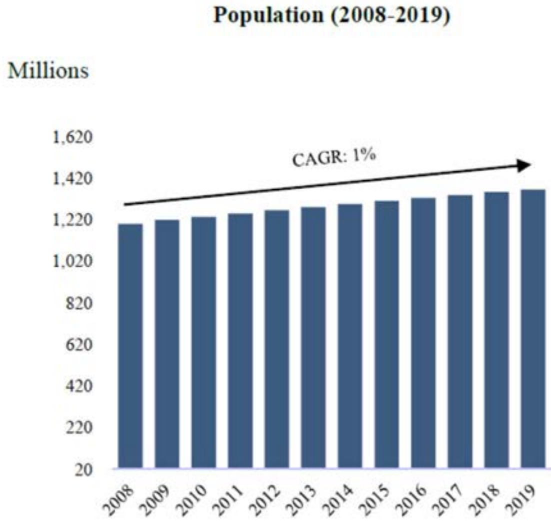
In 2020, domestic demand for oil, gas, coal and electricity has plummeted so with COVID-19 in the backdrop. The Economist Intelligence Unit ("EIU") expects Indonesia's energy consumption to decrease by 2.6%, year on year, in 2020. This will increase thereafter, at an annual average of 2.5% during the forecast period (2020-29). Once the pandemic subsides, domestic consumption of coal and natural gas is expected steadily in the forecast period. Demand growth for petroleum will be slightly slower. Indonesia was the world's largest exporter of coal in 2019, but its production has fluctuated in recent years. Renewables usage for electricity, especially geothermal power, will begin to take off, but EIU expects non-hydro renewables to account for just 8.7% of total generation capacity by 2029. The country will remain a major energy producer and exporter, mainly of coal, EIU also expects oil production to fall slightly in 2020-29, owing largely to limited investment amid regulatory uncertainty regarding the upstream hydrocarbons sector.

According to Fitch, power capacity growth is expected to rebound in 2021 after substantial delays and weakened financing streams across 2020 due to the Covid-19 pandemic. This is as the government remains strongly committed to progress with its 35GW programme, particularly as the government pivots back to its infrastructure strategy to boost economic growth. Power capacity to grow by an annual average of 3.4% over the coming decade, to reach more than 97GW by 2030.

INDIA ENERGY MARKET

According to the World Bank, India's GDP grew by 6.0% in 2019 to U.S.$2,875 billion. The lower growth for the calendar year was primarily caused by weak manufacturing, falling exports, and weak consumer demand and private investments amidst the global slowdown in 2019. Total FDI for the 2019-2020 financial year still grew by 13% to a record high of U.S.$50.0 billion. India's population reached 1.3bn in 2019 and latest national estimate unemployment rate of 5.4%.





Source: World Bank

According to the second advanced estimates by Ministry of Statistics and Program Implementation, in Q1 of the 2020 calendar year, the Indian economy grew by an eleven-year low of 3.7% followed by a record drop of 22.4% in Q2 as the country went into lockdown to prevent the spread of COVID-19. According to the second advanced estimates by Ministry of Statistics and Program Implementation the Q4 GDP of the 2020 calendar year increased by 1.0% on account of re-opening of the economy after the lockdown.

Regulatory Framework

India's Electricity Act of 2003 is the principal legislation on generation, transmission, distribution, trade and use of electricity in India. It also provides a framework of agencies that administer the activities under the act.

India's Ministry of Power oversees the electricity sector through the Central Electricity Authority ("CEA"). The CEA is the statutory body under the Electricity Act that advises Government of India on establishing policies, safety requirements and technical standards. The CEA formulates the National Electricity Plan in accordance with the National Electricity Policy; serves as main technical advisor of the government and regulatory commissions; and specifies the technical standards and safety requirements for construction, operation and maintenance of electrical standards and electrical lines.

The Ministry of Power works in close coordination with the Central Electricity Regulatory Commission ("CERC") and CEA. Given the increasing emphasis on renewable energy, there is also a separate Ministry of New and Renewable Energy ("MNRE") under the Ministry of Power.

The Government of India (in consultation with the states and the CEA) sets policies (such as the National Tariff Policy ("NTP") and National Electricity Policy) as a guideline for the CERC and the State Electricity Regulatory Commissions ("SERCs") when they make their regulations.

The CERC:

- Regulates tariff of generating companies owned or controlled by the government
- Regulates the inter-state transmission of energy including tariff of the transmission utilities;
- Grants licenses for inter-state transmission and trading; and
- Advises the GoI in formulation of National Electricity Policy and Tariff Policy.

The SERCs:

- Determine tariffs for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail sale within the state; and
- Issue licenses for intra-state transmission, distribution and trading; to promote co-generation and generation of electricity from renewal sources of energy.

Other important bodies:

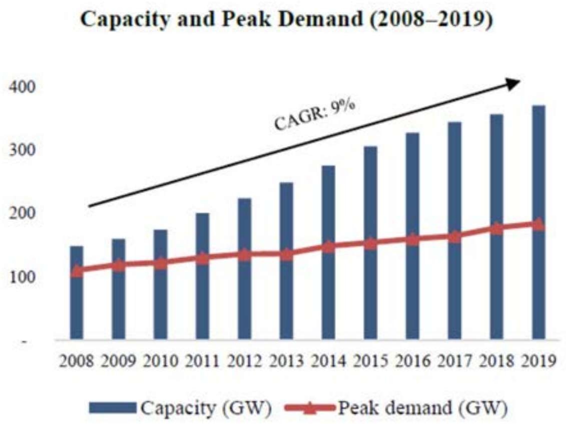
- Appellate Tribunals: The appellate tribunals were set up under the Electricity Act, 2003 to hear appeals against orders of the Electricity Regulatory Commissions.
- Central Transmission Utility ("CTU") and State Transmission Utility ("STU"): Undertakes the transmission of energy through inter-state and intra-state transmission systems respectively; and plans and coordinates inter-state and intra-state transmission systems.
- Load dispatch centers: The national load dispatch center ("NLDC") was set up as an apex body to ensure integrated power system in each region; The regional and state loan dispatch centers ("RLDCs" and "SLDCs") were formed to ensure integrated power system in each region and state respectively; they are responsible for the dispatch of electricity within their regions, for monitoring grid operations and providing directions for ensuring grid stability.

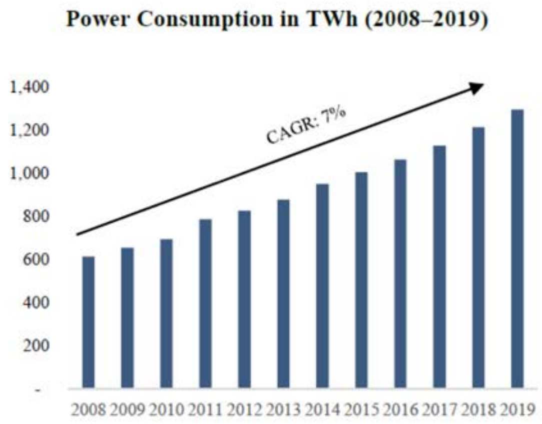
Electricity Supply and Demand

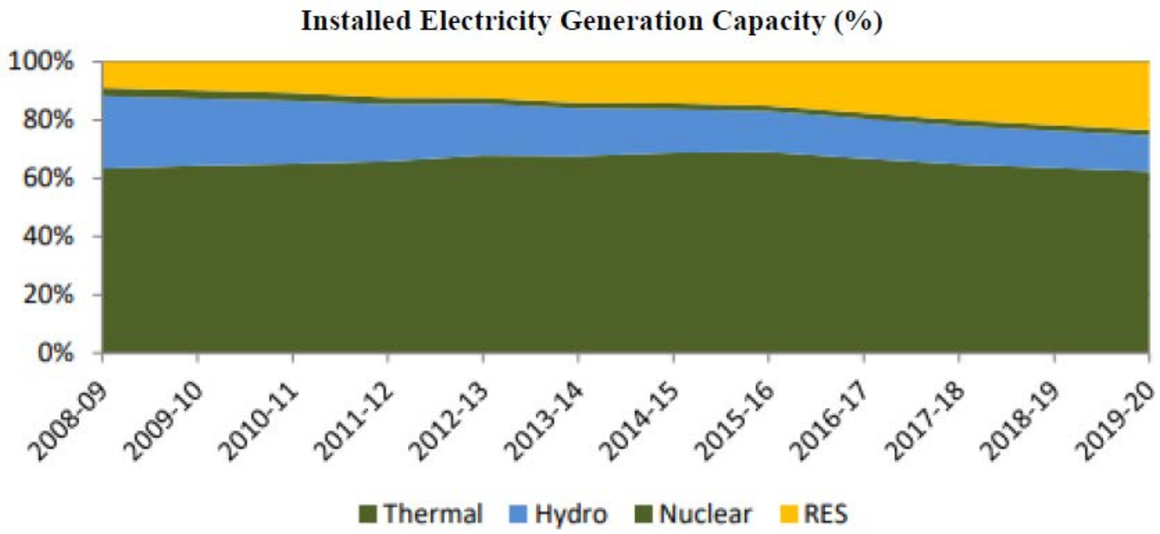
According to the CERC, the country's power capacity for the fiscal year 2019 (Apr-19 to Mar-20) increased by 3.9% year-on-year to 370 GW for a CAGR of 8.7% from 2008 to 2019. The 2003 Electricity Act liberalized India's power generation market through a license free regime, allowing for the entry of private players in the industry. This increase has been evident over the years with the installed capacity of private players growing from 22.9 GW in 2008 to 173.0 GW in 2019. During the same period, public-sector owned capacity only grew from 125.1 GW to 197.0 GW. Power consumption in the country also grew at a CAGR of 7% from 2008-2018.

Thermal energy remains to be the most important source of electricity generation in India, contributing about 61.7% of the total capacity of generation as of December 2020, followed by Renewable Energy Sources ("RES") (24.3%), Hydro (12.2%) and lastly, Nuclear (1.8%). The percentage of thermal based generation capacity increased from 63.3% in 2018 to 69.0% in 2015 and then declined to 62.4% in 2019 (61.7% as of December 2020). For the same period, the CAGR of total installed electricity generation capacity was 9%. The CAGR was 19% in RES where as it was 7% in all other sources.

As of August 2020, the CEA reports that it expects power demand to meet its trajectory as lockdowns ease. It noted that India would still have an energy surplus of 2.7% and a peak surplus of 9.1% for the year March 2020- March 2021.







Source: Ministry of Power, CEA, CERC.

Power Prices

The Government of India together with state governments established the National Tariff Policy ("NTP") in 2016 effectively replacing the Tariff Policy of 2006. The key objectives of the NTP are:

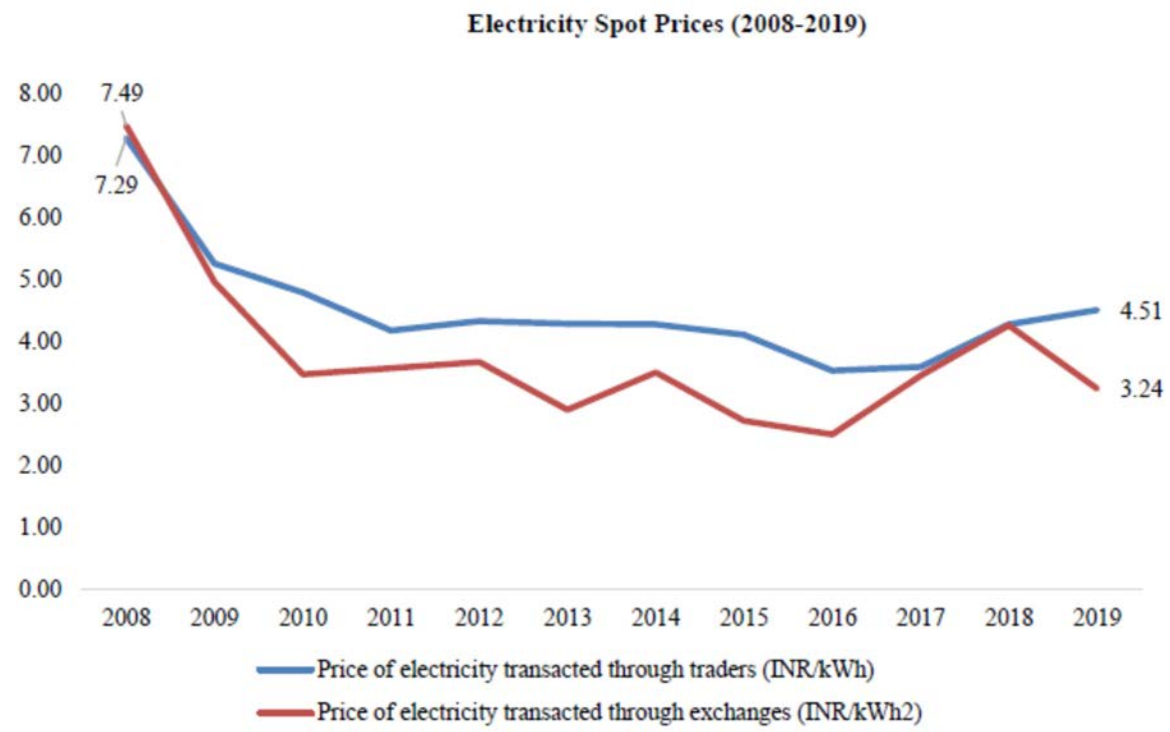
- ensuring financial viability of the power sector and attract investments;
- ensuring availability of electricity to consumers at reasonable and competitive rates;
- promoting generation of electricity from renewable power sources; and
- promoting hydroelectric power generation.

Given the focus that NTP has on renewable power and competitive tariffs, the states have been mandated to make necessary endeavors to procure power from renewable energy through competitive bidding to keep the tariff low. Further, the NTP states that 35% of the installed capacity can be procured by the state at the SERC determined tariff.

The Ministry of Power has issued guidelines on 3 August 2017 and 12 December 2017 for procurement of solar and wind power, respectively, through tariff based competitive bidding process ("Competitive Bidding Guidelines"). The Competitive Bidding Guidelines aim to enable the distribution licensees to procure solar and wind power at competitive rates in a cost-effective manner.

The prices of electricity traded have been continuously falling since the start of power market due to these measures. The fall in tariffs is also caused by the decrease in deficits over the years, due to the various projects that have no long term contracts and are therefore forced to sell power in short term market.

Except in 2008 – 2009, the price of electricity transacted through traders was relatively high when compared with the price of electricity transacted through power exchanges. This could be for various reasons, mainly the delivery of electricity through traders is mostly at state periphery whereas in case of power exchanges the delivery of electricity is at regional periphery.



Outlook

Coal continues to fuel India's economy accounting for more than 50% of the country's installed generation capacity, and India remains to be one of the top coal-consuming countries in the world. However in a bid to increase renewable energy capacity in the country, the government, in 2014, has set the target for achieving 175GW of renewable energy in India, with major focus on solar energy (100 GW by FY 2022) and wind energy (60 GW by FY 2022). While other renewable energy sources that includes small hydro projects, biomass projects and other renewable technologies have to be ramped up to 15 GW by FY 2022.

The growth of the solar sector in India is traced to the commissioning and operation of 15MW of solar Photovoltaic (PV) pilot projects between 2008 and 2009. Later, with the introduction of the NTPC Vidhut Vyapar Nigam Limited ("NVVN") scheme under Jawaharlal Nehru National Solar Mission ("JNNSM") (which allowed bundling of solar power with cheaper thermal power), solar capacity allocations have picked up the pace.

Strong government support, falling tariffs and easing transmission constraints will continue to drive the renewable energy capacity increase in the country, but coal is seen to remain as a major source of energy for the country at least in the near future.

Amidst the COVID-19 pandemic India's energy sector has been relatively resilient in terms of having sufficient supply and a stable energy supply chain despite the global downturn in the financial and commodity markets. However, demand is estimated to have dropped by 25 to 30% during the lockdowns according to KPMG India's estimates.

As India recovers from 2021 onwards, it is seen that the country's demand for coal and energy will recover modestly after the 2020 drop. According to Fitch, policy continuity in the power sector to continue to be a key focus in the upcoming years. As part of the new India Vision 2024, the government remains committed to improving fuel supply to power generators, expanding renewable energy into the power mix and improving transmission.

TRENDS: COST OF RENEWABLES ENERGY CONTINUES TO FALL

BloombergNEF ("BNEF") reviews the economic competitiveness of different utility-scale power generation and energy-storage technologies on the basis of their levelized cost of electricity ("LCOE"). BNEF takes LCOE as the long-term offtake price on a MWh-basis to achieve the required equity hurdle rate for a developer, considering its total capital, operating and finance costs over the life of the project.

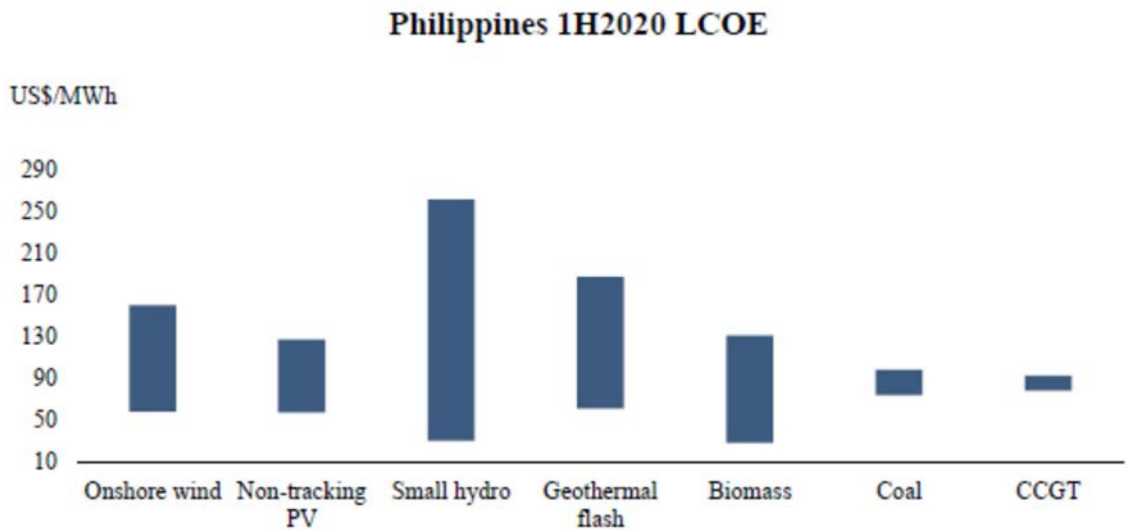
In 2019, BNEF's study found that renewables are now the cheapest in more than two-thirds of the world. BNEF estimates that by 2030, renewables will be cheaper than existing coal and gas generators almost everywhere.

The cost of electricity from wind and PV has dropped 49% and 85% since 2010, respectively. BNEF expects these costs to fall further by 2050 with the cost of an average PV plant dropping by 63% and onshore wind farms by another 50% on a U.S.$/MWh basis.

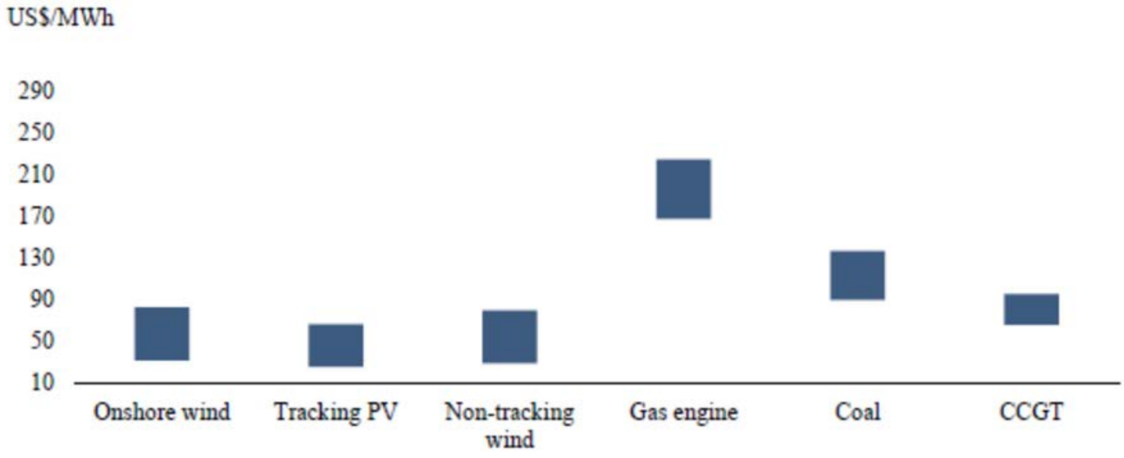
Battery prices have also begun to go down as manufacturing scales up to supply the growing electric vehicles market. BNEF expects that by the early 2030s, batteries co-located with renewables to provide stability will become cost-competitive against coal and gas.

By 2050, BNEF expects PV and wind to provide almost 50% of the world's electricity, with hydro, nuclear and other renewables supplying a further 21%. BNEF expects coal to only account for 12% of electricity generation compared to 37% today.

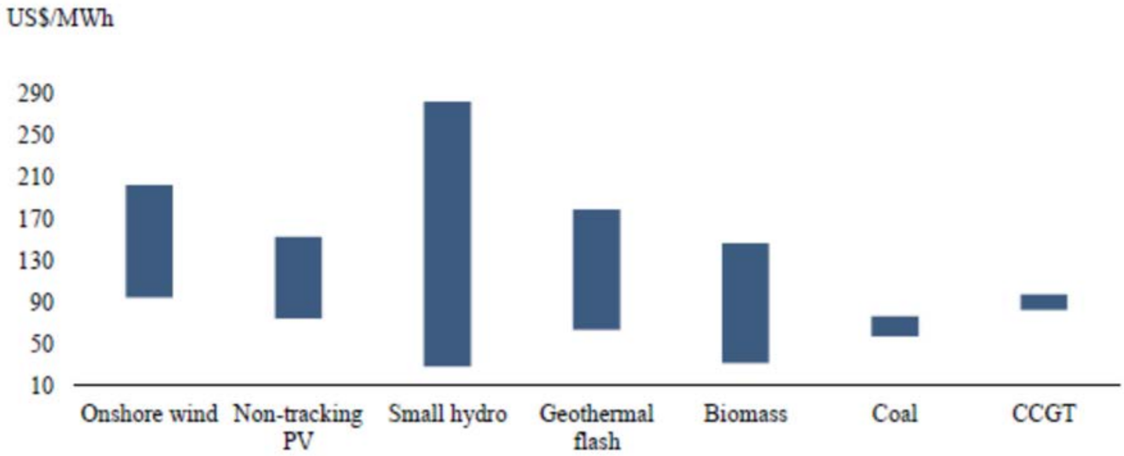
Below charts of LCOE ranges demonstrate that renewable energy sources have become more cost competitive, and these prices are expected to continue to decline in the foreseeable future.

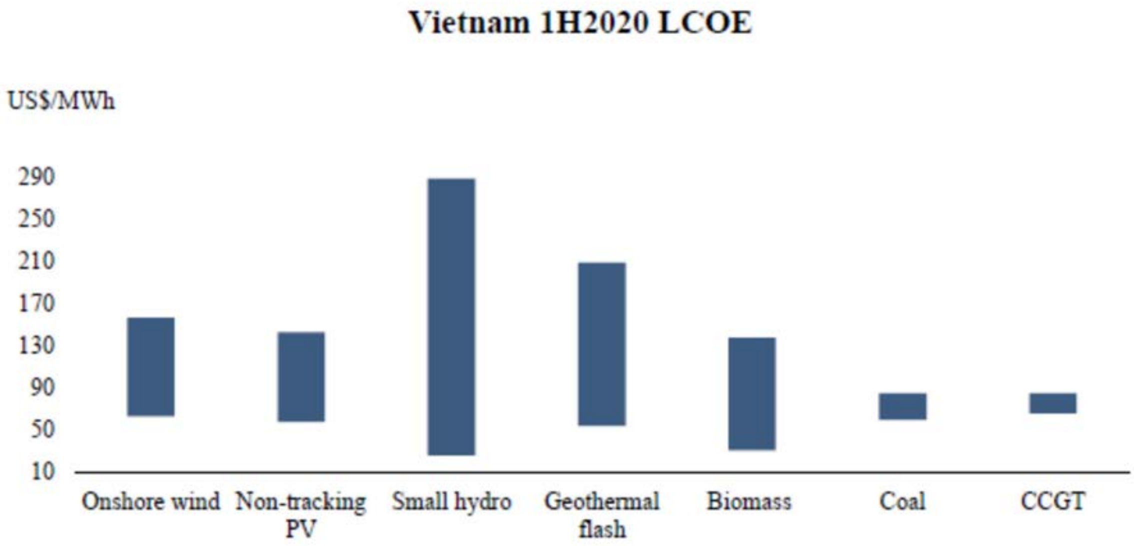


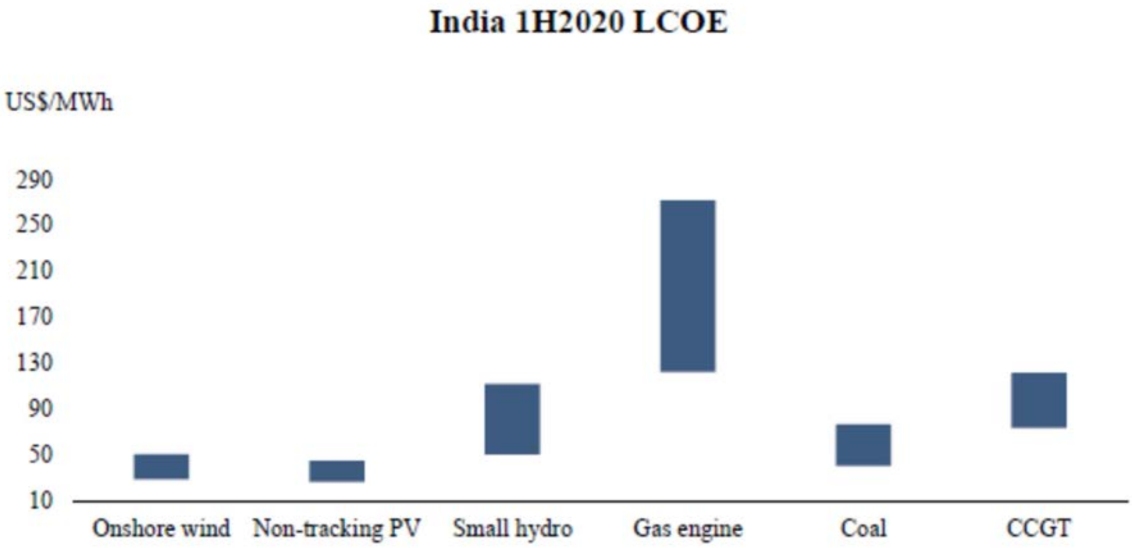
Australia 1H2020 LCOE



Indonesia 1H2020 LCOE




Vietnam 1H2020 LCOE
US$/MWh
290
250
210
170
130
90
50
10
Onshore wind
Non-tracking PV
Small hydro
Geothermal flash
Biomass
Coal
CCGT


India 1H2020 LCOE
US$/MWh
290
250
210
170
130
90
50
10
Onshore wind
Non-tracking PV
Small hydro
Gas engine
Coal
CCGT

Source: BNEF

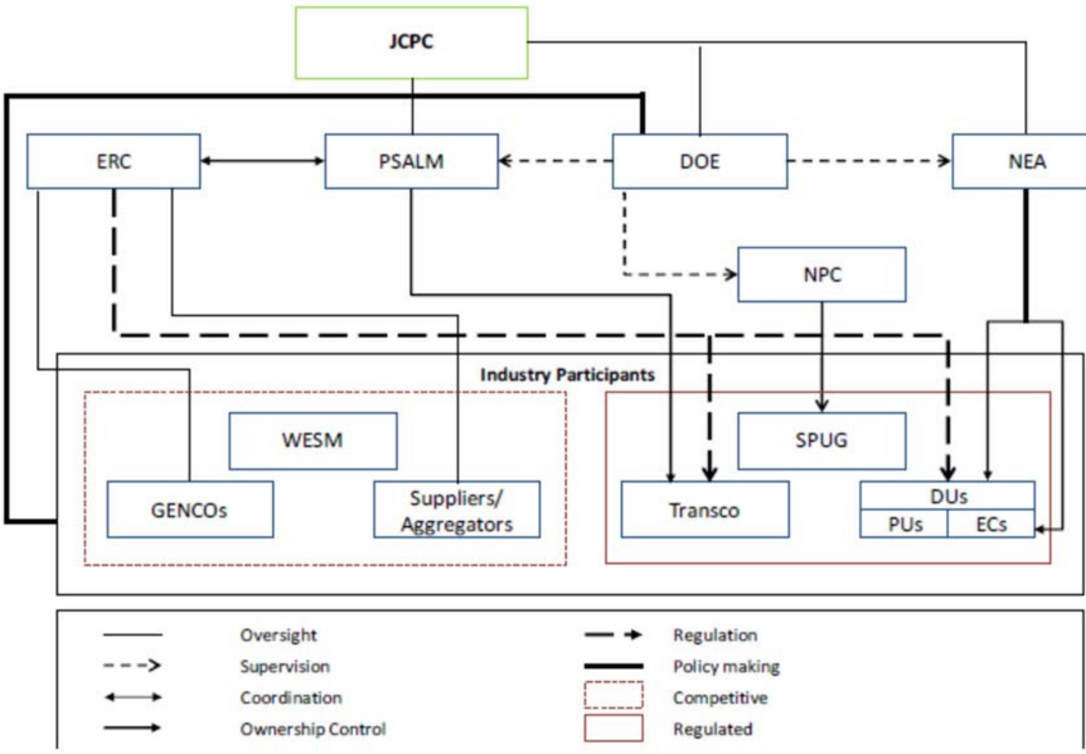
REGULATORY FRAMEWORK

The information in this section has been derived from various government and private publications or obtained from communications with various government agencies unless otherwise indicate and has not been prepared or independently verified by the Company, the Joint Bookrunners, or any of their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the Philippines.

Regulation of the Philippine Power Industry

Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act ("**EPIRA**") established a framework for the organization and operation of the electric power industry in connection with its restructuring, with the industry divided into four sectors: generation, transmission, distribution and supply. The structural reforms resulted among others in the creation of two government-owned and controlled corporations ("**GOCCs**"), the Power Sector Assets and Liabilities Management Corporation ("**PSALM**") and the TransCo.

The following diagram shows the current structure of the electric power industry under the EPIRA:



Note:
DUs: distribution Utilities
ECs: Electric Cooperatives
GENCOs: Any entity authorized by the ERC to operate electricity generation facilities
JCEC: Joint Congressional Energy Commission
PUs: Production Utilities

Since the enactment of the EPIRA in 2001, the Philippine power industry has undergone and continues to undergo significant restructuring. Through the EPIRA, the Philippine government began to institute major reforms with the goal of fully privatizing all aspects of the power industry. The major aspects of the reforms include the (1) restructuring of the entire power industry to introduce competition in the generation sector, (2) change from government to private ownership, and (3) introduction of a stable regulatory framework for the electricity sector.

With a view to implementing the EPIRA's objectives, the DOE, in consultation with the relevant government agencies, electric power industry participants, non-government organizations and electricity consumers, promulgated the Implementing Rules and Regulations of the EPIRA (the "EPIRA IRR") on 27 February 2002.

The EPIRA IRR governs the relations among, and respective responsibilities of, the different electric power industry participants as well as the particular governmental authorities involved in implementing the structural reforms in the industry, namely the DOE, NPC, National Electrification Administration ("**NEA**"), ERC and PSALM.

Primary Regulatory Agencies

Energy Regulatory Commission

The ERC is the independent, quasi-judicial regulatory body created under the EPIRA that replaced the Energy Regulatory Board. The ERC plays a significant role in the restructured industry environment, consisting of, among others, promoting competition, encouraging market development, ensuring consumer choice and penalizing abuse of market power by industry participants.

The ERC is an independent quasi-judicial regulatory body mandated to carry out (but not limited to) the following:

a. Promote competition and encourage market development;

b. Determine the pricing in the energy market;

c. Review and approve any plan for expansion or improvement of transmission facilities submitted by TransCo; and

d. Perform other regulatory functions as appropriate and necessary to ensure successful restructuring and modernization of the electric power industry.

Department of Energy

In accordance with its mandate to supervise the restructuring of the electric power industry, the DOE exercises, among others, the following functions:

a. Preparation and annual updating of the Philippine Energy Plan and the Philippine Power Development Program, and thereafter integrate the latter into the former;

b. ensuring the reliability, quality and security of the supply of electric power;

c. exercise of supervision and control over all government activities pertaining to energy projects;

d. encouragement of private investment in the power industry sector and promotion of the development of indigenous and renewable energy sources for power generation;

e. facilitation of reforms in the structure and operation of distribution utilities for greater efficiency and lower costs;

f. promotion of incentives to encourage industry participants, including new generating companies and end-users, to provide adequate and reliable electric supply;

g. education of the public (in coordination with NPC, ERC, NEA and the Philippine Information Agency) on the restructuring of the industry and the privatization of NPC assets; and

h. establishment of the WESM in cooperation with electric power industry participants, and formulating rules governing its operations.

The DOE supervises the operation of the Wholesale Electricity Spot Market of the Philippine Electricity Market Corporation. The Philippines fosters a liberal competitive environment for market players under each segment within the power structure.

Joint Congressional Energy Commission

The Joint Congressional Energy Commission ("JCEC") created pursuant to the EPIRA consists of 14 members with the Chairmen of the Committee on Energy of the Philippine Senate and House of Representatives and six additional members from each House to be designated by the Senate President and the Speaker of the House of Representatives, respectively. On 12 April 2019, Republic Act No. 11285 or the Energy Efficiency and Conservation Act ("EEC") was signed into law. Under this law, the Joint Congressional Power Commission was renamed to the Joint Congressional Energy Commission ("JCEC").

The initial term of the JCEC was 10 years from the effectivity of the EPIRA, or only until 26 June 2011. However, since key structural changes introduced in the EPIRA have yet to be carried out as well as the need to oversee the implementation of the Renewable Energy Act, the Philippine Congress issued Joint Resolution No. 1 on 26 July 2010 (which was passed by the Senate and the House of Representatives on 6 June 2011 and approved by the President of the Philippines on 21 June 2011) extending the term of the JCEC for another period of 10 years from 26 June 2011.

Reorganization of the Electric Power Industry

Of the many changes initiated by the EPIRA, of primary importance is the reorganization of the electric power industry by segregating the industry into four sectors: (1) the generation sector; (2) the transmission sector; (3) the distribution sector; and (4) the supply sector. The goal is for the generation and supply sectors to be fully competitive and open, while the transmission and distribution sectors will remain regulated. Prior to the EPIRA, the industry was regulated as a whole, with no clear distinctions between and among the various sectors and/or services.

The Generation Sector

The generation sector converts fuel and other forms of energy into electricity. This sector, by utility, consists of the following: (i) NPC-owned and -operated generation facilities; (ii) NPC-owned plants, which consist of plants operated by IPPs, as well as IPP-owned and -operated plants; and (iii) IPP-owned and - operated plants that supply electricity to customers other than NPC. Successes in the privatization process of NPC continue to build up momentum for the power industry reforms.

Historically, the generation sector has been dominated by NPC. To introduce and foster competition in the sector, and, more importantly, to lessen the debt of NPC, the EPIRA mandates the total privatization of the generation assets and IPP agreements of NPC, which exclude the assets devoted to missionary electrification through the NPC Small Power Utilities Group ("SPUG"). NPC is directed to transfer ownership of all the assets for privatization to a separate entity, PSALM, which is specially tasked to manage the privatization. Beginning early 2004, PSALM has been conducting public bidding for the generation facilities owned by NPC.

The goal of the EPIRA is for the generation sector to be open and competitive, while the private sector is expected to take the lead in introducing additional generation capacity. Generation companies will compete either for contracts with various suppliers and private distribution utilities, or through spot sale transactions in the WESM. Competition will be based largely on pricing, subject to availability of transmission lines to wheel electricity to the grid and/or buyers. Recovery by distribution utilities ("DUs") of their purchased power cost is subject to review and regulation by the ERC to determine reasonableness of the cost that are passed on to consumers. With the implementation of RCOA, generation rates, except those intended for the "Captive Market" (*i.e.*, a market of electricity end-users who may not choose their supplier of electricity), ceased to be regulated to a certain extent.

Under the EPIRA, generation companies are allowed to sell electricity to distribution utilities or to retail electricity suppliers through either bilateral contracts or the WESM as described below. With the implementation of RCOA on 26 December 2013, as supplemented by DOE Department Circular No. DC2015-06-0010, generation companies may likewise sell electricity to eligible end-users with an average monthly peak demand of 750KW and certified by the ERC to be such ("Contestable Market"). No generation company is allowed to own more than 30.0% of the installed generating capacity of the Luzon, Visayas or Mindanao grids and/or 25.0% of the national installed generating capacity. Also, no generation company associated with a distribution utility may supply more than 50.0% of the distribution utility's total demand under bilateral contracts, without prejudice to the bilateral contracts entered into prior to the enactment of the EPIRA.

The EPIRA provides that power generation is not a public utility operation and thus, not required to secure national franchises and there are no restrictions on the ability of non-Filipinos to own and operate generation facilities. However, in order to operate, generation companies must obtain a COC from the ERC, as well as health, safety and environmental clearances from appropriate government agencies under existing laws. Upon implementation of RCOA, the prices charged by a generation company for the supply of electricity shall not be subject to regulation by the ERC except as otherwise provided under the EPIRA.

In 2016, the ERC issued the implementing rules governing the issuance and renewal of licenses to RESs and the rules governing contestability of qualified end-users (collectively, the "ERC RES Rules"). However, in February 2017, the Philippine Supreme Court, acting on the petition filed by certain entities, issued a temporary restraining order enjoining the DOE and the ERC from implementing the rules and regulations implementing the RCOA, including the ERC RES Rules. In response thereto, the DOE issued DOE Circular No. 2017-12-0013 allowing the voluntary participation in the retail market of Contestable Customers with average peak demand of 750 kW. Further, on 3 December 2020, the ERC issued Resolution No. 12, Series of 2020 prescribing the timeline for the implementation of the RCOA. In the said Resolution, the threshold level of 500kW-749kW qualified Contestable Customers with existing electronic meters capable of recording and reading interval of time, with a built-in communication port for remote and manual data retrieval, shall be allowed to switch to Competitive Retail Electricity Market or the Contestable Market starting 26 February 2021.

Section 47(j) of the EPIRA prohibits NPC from incurring any new obligations to purchase power through bilateral contracts with generation companies or other suppliers. Also, NPC is only allowed to generate and sell electricity from generating assets and IPP contracts that have not been disposed of by PSALM.

The ERC may impose fines and penalties for violations by generation companies of the EPIRA and the EPIRA IRR policies as well as the ERC's rule and regulations on market power abuse, cross-ownership and anti-competitive behavior.

Requirement of Public Offering for Generation Companies

Under Section 43(t) of the EPIRA, the ERC was mandated to issue rules and guidelines under which, among others, generation companies which are not publicly listed shall offer and sell to the public a portion of not less than 15% of their common shares of stock.

ERC Resolution No. 9, Series of 2011, adopted the rules to implement Section 43(t) of the EPIRA. Under the resolution, generation companies, among others, which are not publicly listed are required to sell to the public a portion of not less than 15% of their common shares of stock. If the authorized capital stock of a generation company is fully subscribed, such company must increase its authorized capital stock by 15% or sell or cause the sale of 15% of its existing subscribed capital stock in order to comply with the public offering requirement under the EPIRA.

According to Resolution No. 9, which took effect on 29 June 2011, any offer of common shares of stock for sale to the public through any of the following modes may be deemed as a public offering for purposes of compliance with the public offering requirement under the EPIRA: (1) listing on the PSE; and (2) listing of the shares of stock in any accredited stock exchange or direct offer of the required portion of a company's capital stock to the public. For generation companies registered with the BOI under the Omnibus Investments Code, the public offering requirement may be complied with by a direct offer of the required portion of the registered enterprise's shares of stock to the public or through its employees through an employee stock option plan (or any plan analogous thereto), provided such offer is deemed feasible and desirable by the BOI.

However, the offer of common shares through an employee stock option plan is not considered a public offering since the offer is limited only to the employees of the generation companies or the DUs and not to the general public. The offer to employees may be considered public offering only when the generation company or distribution utility is a registered enterprise under the Omnibus Investment Code. Further, the public offering requirement does not apply to: (i) self-generation facilities, (ii) generation companies and distribution utilities already listed on the PSE, (iii) generation companies and distribution utilities whose holding companies are already listed on the PSE, (iv) generation companies and distribution utilities which are organized as partnerships, and (v) electric cooperatives which have no common shares of stock.

On 4 June 2019, the ERC issued Resolution No. 4 amending Resolution No. 9, Series of 2011. The new resolution maintained the previous rule that companies already listed with the PSE are already deemed in compliance of the 15% public offering requirement. Under Resolution No. 4, Series of 2019, the following modes shall be deemed to be public offerings:

1. Listing on the PSE;

2. In accordance with the 2015 IRR of the SRC:

    a. Publication in any printed material distributed in the Philippines;

    b. Public presentations;

    c. Advertisements or announcements on radio, television, electronic communications, information communication technology, or any other forms of communications; and

    d. Distribution of flyers, brochures, or any offering material in a public or commercial place, or through prospective purchasers through the portal system, information communication technology and other means of information distribution.

3. Listing of any shares of stock in any accredited stock exchange or direct offer to the public or the employees of an entity registered with the BOI, when deemed feasible and desirable by the latter.

ERC Resolution No. 4, Series of 2019 also provides that generation companies under a Build-Operate-Transfer Scheme must comply with the 15% public offering requirement. Further, it requires that the sale of securities to the public must comply with the SRC and its IRR.

The public offering by existing companies shall be made within five years from the effectivity of ERC Resolution No. 9, Series of 2011, or until 29 June 2016. The five-year period was extended up to 29 June 2017 pursuant to ERC Resolution No. 18, Series of 2016. For new companies, however, the five-year period is counted from the issuance by the ERC of their respective COCs. The period for compliance has further been extended pursuant to ERC Resolution No. 10, Series of 2017 for another year, or until the resolution of the petition filed by the Private Electric Power Operators Association regarding the clarification on whether the registration of common shares at the SEC may be considered as a mode of public offering is resolved, whichever comes earlier. On 21 June 2018, the ERC issued Resolution No. 14, Series of 2018 which further extended the period for compliance until 29 December 2018.

The Transmission Sector

Pursuant to the EPIRA, NPC has transferred its transmission and sub-transmission assets to TransCo, which was created pursuant to the EPIRA to assume, among other functions, the operation of the electrical transmission systems throughout the Philippines. The principal function of TransCo is to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the Philippine Grid Code ("Grid Code"). TransCo is also mandated to provide Open Access to all industry participants. The EPIRA granted TransCo a monopoly over the high-voltage network and subjected it to performance-based regulations.

The transmission of electricity through the transmission grid is subject to transmission wheeling charges. Since the transmission of electric power is a regulated common carrier business, the transmission wheeling charges of TransCo are subject to regulation and approval by the ERC.

The EPIRA also requires the privatization of TransCo through an outright sale of, or the grant of a concession over, the transmission assets while the subtransmission assets of TransCo are to be offered for sale to qualified distribution utilities. In December 2007, NGCP, comprising a consortium of Monte Oro Grid Resources, Calaca High Power Corporation and State Grid Corporation of China, won the concession contract to operate, maintain and expand the TransCo assets with a bid of U.S.$3.95 billion. NGCP was officially granted the authority to manage and operate the country's sole transmission system on 15 January 2009, pursuant to a legislative franchise granted by the Philippine Congress under Republic Act No. 9511. Ownership of all transmission assets, however, remained with TransCo.

The Grid Code establishes the basic rules, requirements, procedures and standards that govern the operation, maintenance and development of the Philippine grid, or the high-voltage backbone transmission system and its related facilities. The Grid Code identifies and provides for the responsibilities and obligations of three key independent functional groups, namely: (a) the grid owner, or TransCo; (b) the system operator, or NGCP as the current concessionaire of TransCo; and (c) the market operator, or PEMC. These functional groups, as well as all users of the grid, including generation companies and distribution utilities, must comply with the provisions of the Grid Code as promulgated and enforced by the ERC.

In order to ensure the safe, reliable and efficient operation of the Philippine Grid, the Grid Code provides for, among others, the following regulations:

a. the establishment of a grid management committee, which is tasked with the monitoring of the day-to-day operation of the grid;

b. performance standards for the transmission of electricity through the grid, as well as the operation and maintenance thereof, which standards shall apply to TransCo, NGCP, distribution utilities and suppliers of electricity;

c. technical and financial standards and criteria applicable to users of the grid, including generation companies and distribution utilities connected or seeking to connect thereto; and

d. other matters relating to the planning, management, operation and maintenance of the grid.

The Distribution Sector

The distribution of electric power to end-users may be undertaken by private distribution utilities, cooperatives, local government units presently undertaking this function, and other duly authorized entities, subject to regulation by the ERC. The distribution business is a regulated public utility business requiring a franchise from Congress, although franchises relating to electric cooperatives remained under the jurisdiction of the NEA until the end of 2006. All distribution utilities are also required to obtain a Certificate of Public Convenience and Necessity ("CPCN") from the ERC to operate as public utilities.

All distribution utilities are also required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code ("Distribution Code"), the Distribution Services and Open Access Rules ("DSOAR") and the performance standards set out in the EPIRA IRR.

The distribution sector is and will continue to be regulated by the ERC, with distribution and wheeling charges, as well as connection fees from its consumers, subject to ERC approval. Likewise, the retail rate imposed by distribution utilities for the supply of electricity to its captive consumers is subject to ERC approval. In addition, as a result of the Philippine government's policy of promoting free competition and open access, distribution utilities are required to provide universal and non-discriminatory access to their systems within their respective franchise areas following commencement of RCOA.

The Distribution Code establishes the basic rules and procedures that govern the operation, maintenance, development, connection and use of the electric distribution systems in the Philippines.

The Distribution Code defines the technical aspects of the working relationship between the distributors and all the users of the distribution system, including distribution utilities, embedded generators and large customers. All such electric power industry participants in distribution system operations are required to comply with the provisions of the Distribution Code as promulgated and enforced by the ERC.

The Supply Sector

The supply of electricity refers to the sale of electricity directly to end-users. The supply function used to be undertaken solely by franchised distribution utilities. However, with the implementation of RCOA, the supply function has become competitive. The business is not considered a public utility operation and suppliers are not required to obtain franchises. However, the supply of electricity to the "Contestable Market" (*i.e.*, a market of electricity end-users who have a choice on their supplier of electricity) is considered a business with a public interest dimension. As such, the EPIRA requires all suppliers of electricity to the Contestable Market to obtain a license from the ERC and they are subject to the rules and regulations of the ERC on the abuse of market power and other anti-competitive or discriminatory behavior.

With the implementation of the RCOA, a RES is allowed to enter into retail electricity supply agreements with Contestable Customers. This set-up encourages competition at the retail level. It has been planned that the threshold for retail competition will gradually increase over time, provided that retail electricity suppliers are sufficiently creditworthy to be suitable offtakers for generation companies.

Competitive Market Devices

Wholesale Electricity Spot Market

The EPIRA mandates the establishment of the WESM, which is a pre-condition for the implementation of RCOA, within one year from its effectivity. The WESM provides a venue whereby generators may sell power, and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two. The establishment of the WESM facilitates a transparent and competitive electricity market for the country.

All generation companies, distribution utilities, suppliers, bulk consumers/end-users and other similar entities authorized by the ERC are eligible to become WESM members subject to compliance with membership requirements.

On 28 June 2002, the DOE, in cooperation with electric power industry participants, promulgated detailed rules for the WESM. These rules set the guidelines and standards for participation in the market, reflecting accepted economic principles and providing a level playing field for all electric power industry participants, and procedures for establishing the merit order dispatch for each time (hourly trading period). These rules also provide for a mechanism for setting electricity prices that are not covered by bilateral contracts between electricity buyers and sellers.

On 18 November 2003, upon the initiative of the DOE, the PEMC was incorporated as a non-stock, non- profit corporation with membership comprising an equitable representation of electricity industry participants and chaired by the DOE. The PEMC acts as the autonomous market group operator and the governing arm of the WESM. The PEMC was tasked to undertake the preparatory work for the establishment of the WESM, pursuant to Section 30 of the EPIRA and in accordance with the WESM Rules. Its primary purpose is to establish, maintain, operate and govern an efficient, competitive, transparent and reliable market for the wholesale purchase of electricity and ancillary services in the Philippines in accordance with relevant laws, rules and regulations.

The Philippine Electricity Market Corporation ("PEMC") and the Independent Electricity Market Operator of the Philippines Inc. ("IEMOP"), have executed the Operating Agreement to formalize the transfer of all functions, assets and liabilities associated with market operations from PEMC to the IEMOP effective on 26 September 2018. IEMOP is poised the WESM, a function that is currently performed by PEMC. Republic Act No. 9136 requires PEMC to divest itself of this function in favor of a separate entity that is independent of the market participants. On 6 February 2018, the market participants and the DOE Secretary approved the transition plan calling for the formation of an independent market operator and the transfer of the market operation functions to it. IEMOP, a non-stock, non-profit corporation, led by a Board of Directors, all of whom are independents and do not have any interest or connection to the WESM participants, was incorporated and organized to implement the transition plan. Starting on 26 September 2018, the IEMOP runs the electricity market and manages the registration of market participants, receive generation offers, come out with market prices and dispatches schedules of the generation plants, and handle billing, settlement, and collections, among other things. Under the policy and regulatory oversight of the DOE and the ERC, PEMC remains the governing body for WESM to monitor compliance of the market participants with the market rules.

Retail Competition and Open Access

The EPIRA likewise provides for a system of RCOA on transmission and distribution wires, whereby TRANSCO/NGCP and distribution utilities may not refuse the use of their wires by qualified persons, subject to the payment of distribution and wheeling charges. Conditions for the commencement of the open access system are as follows:

a. Establishment of the WESM;

b. approval of unbundled transmission and distribution wheeling charges;

c. initial implementation of the cross-subsidy removal scheme;

d. privatization of at least 70.0% of the total capacity of generating assets of NPC in Luzon and Visayas; and

e. transfer of the management and control of at least 70.0% of the total energy output of power plants under contract with NPC to the IPPAs.

Prior to the implementation of the RCOA, the distribution utility exclusively procures energy on behalf of its customers, and delivers the energy through its distribution wires. With RCOA, competing RES will do the buying and selling of electricity, and have the distribution utility deliver the energy for them through the distribution utility's existing distribution wires. The Contestable Customers will have more choices in pricing and power supply contracting, thereby getting the best deal in terms of price and value for money.

On 6 June 2011, pursuant to Resolution No. 10, Series of 2011, the ERC declared 26 December 2011 as the "Open Access Date" to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas.

The implementation of retail competition and open access is mandated by the EPIRA, subject to the fulfillment of certain conditions including, but not limited to, the establishment of the WESM, the unbundling of transmission and distribution wheeling charges, and privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas. 26 December 2011 was the commencement of the full operations of the competitive retail electricity in Luzon and Visayas. Initially, all electricity end- users with an average monthly peak demand of one MW for 12 months preceding 26 December 2011, as certified by the ERC to be contestable customers, shall have the right to choose their own electricity suppliers and are, thus, enjoined to exercise such right to their full benefit.

On 17 December 2012, the ERC promulgated the transitory rules for the implementation of RCOA.

With the purpose of ensuring quality, reliable and affordable electricity under a regime of free and fair competition, the DOE and the ERC issued the following circulars and resolutions to promote customer choice and foster competition in the electricity supply sector:

a. **DOE Circular No. DC2015-06-0010** - *Providing Policies to Facilitate the Full Implementation of Retail Competition and Open Access (RCOA) in the Philippine Electric Power Industry;*

b. **ERC Resolution No. 05, Series of 2016** - *A Resolution Adopting the 2016 Rules Governing the Issuance of Licenses to Retail Electricity Suppliers (RES) and Prescribing the Requirements and Conditions Therefor;*

c. **ERC Resolution No. 10, Series of 2016** - *A Resolution Adopting the Revised Rules for Contestability;*

d. **ERC Resolution No. 11, Series of 2016** - *A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market;*

e. **ERC Resolution No. 28, Series of 2016** - *Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016 entitled Revised Rules for Contestability*; and

f. **ERC Resolution No. 1122, Series of 2020 –** *A Resolution Prescribing the Timeline for the Implementation of the Retail Competition and Open Access (RCOA).*

The above resolutions/circulars required electricity end-users with an average monthly peak demand of at least 1MW to secure retail supply contracts with licensed retail electricity suppliers on or before 26 February 2017.

On 21 February 2017, the Supreme Court issued a temporary restraining order ("TRO") against the enforcement of several orders and regulations promulgated by the ERC and the DOE in relation to RCOA, particularly those compelling Contestable Customers to enter into a retail supply contracts with any of the RES accredited by the DOE and the ERC by 26 February 2017. In response thereto, the DOE issued DOE Circular No. 2017-12-0013 allowing the voluntary participation in the retail market of Contestable Customers with average peak demand of 750 kW. Further, on 3 December 2020, the ERC issued Resolution No. 12, Series of 2020 Prescribing the Timeline for the Implementation of the RCOA. In the said Resolution, the threshold level of 500kW-749kW qualified Contestable Customers with existing electronic meters capable of recording and reading interval of time, with a built-in communication port for remote and manual data retrieval, shall be allowed to switch to Competitive Retail Electricity Market or the Contestable Market starting 26 February 2021.

As such, notwithstanding the TRO issued by the Supreme Court, electricity end-users with average peak demands of at least 500 kW may choose their retail electricity supplier on a voluntary basis.

Unbundling of Rates and Removal of Cross Subsidies

The EPIRA mandates that transmission and distribution wheeling charges be unbundled from retail rates and that rates reflect the respective costs of providing each service. The EPIRA also states that cross- subsidies shall be phased out within a period not exceeding three years from the establishment by the ERC of a universal charge, which shall be collected from all electricity end-users. However, the ERC may extend the period for the removal of the cross-subsidies for a maximum of one year if it determines that there will be a material adverse effect upon the public interest or an immediate, irreparable and adverse financial effect on a distribution utility. The initial implementation of the cross-subsidy removal scheme was accomplished in 2001.

These arrangements are now in place, in satisfaction of the conditions for RCOA.

The EPIRA likewise provides for a socialized pricing mechanism such as the lifeline rate subsidy to be set by the ERC for marginalized or low-income captive electricity consumers who cannot afford to pay the full cost of electricity. These end-users are exempt from the cross-subsidy removal for a period of 10 years, unless extended by law. Its application was extended for another 10 years by Republic Act No. 10150, which was approved in June 2011.

Implementation of the PBR

On 22 June 2009, the ERC issued the Rules for Setting Distribution Wheeling Rates that apply to privately owned distribution utilities entering Performance Based Regulation ("PBR") for the fourth entry points, which set out the manner in which the new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR is intended to replace the return-on-rate-base regulation ("RORB") that has historically determined the distribution charges paid by the distribution companies' customers. Under the PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period will be set by reference to projected revenues which are reviewed and approved by the ERC and used by the ERC to determine a distribution utility's efficiency factor. For each year during the regulatory period, a distribution utility's distribution charge is adjusted upwards or downwards taking into consideration the utility's efficiency factor set against changes in overall consumer prices in the Philippines. The ERC has also implemented a performance incentive scheme whereby annual rate adjustments under PBR will also take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as the average duration of power outages, the average time to provide connections to customers and the average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

Reduction of Taxes and Royalties on Indigenous Energy Resources

To equalize prices between imported and indigenous fuels, the EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels. Following the promulgation of the EPIRA IRR, President Arroyo enacted Executive Order No. 100 on 3 May 2002, to equalize the taxes among fuels used for power generation. This mechanism, however, is yet to be implemented.

Government Approval Process

As set forth in the EPIRA, power generation is not considered a public utility operation. Thus, an entity engaged or intending to engage in the generation of electricity is not required to secure a franchise. However, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a COC from the ERC to operate facilities used in the generation of electricity. A COC is valid for a period of five years from the date of issuance.

In addition to the COC requirement, a generation company must comply with technical, financial and environmental standards. A generation company must ensure that all its facilities connected to the grid meet the technical design and operational criteria of the Grid Code and Distribution Code promulgated by the ERC. In this connection, the ERC has issued "Guidelines for the Financial Standards of Generation Companies," which sets the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service coverage ratio of 1.5x throughout the period covered by its COC. For COC applications and renewals, the guidelines require the submission to the ERC of, among other things, comparative audited financial statements for the two most recent 12-months periods, if available, a schedule of liabilities, and a five-year financial plan. For the duration of the COC, the guidelines also require a generation company to submit audited financial statements and forecast financial statements to the ERC for the next two financial years, as well as other documents. The failure by a generation company to submit the requirements prescribed by the guidelines may be a ground for the imposition of fines and penalties.

The ERC also governs the approval process for PSAs between distribution utilities and power suppliers. Under ERC Resolution No. 38, Series of 2006, Rule 20 (B), the ERC specified that the procedures for Applications for Approval of Power Supply Contract other than those covered by the Guidelines for the Setting and Approval of Electricity Generation Rates and Subsidies for Missionary Electrification Rates (ERC Res. No. 11, Series of 2005). Aside from the regulatory certificates from the SEC, BOI, DOE, and the like, the ERC also requires additional documentary support for PSA approval. For instance, they require financial data such as debt-to-equity ratios, project costs, annual interests, weighted average cost of capital, bank loans, to name a few. The ERC also requires a specification of the cash flow on the initial costs, operating & maintenance expenses, Minimum Energy Offtake, fuel costs, and the like. In addition, technical and economic characteristics of the generating plant such as the kWh generation (basis of maintenance allowance), installed capacity, mode of operation, and dependable capacity, also need to be presented for ERC approval.

Both resolutions specify that ERC must render a decision within 90 days from the date of filing of the application. If no decision is rendered within the 90-day period, the PSA shall be deemed approved, unless the extension of the period is due to extraordinary circumstances Upon the introduction of RCOA, the rates charged by a generation company will no longer be regulated by the ERC, except rates for Captive Markets (which are determined by the ERC). In addition, since the establishment of the WESM, generation companies are now required to comply with the membership criteria and appropriate dispatch scheduling as prescribed under the WESM Rules.

In the course of developing a power plant, other permits, approvals and consents must also be obtained from relevant national, provincial and local government authorities, relating to, among others, site acquisition, construction and operation, including environmental licenses and permits.

Retail rates charged by RES to Contestable Customers will not require ERC approval. Only the retail rates charged by Distribution Utilities to their Captive Customers will be subject to the approval of the ERC.

The Energy Efficiency and Conservation Act

The EEC was enacted to establish a framework for introducing and institutionalizing policies on energy efficiency and conservation.

Under the EEC, energy efficiency projects shall be included in the annual investment priorities plan of the Board of Investments ("BOI") and shall be entitled to incentives under Executive Order No. 226 or the "Omnibus Investments Code of 1987," and other applicable laws for ten years from the effectivity of the EEC. After the lapse of ten years, the inclusion of energy sufficient projects in the annual investment priorities plan shall be reviewed and may be extended by the BOI. Energy efficient projects are exempt from the nationality requirements under Article 32(1) of the Omnibus Investments Code of 1987, unless the project involved exploration, development and utilization of natural resources which is reserved to Filipino citizens, or corporations or association at least 60% of whose capital is owned by Filipino citizens as per Section 2, Article XII of the 1987 Constitution. Further, establishments that will implement or are implementing energy efficient projects are entitled to provision of awards and recognitions, and technical assistance from government agencies in the development and promotion of energy efficient technologies.

The following acts are prohibited under the EEC:

a. Failing to comply with energy labelling;

b. Removing, defacing, or altering any energy label on the energy-consuming product before the product is sold to the first purchaser, or leased to the first lessee;

c. Failing to provide accurate information or provision of false or misleading energy information as required to be submitted under the EECA;

d. Selling, leasing, or importing energy-consuming products that do not comply with the minimum energy performance;

e. Failing or willfully refusing to appoint or designate a Certified Energy Conservation Officer or Certified Energy Manager;

f. Willfully refusing to submit to an on-site inspection by the DOE;

g. Failing or willfully refusing to submit any of the reports required;

h. Failing to comply with issued orders of the DOE in the discharge of its enforcement powers; and

i. Violating any provisions of the IRR, codes, and guidelines issued in accordance with the EECA.

The DOE is empowered to impose fines and penalties for the violation of the provisions of the EEC, DOE Department Circular No. DC2019-11-0014 (the "EEC IRR"), and other related issuances. The fines and penalties shall range from ₱10,000.00 to ₱1,000,000.00, without prejudice to criminal penalties and penalties under existing regulations. The responsible officers and employees of establishments who commit any of the prohibited acts listed above shall, upon conviction, suffer the penalty of imprisonment of one year to five years, or a fine ranging from a minimum of ₱100,000.00 to ₱100,000,000.00 or twice the amount of costs avoided for noncompliance, whichever is higher, or both, upon the discretion of the court. Any person who aids or abets the commission of the prohibited acts or causes such commission by another, shall be liable as a principal. In case of associations, partnerships, or corporations, the penalty shall be imposed on the partner, president, chief operating officer, chief executive officer, director, or officer responsible for the violation.

The Renewable Energy Act of 2008

Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008 (the "RE Law") provides for the acceleration and development of renewable resources. It was signed into law on 16 December 2008 and became effective in January 2009.

Renewable energy developers of renewable energy facilities, including hybrid systems, in proportion to and to the extent of the renewable energy component, for both power and non-power applications as certified by the DOE are entitled to the following general incentives:

a. Income tax holiday ("ITH") for the first seven years of its commercial operations. Additional investments in the project are entitled to additional income tax exemption on the income attributable to the investment. For this purpose, the discovery and development of new renewable energy resource is treated as a new investment and is therefore entitled to a fresh package of incentives. The entitlement period for additional investments shall not be more than three times the period of the initial availment of the income tax holiday.

b. Duty-free importation of renewable energy machinery, equipment and materials which are directly and actually needed and used exclusively in the RE facilities for transformation into energy and delivery of energy to the point of use and covered by shipping documents in the name of the duly registered operator to whom the shipment will be directly delivered by customs authorities, within the first 10 years upon the issuance of a certification of an RE developer. DOE endorsement must be obtained before the importation and before any sale, transfer or disposition of the imported capital equipment, machinery or spare parts is made. There are additional conditions for sale, transfer, disposition made within the 10-year period from date of importation.

c. Special realty tax rates on equipment and machinery.

d. The net operating loss carry-over of the RE developer during the first three years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as a deduction for the next seven consecutive taxable years following the year of such loss.

e. RE developers shall enjoy a 10% corporate income tax rate after the expiration of its ITH.

f. Accelerated depreciation if the RE project fails to receive an ITH before full operation.

g. Zero-percent value added tax rate for sale of fuel or power generated from renewable sources.

Further, all RE developers are entitled to zero-rated value added tax on its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities.

h. Cash incentive for RE developers for missionary electrification.

i. Tax exemption of carbon credits.

j. Tax credit on domestic capital equipment and services.

The RE Law likewise provides incentives for manufacturers, fabricators and suppliers of locally-produced RE equipment and components duly recognized and accredited by the DOE and upon registration with the BOI.

Further, the RE Law provides a policy on FIT. The FIT scheme mandates electric power industry participants to source RE-derived electricity at a guaranteed fixed price (the "FIT Rate"). This scheme was primarily viewed as a way to entice the private sector players to hasten investment into the renewable power generation sector due to the urgent need of the Philippines to deploy additional capacity.

RE projects are governed by an RE Contract, a service agreement between the Philippine Government and an RE developer over an appropriate period of time as determined by the DOE in which the RE developer will have the exclusive right to explore, develop or utilize a particular RE area.

Feed-In Tariff

The ERC issued Resolution No. 16, Series of 2010 ("ERC Resolution No. 16-2010" or the "FIT Rules"), otherwise known as "Resolution Adopting the Feed-In Tariff Rules," which establishes the FIT system and regulates the method of establishing and approving the FITs and the FIT Allowance ("FIT-All").

The FIT Rules are specific for each emerging renewable energy technology and to be applied only to generation facilities which enter into commercial operation after effectivity of the FIT Rules or to such parts of such existing facilities which have been substantially modified or expanded as provided under the FIT Rules.

Under the FIT Rules, the FITs are specific for each eligible renewable energy plants ("Eligible RE Plants"), which are those power facilities with COCs issued to them that utilize emerging renewable energy resources or to such parts of such existing facilities that have been substantially modified or expanded, which enter into commercial operation after effectivity of the FIT Rules. These include facilities intended for their owners' use, which are connected to the transmission or distribution networks and are able to deliver to such networks their generation or parts thereof but FIT shall only be paid for such amount of electricity actually exported to the distribution or transmission network and not utilized for their own use.

The renewable energy plants which have started commercial operations after the effectivity of the RE Law and are not bound under any contract to supply the energy they generate to any distribution utility or consumer, may avail of the FITs from time to time they are certified by the ERC as eligible through an amendment of the COC issued to them and for a period of 20 years less the number of years they have been in operation. RE Plants, which have been in operation prior to the effectivity of the RE Law may be granted lower FITs specific to them upon application and hearing, and after a showing that:

a. Such FITs are indispensable for their continued operations;

b. There is no legal impediment for them to be allowed such FITs, such as the existence of a power supply agreement/power purchase agreement with any DU or End-User; and,

c. They have fulfilled such other requirements of the ERC.

FITs shall be established for each generation plant using: (i) wind energy resources; (ii) solar energy resources; (iii) ocean energy resources; (iv) run-of-river hydroelectric power resources; (v) biomass energy resources; and (vi) renewable energy components of technologies listed above of hybrid systems under the RE Law.

The FIT System applicable to renewable energy plants in on-grid areas are: (i) Technology-specific FITs; (ii) Fixed FITs but subject to adjustment to allow pass-through of local inflation and foreign exchange rate variations. FITs for peak and off-peak hours may be established for renewable energy technologies that can follow the dynamics of demand such biomass energy systems and hydropower, as may be recommended by NREB.

Eligible RE Plants shall be entitled to the applicable FITs to them for a period of 20 years. After this period, should these plants continue to operate, their tariffs will be based on prevailing market prices or whatever prices they should agree with an off-taker.

Electricity consumers who are supplied with electricity through the distribution of transmission network shall share in the cost of the FITs in part through a uniform charge (in ₱/kWh) referred to as the FIT-All and applied to all billed kWh. NGCP ensures that the FIT-All fund is sufficient to pay all renewable energy producers regularly.

Petroleum

The Company's petroleum business is subject to the following laws, rules and regulations:

Section 2, Article XII of the 1987 Constitution

This constitutional provision reserves ownership to the State and declares non-alienable all lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces of potential energy, fisheries, forests or timber, wildlife, flora and fauna, and other natural resources.

The State has full control of exploration, development, and utilization of natural resources but may enter into co-production, joint venture, or production-sharing agreements with Filipinos, or corporations or associations which are at least 60% owned by Filipinos, and only for a period of 25 years, renewable for another 25.

The President may enter into agreements with foreign-owned corporations involving either technical or financial assistance for large-scale exploration, development, and utilization of minerals, petroleum, and other mineral oils according to the general terms and conditions provided by law. The President shall notify the Congress of every contract entered into in accordance with this provision, within thirty days from its execution.

Presidential Decree (P.D.) No. 87, as amended, or The Oil Exploration and Development Act of 1972

P.D. 87, as amended, or "The Oil Exploration and Development Act of 1972" declares that the State should accelerate the discovery and production of indigenous petroleum through utilization of government and/or private resources, local and foreign, under arrangements calculated to yield maximum benefit to the Filipino people and revenues to the Philippine government, and to assure just returns to participating private enterprises, particularly those that will provide services, financing, and technology, and fully assume all exploration risks. The government may undertake petroleum exploration and production by itself or may indirectly undertake the same through Service Contracts. Under a service contract, service and technology are furnished by a contractor for which it would be entitled to a service fee of up to 40% of net production proceeds. Where the Government is unable to finance petroleum exploration or in order to induce the contractor to exert maximum efforts to discover and produce petroleum, the service contract would stipulate that, if the contractor furnishes service, technology and financing, the proceeds of the sale of the petroleum produced under the service contract would be the source of payment of the service fee and the operating expenses due the contractor. Operating expenses are deductible up to 70% of gross production proceeds. If, in any year, the operating expenses exceed 70% of gross proceeds from production, the unrecovered expenses may be recovered from the operations of succeeding years. Intangible exploration costs may be reimbursed in full, while tangible exploration costs (such as capital expenditures and other recoverable capital assets) are to be depreciated for a period of five or 10 years. Any interest or other consideration paid for any financing approved by the Government for petroleum development and production would be reimbursed to the extent of two-thirds of the amount, except interest on loans or indebtedness incurred to finance petroleum exploration.

Aside from reimbursement of its operating expenses, a contractor with at least 15% Filipino participation is allowed to recover a Filipino participation incentive allowance equivalent to a maximum of 7.5% of the gross proceeds from the crude oil produced in the contract area. Incentives to service contractors include (i) exemption from all taxes except income tax which is paid out of Government's share, (ii) exemption from all taxes and duties on importation of machinery, equipment, spare parts, and materials for petroleum operations, (iii) repatriation of investments and profits, and (iv) free market determination of crude oil prices. Finally, a subcontractor is subject to special income tax rate of 8% of gross Philippine income while foreign employees of the service contractor and the subcontractor are subject to a special tax rate of 15% on their Philippine income.

A service contract has a maximum exploration period of 10 years and a maximum development and production period of 40 years. Signature bonus, discovery bonus, production bonus, development allowance and training allowance are payable to the Government. Other pertinent laws and issuances include P.D. 1857, a law amending certain sections of P.D. 87, as amended, offering improved fiscal and contractual terms to service contractors with special reference to deep water oil exploration; *DOE Circular No. 2009040004*, a circular that establishes the procedures for the Philippine Contracting Rounds; *DOE Circular No. 200305006*, a circular that provides the guidelines to the financial and technical capabilities of a viable petroleum exploration and production company; *Executive Order (EO) No. 66* issued in 2002 which designated the DOE as the lead government agency in developing the natural gas industry; and *DOE Circular 200208005*, a circular setting the interim rules and regulations governing the transmission, distribution and supply of natural gas.

Republic Act No. 8371 or The Indigenous Peoples' Rights Act of 1997

Republic Act No. 8371 or The Indigenous Peoples' Rights Act of 1997 ("IPRA") requires the free and prior informed consent ("FPIC") of indigenous peoples ("IP") who will be affected by resource exploration and extraction activities. Under the IPRA, IPs are granted certain preferential rights to their ancestral domains and all resources found therein. Ancestral domains are defined as areas generally belonging to IPs, subject to property rights within ancestral domains already existing or vested upon the effectivity of the IPRA, comprising lands, inland waters, coastal areas, and natural resources, held under a claim of ownership, occupied or possessed by IPs themselves or through their ancestors, communally or individually, since time immemorial, continuously to the present, except when interrupted by war, force majeure or displacement by force, deceit, stealth, or as a consequence of government projects or any voluntary dealings entered into by the Government and private persons, and which are necessary to ensure their economic, social and cultural welfare.

Under the IPRA, no concession, license, lease or agreement shall be issued by any government agency without the certification precondition ("CP") from the National Commission on Indigenous People ("NCIP"). The CP states that the FPIC has been obtained from the concerned IPs. For areas not occupied by IPs, a certificate of non-overlap is issued instead by the NCIP. For areas occupied by IPs, the applicant and representatives from the NCIP will conduct consultations and consensus building to obtain the consent of IPs. The FPIC is manifested through a memorandum of agreement with IPs, traditionally represented by their elders. The CP is then issued by the NCIP stating that the FPIC has been obtained from the IPs concerned.

Environmental Matters

Philippine Clean Water Act

In 2004, Republic Act No. 9275, or the "Philippine Clean Water Act of 2004," was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country's water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land-based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time.

Philippine Clean Air Act

Republic Act 8749 or "The Philippine Clean Air Act of 1999" is a comprehensive air quality management program which aims to achieve and maintain healthy air for all Filipinos. Under this, the DENR is mandated to formulate a national program on how to prevent, manage, control, and reverse air pollution using regulatory and market-based instruments, and setup a mechanism for the proper identification and indemnification of victims of any damage or injury resulting from the adverse environmental impact of any project, activity or undertaking. To implement this law, the Government is promoting energy security through policies on energy independence, sustainability, and efficiency. These involve:

a. increasing oil and gas exploration;

b. strengthening of the PNOC to spearhead the development of indigenous energy resources and building global partnerships and collaborative undertakings;

c. pursuing the development of renewable energy such as geothermal, wind, solar, hydropower, and biomass, and the vigorous utilization of the cleaner development mechanism and the emerging carbon market;

d. expanding the use of natural gas; and

e. adopting energy efficiency promotion strategies.

The Philippine Clean Air Act of 1999 requires enterprises that operate or utilize air pollution sources to obtain an Authority to Construct or a Permit to Operate from the DENR with respect to the construction or use of air pollutants The issuance of said permits seek to ensure that regulations of the DENR with respect to air quality standards and the prevention of air pollution are achieved and complied with by such enterprises.

The Philippine Environmental Impact Statement System

Projects relating to resource exploration and extraction are required to comply with the Philippine Environmental Impact Statement System ("EIS System"). The EIS System was established by virtue of P.D. 1586 entitled "Establishing An Environmental Impact Statement System, Including Other Environmental Management Related Measures And For Other Purposes," issued in 1978. The EIS System requires all government agencies, government owned or controlled corporations and private companies to prepare an Environmental Impact Assessment ("EIA") for any project or activity that affects the quality of the environment. An EIA is a process that involves evaluating and predicting the likely impacts of a project (including cumulative impacts) on the environment and includes designing appropriate preventive, mitigating and enhancement measures to protect the environment and the community's welfare. An entity that complies with the EIS System is issued an Environmental Compliance Certificate ("ECC"), which is a document certifying that, based on the representations of the project proponent, the proposed project or undertaking will not cause significant negative environmental impacts and that the project proponent has complied with all the requirements of the EIS System.

To strengthen the implementation of the EIS System, the Office of the President of the Philippines issued Administrative Order ("A.O.") No. 42 in 2002, providing the streamlining of the ECC application processing and approval procedures. Pursuant to A.O. 42, the DENR promulgated DENR AO No. 2003-30, also known as the IRR for the Philippine EIS System, in 2003.

Under the IRR, only projects that pose potential significant impact to the environment would be required to secure ECCs. In determining the scope of the EIS System, two factors are considered, namely: (i) the nature of the project and its potential to cause significant negative environmental impacts, and (ii) the sensitivity or vulnerability of environmental resources in the project area.

Specifically, the criteria used to determine projects covered by the EIS System are as follows:

a. Characteristics of the project or undertaking

    i size of the project;

    ii cumulative nature of impacts compared to other projects;

    iii use of natural resources;

    iv generation of wastes and environment related nuisance; and

    v environment related hazards and risk of accidents.

b. Location of the project

    i vulnerability of the project area to disturbances due to its ecological importance endangered or protected status;

    ii conformity of the proposed project to existing land use, based on approved zoning or on national laws and regulations; and iii relative abundance, quality and regenerative capacity of natural resources in the area, including the impact absorptive capacity of the environment.

c. Nature of the potential impact

i geographic extent of the impact and size of affected population;

ii magnitude and complexity of the impact; and

iii likelihood, duration, frequency, and reversibility of the impact.

The ECC of a project not implemented within five years from its date of issuance is deemed expired. The proponent must reapply for a new ECC if it intends to still pursue the project. The reckoning date of project implementation is the date of ground-breaking, as stated on the proponent's work plan submitted to the Environmental Management Bureau ("EMB").

Petroleum service contractors are mandated to comply with all environmental laws and rules and regulations in all phases of exploration and production operations. ECCs or certificates of no coverage, if applicable, are obtained from the EMB of the DENR, in coordination with the DOE.

The exploration, production and sale of oil are subject to extensive national and local laws and regulations. The Company and its Associates may incur substantial expenditures to comply with these laws and regulations, which may include permitting costs, adoption and implementation of antipollution equipment, methods and procedures, and payment of taxes and royalties.

Under these laws, the Company could be subject to claims for personal injury or property damages, including damages to natural resources, which may result from the Company's operations. Failure to comply with these laws may also result in the suspension or termination of the Company's operations and subject it to administrative, civil and criminal penalties. Moreover, these laws could be modified or reinterpreted in ways that substantially increase the Company's costs of compliance. Any such liabilities, penalties, suspensions, terminations or regulatory changes could have a material adverse effect on the Company's financial condition and results of operations.

Environmental Compliance

The Company's operations are subject to evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations address, among other things, air emissions, wastewater discharges, generation, handling, storage, transportation, treatment and disposal of oil products, workplace conditions and employee exposure to hazardous substances.

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an ECC prior to commencement. As a prerequisite for the issuance of an ECC, an environmentally critical project is required to submit an EIS while project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the DENR, through its regional offices or through the EMB.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by the EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

In order to address air pollution from mobile and stationary sources, equipment that emit or may emit air pollutants may only be operated upon obtaining a Permit to Operate from the DENR. An application for a Permit to Operate must be filed for each source emitting regulated air pollutants, but facilities having more than one source may group the sources under a single permit application.

Other Regulations on Water Pollution

Philippine maritime laws and regulations are enforced by two Philippine government agencies: the MARINA and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation.

The MARINA is responsible for integrating the development, promotion, and regulation of the maritime industry in the Philippines. It exercises jurisdiction over the development, promotion, and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing, and/or maintaining vessels, or component parts thereof, of managing and/or operating shipping lines, shipyards, dry docks, marine railways, marine repair ships, shipping and freight forwarding agencies, and similar enterprises.

To address issues on marine pollution and oil spillage, the MARINA issued: (i) Circular No. 2007-01 which mandated the use of double-hull vessels including those below 500 tons deadweight tonnage by the end of 2008 for transporting Black Products; and (ii) Circular No. 2010-01 for transporting White Products in certain circumstances by 2011.

The Philippine Coast Guard, in a 2005 Memorandum Circular, provided implementing guidelines based on the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. The guidelines provide that oil companies in major ports or terminals/depots are required to inform the Philippine Coast Guard through its nearest station of all transfer operations of oil cargoes in their respective areas. Furthermore, oil companies and tanker owners are required to conduct regular team trainings on managing oil spill operations including the handling and operations of MARPOL combating equipment. A dedicated oil spill response team is required to be organized to react to land and ship-originated oil spills.

Oil companies, oil explorers, natural gas explorers, power plants/barges and tanker owners are also required to develop shipboard oil pollution emergency plans to be approved by the Philippine Coast Guard.

Moreover, both the Clean Water Act and the Philippine Coast Guard Guidelines provide that the spiller or the person who causes the pollution has the primary responsibility of conducting clean-up operations at its own expense.

The Toxic Substances and Hazardous and Nuclear Waste Control Act

Republic Act No. 6969 or "The Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990," regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines or the keeping in storage of hazardous wastes which include by-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. The said law is implemented by the DENR.

Hazardous wastes are substances brought into the country without any safe commercial, industrial, agricultural or economic usage. On the other hand, toxic wastes are substances that are poisonous and have carcinogenic, mutagenic, or teratogenic effects on human or other life forms.

Ecological Solid Waste Management Act

Republic Act No. 9003 or "The Ecological Solid Waste Management Act of 2000" provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The same law mandates all, especially, the local government units, to adopt a systematic, comprehensive and ecological solid waste management program which shall ensure protection of public health and environment, utilize environmentally sound methods, set targets and guidelines for solid waste avoidance and reduction, and ensure proper segregation, collection, transport and storage of solid waste.

The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

Code on Sanitation of the Philippines

Presidential Decree No. 856 or the "Code on Sanitation of the Philippines" provides for sanitary and structural requirements for industrial establishments, among others, in connection with the promotion and preservation of the health of the people and raise the health standards of individuals and communities throughout the Philippines. It states that no person, firm, corporation, or entity shall operate any industrial establishment without first obtaining a sanitary permit. Industrial establishments shall be allowed to operate only in places or zones assigned for the kind of industry by existing zoning laws, ordinances, or policies. The local health authority shall determine the suitability of location where no zoning law, ordinance or policy exists.

Strategic Environmental Plan for Palawan Act

A significant number of the Company's Petroleum Service Contracts is located in or in the surrounding areas of Palawan Province. While R.A. No. 7611 (Strategic Environmental Plan for Palawan Act) is a national law, it applies specifically to Palawan. R.A. No. 7611 has adopted Palawan's Comprehensive

Framework Plan as a guide for the local government and other government agencies concerned in provincial development.

The main strategy of the SEP is implemented out in the following manner:

- Forest conservation and protection through the imposition of a total commercial logging ban in all areas of maximum protection and in such other restricted use zones as the Palawan Council for Sustainable Development (PCSD) may provide
- Protection of watersheds
- Preservation of biological diversity
- Protection of tribal people and the preservation of their culture
- Maintenance of maximum sustainable yield
- Protection of rare and endangered species and their habitat
- Provision of areas for environmental and ecological research, education and training
- Provision of areas for tourism and recreation

The law implements the Environmentally Critical Areas Network ("ECAN"), a graded system of protection and development control. This graded system covers tribal lands, forests, mines, agricultural areas, settlement areas, small islands, mangrove, coral reefs, seagrass beds and the surrounding sea. It divides Palawan into a terrestrial zone, coastal/marine zone and tribal lands. The first two are classified further into: a core zone, an area of maximum protection which shall be free of human disruption, and a buffer zone which consists of a restricted use area, which serves as the protective barrier to the core zone; a controlled use area wherein limited extractive activities are allowed and the traditional use area where land use has already been stabilized. For marine zones, the multiple use zone is the development area and serves as the buffer zone to the core. Fishery, mariculture, recreation, rehabilitation of small islands and mangrove ecosystem, education and research are allowed in this area.

Central to the law is the creation of the Palawan Council for Sustainable Development, which serves as governance, implementation and policy director of the SEP. It is composed of the Members of the House of the Representatives representing the province of Palawan, the Deputy Director General of the National Economic and Development Authority, the Undersecretary of Environment and Natural Resources, the Undersecretary for Special Concerns of the Department of Agriculture, the Governor of Palawan, the Mayor of Puerto Princesa City, the President of the Mayor's League of Palawan, the President of the Provincial Chapter of the Liga ng mga Barangay, the Executive Director of the Palawan council for Sustainable Development Staff.

Other Applicable Regulations

Foreign Investment Act

The FIA liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Eleventh Regular Foreign Investment Negative List (the "Negative List") signed on 29 October 2018. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. Likewise, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

Data Privacy Act

Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012 or DPA, was signed into law on August 15, 2012, to govern the processing of all types of personal information (*i.e.,* personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System or ICT, which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the DPA and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The DPA seeks to protect the confidentiality of "personal information," which is defined as "any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual." The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on "personal information controllers" and "personal information processors." It also provides for penal and monetary sanctions for violations of its provisions.

The Philippine Competition Act

Republic Act No. 10667 or the Philippine Competition Act ("PCA") authorizes the Philippine Competition Commission or the PCC to review mergers and acquisitions to ensure compliance with the PCA. The PCA, its Implementing Rules and Regulations, as amended, and the Rules on Merger Procedure (collectively, the "Merger Rules") provide for mandatory notification to the PCC of any merger or acquisition within 30 days of signing any definitive agreement relating to the transaction, where the transaction value exceeds ₱2.2 billion; and where the size of the ultimate parent entity, including the entities directly or indirectly controlled by the ultimate parent entity of either party exceeds ₱5.6 billion. Parties may not consummate a notifiable transaction prior to receiving PCC approval or the lapse of the period stated in the Merger Rules. A merger or acquisition that meets the thresholds under the Merger Rules but was not notified to the PCC, or notified but consummated, in whole or in part, prior to the expiration of the waiting period, is considered void and will subject the parties to a fine ranging from 1% to 5% of the value of the transaction. Anti-competitive agreements, as defined under the law, are subject to penalties that include: (a) a fine of not less than ₱50 million but not more than ₱250 million; and (b) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities that engage in anti- competitive agreements, abuse their dominant position and conclude prohibited mergers and acquisitions. Treble damages may be imposed where the violation involves the trade or movement of basic necessities and prime commodities.

Section 4(eee) of Republic Act No. 11494 or the Bayanihan 2 Act exempts from compulsory notification all mergers and acquisitions with transaction values below ₱50 billion if entered into within two years from the effectivity of Bayanihan 2 Act, or from 15 September 2020. A transaction is considered "entered into" upon signing by the parties of the definitive agreement.

Under the PCC Resolution No. 22-2020 adopting the rules implementing Section 4 (eee) of the Bayanihan 2 Act, mergers and acquisitions shall still be subject to compulsory notification when:

a. both the transaction value and the size of the ultimate parent entity of either party is at least ₱50 billion; and

b. the transaction is entered into prior to the effectivity of the Bayanihan 2 Act and exceeds the thresholds applicable.

Additionally, the Bayanihan Act 2 suspends PCC's power to motu proprio review mergers and acquisitions for one year from the effectivity of the law. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC's power to review transactions motu proprio. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC motu proprio after one year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption from review.

Local Government Code

The Local Government Code ("LGC") establishes the system and powers of provincial, city, municipal, and *barangay* governments in the country. The LGC general welfare clause states that every local government unit ("LGU") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Revised Corporation Code of the Philippines

Republic Act No. 11232, or the Revised Corporation Code, was signed into law on 20 February 2019 and became effective on March 8, 2019. Among the salient features of the Revised Corporation Code are:

a. Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

b. The Code allows the creation of a "One Person Corporation" ("OPC"), which is a corporation composed of a single stockholder, provided that, only natural person, trust or an estate may form such. No minimum authorized capital stock is also required for an OPC, unless provided for under special laws.

c. Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

d. The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws or by a majority of the board of directors. However, as to corporations vested with public interest, the right to vote through such modes, may be exercised notwithstanding the absence of a provision in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and

e. In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

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

REGULATORY FRAMEWORK FOLLOWING THE COMPLETION OF THE ACEIC INTERNATIONAL TRANSACTION

Following the completion of the ACEIC International Transaction, certain projects of the Company may be subject to the laws and regulations of the relevant jurisdictions in which such projects are located.

Overview of Regulatory Framework for Wind Farm Power Plant Projects in Indonesia

Regulation Background

The relevant laws and regulations for a wind farm power plant project ("WFPP") in Indonesia include the following:

- Law No. 30 of 2009 on Electricity, as recently amended by Law No. 11 of 2020 on Job Creation ("Law on Electricity");
- Law No. 32 of 2009 on Environmental Protection and Management, as recently amended by Law No. 11 of 2020 on Job Creation ("Law on Environment");
- Law No. 25 of 2007 on Investment, as recently amended by Law No. 11 of 2020 on Job Creation ("Law on Investment");
- Law No. 40 of 2007 on Limited Liability Company, as recently amended by Law No. 11 of 2020 on Job Creation ("Law on Company");

- Law No. 41 of 1999 on the Forestry, as amended by Law No. 19 of 2004 and partly revoked by Law No. 18 of 2013 and, as recently amended by Law No. 11 of 2020 on Job Creation ("Law on Forestry");
- Law No. 2 of 2017 on Construction Services, as recently amended by Law No. 11 of 2020 on Job Creation;
- Government Regulation No. 21 of 2021 on Implementation of Spatial Layout;
- Government Regulation No. 22 of 2021 on Implementation of Environmental Protection and Management;
- Government Regulation No. 23 of 2021 on Forestry Implementation ("Government Regulation 23")
- Government Regulation No. 25 of 2021 on Implementation in Energy and Mineral Resources Field;
- Minister of Energy and Mineral Resources ("MEMR") Regulation No. 39 of 2018 regarding Electronically Integrated Business Licensing Services in the Field of Electricity ("MEMR Regulation 39-2018");
- Government Regulation No. 14 of 2012 on Power Supply Business Activities, as amended by Government Regulation No. 23 of 2014 ("Government Regulation 14");
- MEMR Regulation No. 50 of 2017 regarding the Utilization of Renewable Energy Sources for Electricity Supply, as amended lastly by MEMR Regulation No. 4 of 2020 ("MEMR Regulation 50-2017");
- MEMR Regulation No. 001 of 2006 on the Procedure of Purchase of Electricity and/or Lease of Network in Procurement of Electricity for Public Interest, as amended by MEMR regulation No. 004 of 2007 and partly revoked by MEMR Regulation No. 19 of 2017 and MEMR Regulation 50- 2017;
- MEMR Regulation No. 27 of 2018 on Compensation for Land, Buildings and/or Plants Located under Electrical Transmission Network Free Spaces;
- Presidential Regulation No. 1044 of 2021 on Line of Business on Investment ("Investment List");
- Head of National Land Agency (*Badan Pertanahan Nasional* – "BPN") Regulation No. 17 of 2019 regarding Location Permits, as amended by Head of BPN Regulation No. 13 of 2020 ("Head of BPN Regulation 17-2019")
- Minister of Environment and Forestry ("MOEF") Regulation No. P.38/MENLHK/SETJEN/KUM.1/7/2019 on Types of Planned Businesses and/or Activities Subject to Mandatory Environmental Impact Assessment ("Regulation 38-2019");
- MOEF Regulation No. P.26/MENLHK/SETJEN/KUM.1/7/2018 regarding the Guidelines on the Preparation and Assessment as well as Evaluation of Environmental Documents in the Implementation of Electronically Integrated Business Licensing Services; and
- MOEF Regulation No. P.27/MENLHK/SETJEN/KUM.1/7/2018 regarding the Guidelines on the Borrow and Use of Forestry Area, as amended by MOEF Regulation P.7/MENLHK/SETJEN/KUM.1/2/2019 ("MOEF Regulation 27-2018").

This section sets out the overall regulatory framework and the main business licenses applicable to WFPPs in Indonesia. This section is not intended to set out a comprehensive review of all of the different regulations, regulatory requirements or licenses/permits applicable to Indonesian WFPPs. Additional regulatory requirements (as well as the obligation to obtain additional technical and/or operational licenses) may apply based on the specific activities, operating procedures and utilized equipment of a project company. For example, specific construction activities, manpower arrangements, use or development of ancillary facilities (such as roads and ports) and hazardous waste arrangements are subject to separate regulatory requirements outside the scope of this section.

General Corporate Documents and Licenses

Based on the Law on Company, among the general corporate documents applicable for a newly established company involved in a WFPP is the Deed of Establishment and any amendments thereto, together with the relevant approval and notification receipts from the Minister of Law and Human Rights.

With regard to general business licenses, the relevant mandatory licenses include the company's tax related licenses.

Company Registration

Foreign investment companies (Penanaman Modal Asing or the "PMA company/ies") are generally allowed to engage in the business of electricity supply for the public interest and electricity power generation under the Law on Electricity but subject to business activities closed to foreign ownership under the Investment List.

A Business Registration Number (Nomor Induk Berusaha - "NIB") is an identity number for Indonesian business entities issued by the Online Single Submission ("OSS") system following the registration of such business entity in the OSS system. An NIB also serves as a company's Company Registration Certificate (Tanda Daftar Perusahaan), Importer Identification Number (Angka Pengenal Importir) and customs access right (nomor induk kepabeanan). Business entities with an NIB are also automatically registered with the national healthcare and employment social security schemes (Badan Penyelenggara Jaminan Sosial). The requirement to obtain an NIB through the OSS system also applies to business entities which were established prior to the establishment of the OSS system in 2018. The registration of an Indonesian PMA company is generally evidenced by its NIB.

Under the Law on Investment, a PMA company engaged in a WFPP must have an NIB with a classification of "electricity generation." The "electricity generation" business classification for WFPPs, in turn, is separated into two (2) different categories under the Investment List, as follows:

a. electricity generation of less than 1MW (which is allocated to local cooperatives and local micro, small and medium-scale business only – where such business involves simple technology, having specific process/labor intensive/cultural heritage and/or having capital of no more than Rp 10 billion); and

b. electricity generation of equal to or more than 1MW (which generally allows for foreign ownership up to 100%).

Operational Licenses

Under the Law on Electricity and its implementing regulations, a company engaged in the development of a WFPP must secure a Business License in the form of an Electricity Supply Business License (Izin Usaha Penyedia Tenaga Listrik or the "IUPTL"), which is its main business license.

<u>IUPTL</u>

As a requirement for the supply of electricity to PT PLN (Persero) ("PLN"), a project company is required to secure an IUPTL, as its Business License, issued by MEMR (or by its delegated authority). The IUPTL is granted for up to 30 (thirty) years and can be extended.

Pursuant to MEMR Regulation 39-2018, MEMR, in the framework of electronically integrated business licensing services, has delegated to the OSS system its authority to grant several licenses, including IUPTLs. Therefore, an application to obtain an IUPTL must be submitted through the OSS system and the IUPTL will be issued by the OSS system for and on behalf of MEMR.

In order for an IUPTL issued through the OSS system to become effective, certain administrative and technical requirements are required to be complied with by the project company. These include, among others, MEMR approval of the selling price of electricity, a copy of the relevant Power Purchase Agreement entered into with PLN and evidence of the financial capabilities of the project company.

<u>Operational Feasibility Certificate</u>

After the commissioning test of a WFPP, MEMR Regulation 39-2018 requires the power plant to undergo inspection and testing for the purpose of obtaining an Operational Feasibility Certificate (Sertifikat Laik Operasi) issued through the OSS system, which will certify the fitness of the electricity installation and formally recognize that the power plant is ready to commence operations.

Environmental and Forestry Licenses

<u>Environmental Approval</u>

An environmental approval is required to be secured with respect to the construction of a WFPP. In case of a WFPP with capacity of equal to or more than 50MW, Regulation 38-2019 categorizes the construction thereof as an activity that requires an Environmental Impact Assessment (*Analisis Mengenai Dampak Lingkungan Hidup* or the "AMDAL"). However, if the capacity of the WFPP is less than 50MW, then it would instead be required to have an Environmental Management Effort-Environmental Monitoring Effort (*Upaya Pengelolaan Lingkungan Hidup-Upaya Pemantauan Lingkungan Hidup*) document. The AMDAL is a document which consists of an Environmental Impact Assessment Report (*Analisa Dampak Lingkungan Hidup* or the "ANDAL"), an ANDAL Terms of Reference Form (*Formulir Kerangka Acuan Analisa Dampak Lingkungan Hidup* or the "KA-ANDAL"), an Environmental Management Plan (*Rencana Pemantauan Lingkungan* or the "RPL") and an Environmental Monitoring Plan (*Rencana Pengelolaan Lingkungan* or the "RKL").

The approval process of the AMDAL includes the project company's preparation and submission of a KA- ANDAL to the AMDAL Valuation Committee for approval. The AMDAL documents must then be prepared and eventually submitted to the MOEF or Head of Regional Government (Governor or Regent/Mayor), as applicable. The Environmental Approval, in the form of Environmental Feasibility Approval, will state that the business activities are feasible for the environment, the obligations of the project company and the validity of the approval, among others.

<u>Forestry Area Utilization Approval, if applicable</u>

Under the Law on Forestry and Government Regulation 23, a Forestry Area Utilization Approval is mandatorily required to be obtained if a project company is to carry out electricity business in an area which has been categorized as "production forest" or "protection forest" (together, the "Forest Zones"). The Forestry Area Utilization Approval can be issued to a company conducting activity in a Forest Zone for the period equal to the validity period of the business License (*i.e.*, in this case, the IUPTL). The conditions attaching to a Forestry Area Utilization Approval, in the form of a Borrow and Use Permit can be extensive (including the obligation to comply with financial and land compensation requirements). In accordance with MOEF Regulation 27-2018, an application to obtain a Borrow and Use Permit must be submitted by the management of the relevant project company (which has obtained an NIB) to the MOEF through the OSS system.

Land Arrangements

Location Permit

Under Head of BPN Regulation 17-2019, a Location Permit is required to be secured by the project company in order to be allowed to acquire a certain land area and apply for the relevant land title in respect of such land in accordance with Regional Spatial Layout Plan. A Location Permit will typically be based on a commitment from its holder to obtain additional approvals. If the land acquisition process cannot be completed within the initial period provided in the Location Permit (of up to 3 years), the Location Permit can be extended for a one (1) year period, provided the holder of the Location Permit has acquired at least 50% of the total land area specified in the Location Permit at the time of extension.

A PMA company can only acquire land within the area indicated in the Location Permit issued in its favor. Based on Head of BPN Regulation 17-2019, Location Permits are applied for and issued through the OSS system. For purposes of a WFPP, it is necessary that the Location Permit specifically allows for electricity business activities, among others, to be carried out on that land. The Location Permit is different from and separate to the actual underlying land title.

Land rights applicable to a WFPP

While there are different kinds of registered land titles in Indonesia, the most relevant for an IUPTL holder is a 'right to build' (hak guna bangunan or the "HGB"). The HGB gives the holder the right to own and use land and to erect and/or possess buildings and installations on the land. HGB certificates are issued to evidence the ownership of this type of title. Usually, an HGB is for a period of up to 30 years and extendable for maximum periods of 20 years per extension.

Electricity Tariffs and Power Purchase Agreements with PLN

Pursuant to MEMR Regulation 50-2017, for Indonesian WFPPs, the relevant electricity sale pricing shall be determined as follows:

a. up to 85% of the local grid average national PLN electricity supply cost (biaya pokok penyediaan pembangkitan -"BPP"), if the local grid BPP is higher than the national BPP; or

b. based on mutual agreement between PLN and the independent power producer, if the local grid BPP is less than or equal to the national BPP.

The electricity price based on the above pricing mechanism must obtain an electricity price approval from MEMR which must be applied by PLN to the MEMR at the latest 5 business days as of the completion of the independent power producer procurement process. This process will be managed through the co-operation of PLN during the negotiation of the terms of the power purchase agreement.

Overview of Regulatory Framework for Renewable Solar/Wind Power Plant Projects in Vietnam

Relevant laws and regulations

General (applicable to all power projects)

- Investment Law No. 61/2020/QH14 passed by the National Assembly ("Investment Law")
- Decree No. 31/2021/ND-CP dated 26 March 2021as the implementing regulations of the Investment Law
- Electricity Law No. 28/2004/QH11 dated 3 December 2004 passed by the National Assembly (as amended by Law No. 24/2012/QH13 dated 20 November 2012) ("Electricity Law")

- Decree No. 137/2013/ND-CP dated 21 October 2013 implementing the Electricity Law (as amended by Decree No. 08/2018/ND-CP)
- National Power Master Plan VII (amended) for the period 2011—2020 approved by the Prime Minister under Decision 428/QD-TTg dated 18 March 2016 ("Power Master Plan VII"). Power Master Plan VII aims to increase solar power capacity from the current almost zero to 850MW by 2020 and 12,000MW by 2030
- Land Law No. 45/2013/QH13 dated 29 November 2013 passed by the National Assembly (as amended by Law No. 35/2018/QH14) ("Land Law")
- Decree No. 43/2014/ND-CP dated 15 May 2014 implementing the Land Law (as amended by Decree No. 01/2017/ND-CP and Decree No. 148/2020/ND-CP)
- Construction Law No. 50/2014/QH13 dated 18 June 2014 passed by the National Assembly (as amended by Law No. 03/2016/QH14 dated 22 November 2016 passed by the National Assembly and by Law No. 35/2018/QH14) (as amended by Law on Amendment to Construction Law No. 62/2020/QH14 dated 17 June 2020 as from 1 January 2021) ("Construction Law")
- Decree No. 44/2015/ND-CP dated 6 May 2015 on detailed regulations on construction planning (as amended by Decree 72/2019/ND-CP)
- Consolidated Document No. 07/VBHN-BXD dated 22 November 2019 on detailed regulations on construction planning
- Decree No. 15/2021/ND-CP dated 3 March 2021 on management of construction investment projects ("Decree 15")
- Consolidated Document No. 02/VBHN-BXD dated 20 July 2018 on management of construction investment projects
- Circular No. 03/2016/TT-BXD dated 10 March 2016 issued by the Ministry of Construction ("MOC") ("Circular 3") (as amended by Circular 07/2019/TT-BXD dated 7 November 2019)

Grid-connected solar power projects

- Circular No. 18/2020/TT-BCT dated 17 July 2020 issued by the Ministry of Industry and Trade ("MOIT") on project development and model power purchase agreements for solar power projects ("Circular 18")

Grid-connected wind power projects

- Decision No. 37/2011/QD-TTg dated 29 June 2011 issued by the Prime Minister on mechanism to support in development of wind power projects in Vietnam (as amended by Decision No. 39/2018/QD-TTg)
- Consolidated Document No. 05/VBHN-BCT dated 1 August 2019 issued by the MOIT on mechanism to support in development of wind power projects in Vietnam
- Circular No. 02/2019/TT-BCT dated 15 January 2019 issued by the MOIT on wind power project development and model power purchase agreements for wind power projects

Environment; Firefighting and Fire Prevention

- Law on Environmental Protection No. 55/2014/QH13 dated 23 June 2014 passed by the National Assembly (to be replaced by Law on Environmental Protection No. 72/2020/QH14 dated November 17, 2020 as from January 1, 2022) ("Law on Environmental Protection")

- Decree No. 18/2015/ND-CP dated 14 February 2015 on environmental protection planning, strategic environmental assessment, environmental impact assessment and environmental protection plans (as amended by Decree No. 40/2019/ND-CP dated May 13, 2019)
- Law on Firefighting and Fire Prevention No. 27/2001/QH10 dated 29 June 2001 passed by the National Assembly (as amended by Law No. 40/2013/QH13 dated 22 November 2013)
- Decree No. 136/2020/NP-CP dated November 24, 2020 providing guidelines for the amended Law on Firefighting and Fire Prevention No. 40/2013/QH13 ("Decree 136")

Enterprise Registration Certificate

The enterprise registration certificate is a license issued by the provincial Planning and Investment Department certifying the incorporation of a project company. The enterprise registration certificate generally contains the following information:

- name and enterprise number of the project company
- address of the project company's head office
- information of the legal representative of the project company
- information of the owner/members of the project company (applicable to a limited liability company only)
- charter capital of the project company

Inclusion in power master plan

A proposed solar/wind power project must be included in the provincial (general) power development master plan or the national (general) power development master plan, or the provincial solar/wind power development master plan or the national solar/wind power development master plan. To have a project included in such master plans, the project proponent must first conduct a preliminary feasibility study for the project, which should include, among others, the description of the project: proposed location, construction scale and area, construction items, relevant contents of industry master plan and local construction master plan, need for the project and its advantages and disadvantages, total investment capital, source of funds, capacity of project proponent to mobilize funds, project implementation schedule, analysis of economic, financial and social efficiency, plan for land using, land clearance and compensation, environmental impact assessment, fire fight and fire prevention plan and other requirements in respect of national defense and public security (if any) and plan for supports in construction of technical infrastructure ("Pre-FS").

As a matter of procedure, the Pre-FS should then be submitted to and reviewed by the Energy General Department (for inclusion in the national solar/wind power development master plan) or submitted to relevant provincial Department of Planning and Investment and then forwarded to the Energy General Department for review (for inclusion in the provincial solar/wind power development master plan).

The Prime Minister has issued Decision 1264/QD-TTg on October 01, 2019 approving the mission of preparation of the national electricity development planning for the period 2021-2030 ("National Master Plan VIII") in order to replace the National Master Plan VII. Pending the issuance of the National Master Plan VIII, currently, a proposed solar/wind power project, regardless its capacity, needs to be approved by the Prime Minister.

In-principle approval for investment

Upon inclusion in the relevant power master plan, the project proponent, in accordance with the Investment Law, must apply for in-principle approval for investment with:

- the National Assembly—in the case of (i) a project which seriously affects or may seriously affect the environment; (ii) a project involving the conversion of land use purpose for wet rice dual harvest cultivation in an area of 500 hectares or more; (iii) a project involving the relocation and resettlement of 20,000 people or more in mountainous areas or 50,000 people or more in other areas; or (iv) a project requiring the application of a special mechanism or policy which should be decided by the National Assembly;
- the Prime Minister—in case of a project involving the relocation and resettlement of 10,000 people or more in mountainous areas or 20,000 people or more in other areas; or
- the People's Committee—in case of (i) a project to which the State allocates or leases land without auction, tendering or transfer; (ii) a project requiring the conversion of land use purpose; or (iii) a project of foreign investors and foreign-invested business entities executed on islands or in border or coastal communes, or in other areas affecting national defense and security.

The *in-principle approval for investment* is necessary for and will enable the project proponent to apply for an investment registration certificate

Investment Registration Certificate

Within five working days from the issuance date of the in-principle approval for investment, the provincial Department of Planning and Investment ("DPI") will issue an investment registration certificate ("IRC") to the project company in accordance with the Investment Law. The IRC is the official document recording the right of the project proponent to invest in and implement the solar/wind power project.

Under the Investment Law, generally, the term of an investment project is 50 years. The term of an investment project to be implemented in areas with specially difficult socio-economic conditions or an investment project with large investment capital but slow capital recovery may be longer but shall not exceed 70 years.

Land Clearance and Compensation Process; Land Lease

The project proponent may proceed with the land clearance and compensation process with respect to the project land upon receipt of the in-principle approval for investment.

Upon completion of the land clearance process, the project company may then proceed with the application for a land lease decision to be issued by the People's Committee and for the People's Committee to sign a land lease agreement.

1/500 Master Plan

The project proponent submits a proposed detailed (1/500) construction master plan of the solar/wind power plant for appraisal by the provincial People's Committee. The approved 1/500 construction master plan is a basis for the project company to prepare the dossier and to obtain a construction permit.

Construction permit

After a land lease decision, land lease agreement and 1/500 construction master plan are secured, the project company may then apply for a construction permit from the provincial Department of Construction in accordance with the Construction Law. Upon issuance of the construction permit, the project company must then commence construction work within 12 months thereafter. The 12-month construction deadline can be extended twice for a period of additional 12 months each in accordance with the Construction Law.

Land use right certificate

The land use right certificate ("LURC") is the prima facie evidence of title to land use rights. The LURC will be issued in favor of the project company by the provincial People's Committee or its authorized land division after the land lease agreement is executed and rent obligations to the government are fulfilled. It has the same term as the land lease agreement.

Feasibility Study and Technical design approval

In terms of construction and pursuant to the Construction Law (including Decree 59 and Circular 3), another part of the process is the submission of a feasibility study ("FS") for appraisal by: (i) the Department of Construction or the specialized construction management Department for a project with a capacity of up to 30MW; or (ii) the specialized construction management agency of the MOC or the specialized construction management Ministry for a project with a capacity of more than 30MW.

The FS should contain the basic design, among others. Upon approval of the basic design and the FS, the project company must then prepare a more detailed technical design, which will be evaluated and approved by: (i) the Department of Construction or the specialized construction management Department for a project with a capacity of up to 30MW; or (ii) the specialized construction management agency of the MOC or the specialized construction management Ministry for a project with a capacity of more than 30MW.

Electricity contracts and licenses

The following agreements/licenses must be secured by the project company for a solar/wind power project with various divisions of EVN:

- the Power Purchase Agreement (PPA);
- the Grid Connection Agreement;
- the SCADA/EMS (DMS) Agreement;
- the Load Dispatch Information System Agreement; the Protective Relay System Agreement;
- the Metering Agreement; and
- the Electricity Operation License.

The agreements are typically negotiated with the EVN or its relevant divisions during the FS process.

Environment impact assessment

The solar/wind power project company which uses land with a total area of 200 hectares or more must also prepare the Environmental Impact Assessment Report ("EIAR") during the preparation of the basic design for the FS. The EIAR will then be submitted to and evaluated and approved by either the Ministry of Natural Resources and Environment ("MONRE") or the provincial People's Committee depending on the scale and sector of the project pursuant to the Law on Environmental Protection. The investor is required to re- prepare an EIAR in cases (i) the investment project does not commence operation within 24 months from the date on which the EIAR is approved; or (ii) the increase of the investment project's scale and capacity or change in technology to increase negative impacts on the environment compared to the approved EIAR.

The solar/wind power project company which (i) uses land from 50 hectares to under 200 hectares; or (ii) during its operation, generates wastewater from 20 m3/day or more, or discharges solid waste from one ton/day, or waste gas from 5,000 m3/hour or more, must register the environmental protection plan with the local environmental authorities.

Fire Prevention and Firefighting design approval and implementation

Pursuant to Decree 136 and as part of the requirements for issuance of the construction permit, the project company must also submit its Fire Prevention and Firefighting (“FPFF”) design to the Police Department of Fire Prevention and Firefighting (“Fire Department”) for appraisal and approval.

As required by Decree 136, after completion of construction works, but before operations, the project company must also have the Fire Department certify that the construction works are built in accordance with the FPFF design approval.

Overview of Electricity Regulatory Framework for Wind Farm Project in Tasmania & Solar Farm Project in New South Wales, Australia

Electricity generation and connection approvals

A project company who wishes to supply electricity from a wind farm project in Tasmania or solar farm project in New South Wales (“NSW”) is required to register as a Market Participant with the Australian Energy Market Operator (“AEMO”) under the National Electricity Law (“NEL”). In addition, a generator must liaise with the relevant transmission or distribution network supplier to connect to the electricity transmission network under a process set out in the National Electricity Rules (“NER”), which is overseen by AEMO.

In Tasmania, a company must also secure a license from the Tasmanian Economic Regulator (“TER”).

Registration as a Participant with AEMO

Under the NEL, a person who will engage in the activity of owning, controlling or operating a generating system connected to the interconnected transmission or distribution system in the National Electricity Market (“NEM”) is required to be a registered participant with AEMO, unless an exemption applies. The transmission and distribution systems in both Tasmania and NSW are part of the NEM.

To be a registered participant, such a person must register within a particular category with AEMO. In case of generation, such a person is required to register with AEMO in the “Generator” category before commencing operation of any generation facilities.

The process for registration and requirements for applicants are outlined in the NER. The applicant must, among other matters, satisfy AEMO that it is (and will continue to be) able to fulfill the financial obligations relating to market participants and has demonstrated an ability to comply with the NER.

License for generation of electricity in Tasmania

In addition, a person wishing to carry on operations in the electricity supply industry in Tasmania, including generating electricity from a wind farm project, is required to secure, a license in Tasmania as a generator under the Electricity Supply Industry Act 1995 (Tasmania). This license is in addition to registration as a Market Participant with AEMO.

The project company should file a license application with the TER, specifying the information required by TER in the applicable form. In addition, the application must, among other matters, identify the officers and major shareholders, if applicable, of the project company, contain the details of the proposed generating plant and details relating to the generator’s connection to the relevant the transmission system or distribution network, and such any other relevant information requested by TER.

Connection to transmission network

The NER provides for the procedure for connection to a transmission network or a distribution network and access to the national grid. This procedure is overseen by AEMO.

To be able to connect, the project company is required to submit an application to connect and enter into a connection agreement with a network service provider prior to being connected to the network.

On receipt of a connection inquiry, a network service provider must, in accordance with the system strength impact assessment guidelines, undertake a system strength impact assessment of each proposed new connection of a generating system. The network service provider must then proceed to prepare an offer to connect and accept with a specific period, which should also contain the relevant terms and conditions for connection.

If the network service provider determines that an application will have an adverse system strength impact as part of its assessment, it can require as a condition of connection that the applicant participate in a system strength remediation scheme. This may include installation of plant or undertaking other works to augment the capacity of the transmission network.

Once it has received an offer to connect, the project company then has the opportunity negotiate and enter into a connection agreement with the relevant network service provider. The timing of the connection process is heavily dependent on the specific nature of the connection and features of the relevant parts of the transmission or distribution network. AEMO guidelines suggest that the entire process could a number of years, but could also be much shorter (for example, 10 months) in the case of less complicated connections.

Overview of Electricity Regulatory Framework for Solar Projects in Gujarat and Rajasthan, India

Central Regulatory Framework

The Electricity Act 2003, as amended from time to time[10] (the "**Electricity Act**"), primarily governs the regulatory framework of the solar power sector in India. The Electricity Act has created several independent regulatory agencies for the electricity sector, namely, the Central Electricity Regulatory Commission ("**CERC**"), the State Electricity Regulatory Commissions ("**SERCs**"), Appellate Tribunal for Electricity ("**APTEL**"), the Central Electricity Authority ("**CEA**"), regional and national load dispatch centres, regional power committees, central transmission utility ("**CTU**") and the state transmission utilities ("**STUs**"). The electricity sector is also regulated through several laws and regulations framed by the CERC, SERC and orders issued by the CERC, SERCs, the APTEL, along with other policies adopted by the Government of India ("**GoI**") and the relevant State Governments.

The CERC mainly regulates and determines tariff for generation and inter-state power supply or inter-state transmission and is also responsible for issuance of transmission licenses. CERC also adjudicates disputes involving generation companies, distribution licensees or inter-state transmission licensees. SERCs determine tariffs for generation, distribution and transmission of power within a state, regulate the power procurement process of distribution licensees, issue distribution and transmission licenses and regulate intra-state electricity transmission, along with adjudication of disputes involving generation companies, distribution licensees or intra-state transmission licensees.

The CEA acts as an advisory body to the GoI with regard to technical matters concerning generation, transmission and distribution, which also includes prescribing grid standards for operation and

10 Please note that the Electricity Act is proposed to be amended *vide* the Electricity (Amendment) Bill, 2021, which is currently pending before the Parliament of India.

maintenance of transmission lines. APTEL, which has the appellate power under the Electricity Act, acts in a superintending role over regulators. The CTU is a government owned company which operates majority of the inter-state/inter-regional transmission networks in India. Likewise, STUs are government owned companies appointed at the state level and both, the CTU and the STUs provide connectivity to generators and ensure development of the transmission lines. Lastly, to ensure optimum scheduling and dispatch of electricity in terms of the relevant grid code, load dispatch centres are established under the Electricity Act at the national, regional and state levels.

The Electricity Act also mandated the GoI, in consultation with the State Governments and the CEA, to prepare a national electricity policy and a tariff policy. Accordingly, the GoI issued the national electricity policy in 2005 ("**NEP**") and a tariff policy in 2006 which was replaced by the tariff policy of 2016 ("**Tariff Policy**"). The NEP aims at laying guidelines for accelerated development of the power sector, providing electricity to all areas and protecting interests of consumers, keeping in view the availability of energy resources, the technology available to exploit these resources, economics of generation using different resources and energy security issues. The Tariff Policy provides for guidelines for the development of the power sector, to attract investments in the power sector and to ensure reasonable charges for the consumers. The Tariff Policy also provides, among others, guidance to the regulatory bodies in framing the tariff regulations and encourages competitive procurement of power.

Forecasting and Scheduling

In March 2015, the CERC published its proposed 'Framework for Forecasting, Scheduling and Imbalance Handling for Wind & Solar Generating Stations at Inter-State Level' according to which renewable energy forecasting was required to be done by both, the renewable energy generatorand the concerned load dispatch centre. Further, under the deviation settlement mechanism ("**DSM**"), load serving entities are charged with penalties for deviations from requested day-ahead schedules and generators are charged for deviations from committed day-ahead schedules.

Tariff Determination

The Electricity Act provides for the procedures for two types of tariff determination. The first is when tariff is determined by the CERC or the relevant SERC through negotiated power purchase agreements ("**PPAs**") with the distribution licensees, which should be approved by the CERC or the relevant SERC, as the case may be. The second way to discover tariff is through a competitive bidding conducted in accordance with the competitive bidding guidelines issued by the GoI. The standard bidding guidelines were issued by the Ministry of Power under Section 63 of the Electricity Act in 2017 for tariff-based competitive bidding processes, for procurement of power from grid-connected solar PV projects and wind power projects.

Introduction of the Basic Customs Duty

The Ministry of New and Renewable Energy, GoI ("**MNRE**") issued an office memorandum dated 9 March 2021 ("**MNRE OM**"), whereby the acceptance by the Ministry of Finance, GoI of the MNRE's proposal to impose basic customs duty ("**BCD**") on solar cells and solar modules (without grandfathering of bid out projects) was notified. The MNRE OM states that with the objective of developing India's domestic solar manufacturing capacities and to reduce India's dependence on imports, a BCD of 40% will be leviable on imported solar modules and 25% on imported solar cells, with effect from 1 April 2022.

The MNRE OM also clarifies that imposition of the BCD will not be considered as a 'change in law' event for any bids, with bid submission dates falling subsequent to the date of the MNRE OM.

SC Order for Protection of the Great Indian Bustard

In *M.K. Ranjitsinh v. Union of India*[11], the Supreme Court of India ("**SC**") issued an order dated 19 April 2021, which contained directions to the Government of Rajasthan ("**GoR**") and Government of Gujarat ("**GoG**") to ensure protection of the priority and potential habitats of the Great Indian Bustard ("**GIB**") (which is on the verge of extinction), as identified by the Wildlife Institute of India. The SC order noted the impact of overhead power transmission lines on the health and habitat of birds that die due to collision with power lines, particularly the GIB. Certain mitigation measures were issued as directions to the GoR and GoG by SC, which included the following:

- The GoR and GoG are required to take steps to install bird divertors on overhead power lines that currently exist in the priority and potential habitats of the GIB.
- Low voltage overhead power lines existing presently in the priority and potential habitats of GIB will be converted into underground power lines. All low voltage power lines to be laid in the priority and potential habitats of GIB, in all cases will be laid underground in the future.
- Laying of high voltage underground power lines would require expertise for feasibility assessment and therefore, a committee was constituted by the SC for such purpose. The committee may obtain technical reports from experts in the field of electricity supply or assistance of the GoI to arrive at a decision, if required. If the GoR and GoG face feasibility issues while laying underground power transmission lines, they should refer the matter to the committee with the relevant details.
- Where converting the overhead power lines into underground power lines is feasible, the GoR and GoG are required to complete such conversion within one year. Till such conversion is completed, the bird divertors should be hung from the existing power lines.

<u>Regulatory Framework in Gujarat</u>

The regulatory framework governing the solar energy sector in Gujarat comprises the Electricity Act and the rules thereunder, regulations framed by the Gujarat Electricity Regulatory Commission ("**GERC**") under the Electricity Act, orders passed by the GERC and policies formulated by the GoG.

Pursuant to enactment of the Electricity Act, the erstwhile Gujarat State Electricity Board was unbundled and reorganized into the following separate generation, distribution and transmission companies:

(i) Generating company: Gujarat State Electricity Corporation Limited;

(ii) Transmission company: Gujarat Energy Transmission Corporation Limited ("**GETCO**"); and

(iii) Distribution companies ("**Discoms**"): (a) Dakshin Gujarat Vij Company Limited; (b) Madhya Gujarat Vij Company Limited; (c) Uttar Gujarat Vij Company Limited; and (d) Paschim Gujarat Vij Company Limited.

Further, Torrent Power Limited is a private distribution licensee in Gujarat which operates in Surat, Ahmedabad, Gandhinagar and Dahej.

GETCO is the designated STU and is responsible for developing and providing access to the transmission system within the state of Gujarat, whereas the Discoms are responsible for the distribution and retail supply of electricity to consumers in their respective distribution areas. The GoG has also established the Gujarat Energy Development Agency ("**GEDA**") as the nodal agency to promote the development of renewable energy generation plants, including solar power plants.

[11] I.A. No. 85618 of 2020 in Writ Petition (Civil) No. 838 of 2019

The GoG has established a holding company, Gujarat Urja Vikas Nigam Limited ("**GUVNL**"), which is given the right to trade in electricity *i.e.*, purchase power from various sources for onward sale to the four Discoms. GUVNL executes the PPAs with power producers and subsequently sells such power purchased to the Discoms.

Gujarat Solar Policy

The GoG issued the Gujarat Solar Power Policy, 2015 ("**Gujarat Policy 2015**"), under which, GEDA is the nodal agency responsible for *inter alia*, facilitation of implementation of solar power projects in Gujarat.

The Gujarat Policy 2015 is superseded by the Gujarat Solar Policy 2021 dated 29 December 2020 ("Gujarat Policy 2021"). The solar power systems installed and commissioned during the operative period of the Gujarat Policy 2021, i.e. from the date of its notification, 29 December 2020 to 31 December 2025, are eligible for the benefits and incentives declared under the Gujarat Policy 2021, for a period of 25 years from their date of commissioning or for the lifespan of the solar power system, whichever is earlier, if registered with GEDA as per the Gujarat Policy 2021.

Deviation Settlement Mechanism

The GERC (Forecasting, Scheduling, Deviation Settlement and Related Matters for Solar and Wind Generation Sources) Regulations, 2019 ("Gujarat F&S Regulations") apply to every wind and solar power generator having a combined installed capacity of 1 MW and connected to the state grid, whether independently or through pooling substations and generating power for self-consumption or for sale within or outside the state. The GERC notified the Gujarat F&S Regulations with an objective to facilitate large scale grid integration of wind and/or solar power generating stations and grid security through forecasting, scheduling and commercial mechanism for deviation settlement of the generators.

Interconnectivity

In order to connect its solar project to the state grid, a solar power developer will be typically required to enter into a connection agreement with the STU, which sets out the terms relating to a connection and/or use of the intra-state transmission system. Any applicant seeking to establish a new connection to and/or use an existing transmission system is required to submit an application to the STU/Discom for connection to the state grid in accordance with the procedure set out in the GERC (Gujarat Electricity Grid Code) Regulations, 2013.

<u>Regulatory Framework in Rajasthan</u>

The regulatory framework governing the solar energy sector in Rajasthan comprises the Electricity Act, regulations framed by the Rajasthan Electricity Regulatory Commission ("RERC") under the Electricity Act, orders passed by the RERC and policies formulated by the GoR.

Pursuant to enactment of the Electricity Act, the erstwhile Rajasthan State Electricity Board was reorganized and the following companies were formed:

(i) Generating company: Rajasthan Rajya Vidyut Utpadan Nigam Limited;

(ii) Transmission company: Rajasthan Rajya Vidyut Prasaran Nigam Limited ("**RRVPNL**"); and

(iii) Discoms: (a) Jaipur Vidyut Vitran Nigam Limited; (b) Jodhpur Vidyut Vitran Nigam Limited; and (c) Ajmer Vidyut Vitran Nigam Limited.

RRVPNL is the designated STU and is responsible for developing and providing access to the transmission system within the state of Rajasthan. The Discoms are responsible for the distribution and retail supply of electricity to consumers in their respective distribution areas. The GoR has also established the Rajasthan Renewable Energy Corporation Limited ("**RRECL**") as the nodal agency to promote the development of renewable energy generation plants, including solar power plants and facilitate energy conservation in Rajasthan.

Rajasthan Solar Policy

The GoR issued the Rajasthan Solar Energy Policy, 2019 ("Rajasthan Solar Policy"), which is applicable to all grid connected solar power projects in Rajasthan, including grid connected solar rooftop projects and off-grid solar projects. Under the Rajasthan Solar Policy, RRECL is designated as the nodal agency, responsible for inter alia, facilitation of the implementation of solar power projects. All the projects installed in the state are required to be registered with RRECL under the Rajasthan Solar Policy. The Rajasthan Solar Policy also provides for various incentives/benefits for solar power projects.

Deviation Settlement Mechanism

The RERC (Forecasting, Scheduling, Deviation Settlement and Related Matters for Solar and Wind Generation) Regulations, 2017 ("Rajasthan F&S Regulations") apply to, inter alia, every solar power generator supplying power to Discoms in Rajasthan having individual or combined capacity of 5 MW, whether connected to the state grid independently or through pooling substations and/or solar park, or connected to the state grid through a pooling substation and/or solar park with a total capacity of 5 MW. For shortfall in generation and excess generation as against the schedule provided to the state load despatch centre, deviation charges as set out in the Rajasthan F&S Regulations are required to be paid.

Interconnectivity

In order to connect to the state grid, a solar power developer will be typically required to enter into connection agreements with the STU, which sets out the terms relating to a connection and/or use of the intra-state transmission system. Also, as per the RERC (Rajasthan Electricity Grid Code) Regulations 2008, in order to establish a new connection for the use of RRVPNL's (i.e. the STU's) transmission system, a generating company has to apply to RRVPNL in accordance with the procedure set out by RRVPNL.

Applicable Permits and Consents[12]

Development of solar projects in Gujarat and Rajasthan requires permits and consents from relevant government authorities, either at the central or the state level, as set out below.

S.no.	**Consents and approvals**	**Particulars**
(A)	Applicable permits for solar projects	
1.	Registration of the solar power project	Solar power projects are required to be registered with the state nodal agencies, GEDA in Gujarat for availing incentives and RRECL in Rajasthan, as applicable.

12 Permits which are required to be obtained for carrying out the general business of a project company and which are not specific to the solar power projects, i.e. tax related registrations, shops and establishment registration, employees' state insurance, employees provident fund, corporate approvals, etc., have not been included in this section.

S.no.	Consents and approvals	Particulars
2.	Approvals for overhead transmission lines	Prior to construction by a project company of overhead transmission lines (with voltage exceeding 11kv and outside the premises in its control), the approval from the CEA is required as per Section 68 of the Electricity Act.
3.	Clearance from the Power and Telecommunication Coordination Committee (“**PTCC**”)	A clearance from the PTCC is required to be obtained to ensure safety of the personnel and telecom equipment as per Section 160 of the Electricity Act and under Regulation 77 of the CEA (Measures relating to safety and electricity supply) Regulations, 2010 before energization of new power lines of 11 kv and above.
4.	Approval under Section 164 of the Electricity Act	Grant of authorization under Section 164 of the Electricity Act is required to be obtained from the CEA to exercise the powers of a telegraph authority under the Indian Telegraph Act, 1885, for setting up electrical lines for the purposes of transmission of electricity .
5.	No-objection certificate from the CGWA	If the project company needs to withdraw ground water for the solar project, then a no-objection certificate (“**NOC**”) should be obtained from the Central Ground Water Authority. The requirements for the NOC would depend on whether the project falls within a notified area or a non-notified area.
6.	Connection Agreement	The project company is also required to submit an application to the STU/Discom to connect to the state grid. Thereafter, a connection agreement is required to be executed between the generating project company and the relevant transmission licensee prior to the physical interconnection of the solar power project with the state grid.
7.	Approval of the design and specification of	The Electricity Act, among others, requires the CEIG to certify that any equipment and plant for generation, transmission, distribution or use of energy meets the required safety regulations. This approval is necessary to be obtained prior to the energization of the solar power project.
8.	Approval for synchronization	Prior to synchronization of the solar power project, the project company is required to secure the approval of the transmission company /the state load despatch centre and GEDA/SECI, as the case maybe, as per the requirements of the PPA.
9.	Commissioning Certificate	The project company is also required to obtain a commissioning certificate from GEDA or RRECL, as applicable, before it can deliver power. Generally, the commissioning certificate will allow to ascertain the

S.no.	Consents and approvals	Particulars
		specific date on which the respective units have been commissioned.
10.	Authorization under Hazardous & Other Wastes (Management and Trans-boundary Movement) Rules, 2016 ("**Hazardous Waste Rules**").	The Ministry of Environment, Forest and Climate Change issued an office memorandum dated 7 July 2017, which provides that the disposal of PV cells attracts the provisions of the Hazardous Waste Rules. From a reading of the Hazardous Waste Rules, it seems that any entity, including a solar project engaging in disposal of the PV cells will be required to obtain an authorisation of the relevant state pollution control board prior to such disposal of PV cells.

(B) Additional Permits

Apart from the permits mentioned in (A) above, the following permits may also need to be obtained in respect of a solar power project, depending on other variable factors affecting the projects, such as the geographical location of the project, the number of workmen deployed or such other factually relevant circumstances affecting the project related activities.

1.	IEC Code	In the event that any of the equipment, including spares, for the projects is imported into India or to export any equipment out of India, the project company must obtain an import export code from the Ministry of Commerce and Industry, GoI, in accordance with the provisions of Foreign Trade (Development and Regulations) Act, 1992.
2.	Crossing approvals	If any transmission line forming part of the projects crosses over a village road, national highway, state road (including state highways), river or nallah, then a crossing approval / NOC of the relevant sanctioning authority (such as, Gram Panchayat, National Highway Authority of India, Ministry of Railways or the relevant State Authority) is required to be obtained.
3.	Approval for storing explosives	If the solar power producer stores or brings fuel oil, explosives and inflammable liquids, gases and chemicals at the project site, it must obtain a license under the Explosives Act, 1884, Explosives Rules, 2008, the Petroleum Act, 1934 and the Petroleum Rules, 2002.
4.	Height clearance from the Airports Authority of India ("**AAI**")	A clearance is required from AAI if a power project is situated within 20 kilometres or less from an Aerodrome Reference Point ("**ARP**") of a Visual Flight Rules ("**VFR**") airport, and 56 kilometres or less from the ARP of an Instrument Flight Rules ("**IFR**") airport.
5.	NOC from Ministry of Defence if the project is located near an International border or an air force base	The Aircraft Act, 1934 and the Ministry of Civil Aviation (Height Restrictions for Safeguarding of Aircraft Operations) Rules, 2015 ("**MoCA Rules**") provide that an NOC for height clearance is required to be obtained for constructing or erecting any structure within a radius of 20

S.no.	Consents and approvals	Particulars
		kilometres from the ARP of the civil and defence aerodromes as listed out in the MoCA Rules. Further, the MoCA Rules provide that no structure higher than the height specified in Schedule II of the MoCA Rules is required to be constructed or erected within a radius of 20 km from the ARP.
6.	Approvals under Factories Act, 1948 ("**Factories Act**")[13] Registration under the Contract Labour (Regulation and Abolition) Act, 1970 ("**CLRA**") Registration under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 ("**BOCW Act**") and payment of cess under the Building and Other Construction Workers Welfare Cess Act, 1996 ("**Cess Act**") Registration under the Inter- State Migrant Workmen (Regulation of Employment and Condition of Service) Act, 1979 ("**Migrant Workers Act**")	If the project company employs 10 or more workers during the operations of the solar project, then it would qualify as a factory under the Factories Act, requiring it to secure the relevant approvals from the Chief Inspector of Factories of the relevant state, including approval of the site and building plan, license to operate factory and certificate of stability. A certificate of registration under the CLRA and the rules framed thereunder must be obtained from the Labour Department of the relevant state by the principal employer of every establishment, if 20 or more workmen were employed on any day of the preceding 12 months at the factory (which is employing contract labour). The registration requirement with the Labour Department of the relevant state under the BOCW Act may apply to the project company if it employs or had employed 10 or more building workers on any day of the preceding 12 months. Further, the entity to whom the BOCW Act applies is also required to remit 'cess' to authorities at the rate of 1 percent of the 'cost of construction'. Registration under the Migrant Workers Act and the rules framed thereunder is required to be obtained by project company from the Labour Department of the relevant state if 5 or more inter-state migrant workmen are employed by it in Gujarat or Rajasthan, as the case may be, on any day of the preceding 12 months by the solar power producer or its contractor,
7.	Permission from the gram panchayat *i.e.* the village council	Under Section 104 of the Gujarat Panchayats Act, 1993, no person can construct a building within the limits of the village without taking prior permission from the panchayat. While the Rajasthan Panchayati Raj Act, 1994 does not specifically provide for any approval required from the gram panchayat to construct a building on any land within

[13] Please note that the Code on Social Security, 2020; Industrial Relations Code, 2020; and Occupational Safety, Health and Working Conditions Code, 2020, has been recently passed by the Indian Parliament, consolidating and amalgamating various employment laws in India. These codes are yet to come into force and when they do, certain employment law requirements associated with engaging contract workers, inter-state migrant workers, building and other construction workers would vary in India. The notes here will therefore need to be revisited as and when the new codes come into force.

S.no.	Consents and approvals	Particulars
		the jurisdiction of the gram panchayat, there appears to be a requirement in practice to obtain permission from the relevant gram panchayat before undertaking any construction activities on land which falls within the jurisdiction of the gram panchayat.

Real Estate Regulations

In India, the primary modes of transfer of immovable property are sale and lease and the central laws pertaining to which are provided for under the Transfer of Property Act, 1882 ("**TPA**"). The provisions of the TPA deal with lease of immovable property (including the rights and liabilities of lessor and lessee, form of lease, transfer of lease, determination of lease and so on), as well as sale of immovable property (including types of sale and rights and liabilities of buyer and seller).

The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 ("**LARR Act**") has been enacted by the GoI; and is the general unified legislation dealing primarily with: (i) the acquisition of land for public purposes by the Government or for/on behalf of private companies or public sector undertakings (for a public purpose); (ii) for providing fair compensation; and (iii) to make adequate provisions for rehabilitation and resettlement of the persons affected. The provisions of the LARR Act relating to land acquisition, compensation, rehabilitation and resettlement, may also be made applicable on sale and purchase of land acquired through private negotiations.

Forest Lands

Diversion and use of government owned land notified as forest land is regulated in terms of primarily the Forest Conservation Act, 1980 ("**Forest Conservation Act**"). Under the Forest Conservation Act, prior approval of the GoI is required before a state government can 'de-reserve' / use / assign forest land to a private person or corporation, for non-forest purposes. In addition, GoI has also promulgated the Forest (Conservation) Rules, 2003, wherein detailed guidelines have been prescribed for submission of proposals for diversion of forest land for non-forest purposes under the Forest Conservation Act.

Laws applicable to acquisition of land in Gujarat

Tenancy Laws

In Gujarat, acquisition of privately-owned agricultural land is governed by various tenancy laws, (applicable in distinct areas of the state), read along with the provisions Gujarat Land Revenue Code, 1879 ("**Gujarat Land Revenue Code**"). The aforesaid tenancy laws are set out hereunder:

(i) Gujarat Tenancy and Agricultural Lands (Vidharba Region and Kutch Area) Act, 1958, applicable to the Vidarbha and Kutch Regions;

(ii) Saurashtra Gharked Tenancy Settlement and Agricultural Land Ordinance, 1949, applicable to the Saurashtra Region; and

(iii) Gujarat Tenancy and Agricultural Lands Act, 1948, applicable to the remaining regions of Gujarat.

Conversion of agricultural land for non-agricultural purposes

As per the Gujarat Land Revenue Code, if an occupant of agricultural land wishes to use his land for non-agricultural purposes, then the District Collector's prior approval must be obtained by such occupant. In the alternative, if the occupant of agricultural land wishes to use such land for a bona fide industrial purpose, it will be lawful for such occupant to use the land for such purpose, without the permission of the District Collector, subject to fulfilment of the conditions set out in the Gujarat Land Revenue Code.

Ceiling Restrictions

The Gujarat Agricultural Land Ceilings Act, 1960 ("**Gujarat Ceiling Act**") comprises *inter alia* restrictions (in terms of quantum) applicable to the acquisition of agricultural land. Under the Gujarat Ceiling Act, a person (including a private company) is not permitted to hold agricultural land in excess of the ceiling limits, either as an owner or as a tenant; and in this regard, the ceiling limits are set for each category of agricultural land (for example, dry crop land, seasonally irrigated land, land irrigated by private source etc.) with an upper limit of 21.85 hectares. The Gujarat Ceiling Act also sets out provisions for exemption from ceiling restriction.

Government Land

Section 60 of the Gujarat Land Revenue Code read with Rule 42 of the Gujarat Land Revenue Rules, 1972 provides that unoccupied government land required for non-agricultural purposes may be allotted by the District Collector by auction or in its discretion under private arrangement (on a leasehold basis) upon payment of a price fixed by the District Collector.

Gujarat Solar Policy

The Gujarat Policy 2015 provides that the developer is responsible for obtaining the land for setting up the solar project. Similar provisions are present under the Gujarat Policy 2021 as well.

Gujarat Wasteland Allotment Policy for Renewable Parks

The Gujarat Wasteland Allotment Policy for Renewable Parks[14] (in addition to providing the procedure to be followed for the allotment of government wastelands to renewable energy park developers), provides that government wastelands (if allotted) shall be provided on a leasehold basis, for a tenure of 40 years (comprising 5 years for the development of the project and 35 years for the operations thereof). The policy also allows sub-leasing of such lands by the developer of the project to the eventual power producers, amongst other conditions relating to the use, allotment and transfer thereof.

Laws applicable to acquisition of land in Rajasthan

Rajasthan Tenancy Act and Rajasthan Revenue Act

The Rajasthan Tenancy Act, 1955 ("**Rajasthan Tenancy Act**") was enacted with a view to regulate the tenancies of agricultural lands and to provide for certain measures of land reforms in relation to the same. Similarly, the Rajasthan Revenue Act, 1956 ("**Rajasthan Revenue Act**") aims to consolidate and amend various laws in relation to land and the revenue payable in relation to the same.

[14] Comprised in the resolutions passed by the GoG dated 25 January 2019 and 29 July 2019, as amended on 14 September 2020.

Ceiling Limits

The Rajasthan Imposition of Ceiling on Agricultural Holding Act, 1973 ("**Rajasthan Ceiling Act**") as amended *vide* the Rajasthan Imposition of Ceiling on Agricultural Holdings (Amendment) Act, 2020, ("**Ceiling Amendment Act**")[15], was enacted with a view to reduce the disparity in holding agricultural land and the concentration of such land with a few persons. In Rajasthan, the ceiling limit is prescribed basis the nature/class of agricultural land *i.e.* fertile, semi-fertile, hilly, desert etc., and no person (including a company, whether incorporated or not) can acquire, through any mode of conveyance, agricultural land in excess of the applicable ceiling limit, except with the approval of the GoR.

Conversion of Agricultural Lands

Although prior permission from the GoR is mandatory as per the Rajasthan Revenue Act for the non-agricultural use of agricultural lands, the Rajasthan Land Revenue (Conversion of agricultural land for non-agricultural purposes in rural areas) Rules, 2007 ("**Rajasthan Conversion Rules**") provide that for leasing agricultural land for solar power projects, conversion is not mandatory and an intimation to the relevant jurisdictional authority and the RRECL, 30 days before the commencement of non-agricultural use, will be sufficient.

Rajasthan Solar Policy

The Rajasthan Solar Policy comprises of provisions relating to allotment/procurement of government land as well as private land for establishing solar power projects/solar park.

Land Tax

It is relevant to highlight that recently, the Finance Department (Tax Division), GoR *vide* notification dated 30 March 2020 ("**GoR Notification**") has notified the rates of land tax payable on a yearly basis on various categories of land, pursuant to the provisions of the Rajasthan Land Tax Act, 1985 and the Finance Act, 2020. The GoR Notification sets out that the rate for land tax payable for industrial lands is INR 2 per square meter for lands (in excess of 10,000 square meters). In view of this, the Finance Department (Tax Division) has issued notices to various solar power project developers operating in Rajasthan, demanding the land tax for certain periods, along with penalties and interest. From the information available in public domain, the issuance of notices and levy of land tax on renewable projects has been challenged by state and national renewable energy organisations.

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[15] Please note that the Ceiling Amendment Act was enacted on 11 September 2020.

MANAGEMENT

Board of Directors

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets quarterly, or as often as required, to review and monitor the Company's financial position and operations and decide on such other matters as may be required by law to be decided by the Board.

The directors of the Company are elected at the ASM to hold office for one year and until their respective successors have been elected and qualified. At the Company's ASM held on 19 April 2021, the stockholders considered and approved the following:

Name	Age	Citizenship	Designation
Fernando M. Zobel de Ayala	61	Filipino	Director
Jaime Augusto M. Zobel de Ayala	62	Filipino	Director
John Eric T. Francia	49	Filipino	Executive Director
Cezar P. Consing	61	Filipino	Director
Jose Rene Gregory D. Almendras	61	Filipino	Director
John Philip S. Orbeta	59	Filipino	Director
Nicole Goh Phaik Khim	36	Malaysian	Director
Sherisa P. Nuesa	66	Filipino	Lead Independent Director
Melinda L. Ocampo	64	Filipino	Independent Director
Consuelo D. Garcia	66	Filipino	Independent Director
Ma. Aurora D. Geotina-Garcia	68	Filipino	Independent Director

Fernando M. Zobel de Ayala is the President and Chief Operating Officer of Ayala Corporation since April 2006. He has been a director of Ayala Corporation since May 1994. He holds the following positions in publicly-listed companies: Chairman of AC Energy Corporation, Ayala Land, Inc. ("ALI") and Manila Water Company, Inc. ("MWC"); Director of Bank of the Philippine Islands, Globe Telecom, Inc., and Integrated Micro- Electronics, Inc. ("IMI"); and Independent Director of Pilipinas Shell Petroleum Corporation. He is the Chairman of AC International Finance Ltd., Liontide Holdings, Inc., AC Energy and Infrastructure Corporation, Ayala Healthcare Holdings, Inc., Automobile Central Enterprise, Inc., Alabang Commercial Corporation, Accendo Commercial Corp., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice-Chairman of ALI Eton Property Development Corporation, Aurora Properties Incorporated, Vesta Property Holdings, Inc., Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., and Bonifacio Art Foundation, Inc.; Director of LiveIt Investments, Ltd., AG Holdings Ltd., AC Infrastructure Holdings Corporation, Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc., AC Education, Inc., AC Ventures Holding Corp., Honda Cars Philippines, Inc., Isuzu Philippines Corporation, and Manila Peninsula; Member of the Philippine-Singapore Business Council, INSEAD East Asia Council, World Presidents' Organization, and Chief Executives Organization; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum. He graduated with a B.A. in Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

Jaime Augusto M. Zobel de Ayala is the Chairman and CEO of Ayala Corporation since April 2006. He has been a director of Ayala Corporation since May 1987. He holds the following positions in publicly-listed companies: Chairman of Globe Telecom, Inc., IMI and Bank of the Philippine Islands; and Vice Chairman of AC Energy Corporation, ALI and MWC. He is also the Chairman of AC Education, Inc., Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holding Corp., AC Infrastructure Holdings Corporation, and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy and Infrastructure Corporation, Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc., and AG Holdings Limited; Chairman of Harvard Business School Asia-Pacific Advisory Board and Endeavor Philippines; and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, Global Board of Advisors of the Council on Foreign Relations, Asia Society International Council, University of Tokyo Global Advisory Board, Singapore Management University Board of Trustees, and Eisenhower Fellowships Board of Trustees. He was the Philippine Representative to the Asia Pacific Economic Cooperation Business Advisory Council from 2010 to December 2015. He graduated with a B.A. in Economics (Cum Laude) at Harvard College in 1981 and obtained an MBA at the Harvard Graduate School of Business Administration in 1987.

John Eric T. Francia is Managing Director and member of the Management Committee of Ayala Corporation since 2009. He is President and Chief Executive Officer of ACEIC. In his previous role as Head of Ayala's Corporate Strategy and Development group, he led Ayala's entry into the energy and transport infrastructure sectors. Under his leadership, Ayala established its energy platform from standing start in 2011, growing to 1,800 MW of attributable capacity by 2019. He also helped establish Ayala's infrastructure business, securing over U.S.$1 billion worth of PPP projects in the transport infrastructure space between 2011 and 2014. He is a director of various Ayala Group companies including AC Infrastructure, AC Health, AC Ventures, and MWC. In 2019, he was elected by the board of two listed companies: AC Energy Corporation as President and CEO, and ACE Enexor, Inc., as Chairman and CEO. He received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating magna cum laude. He then completed his Master's Degree in Management Studies at the University of Cambridge in the United Kingdom, graduating with First Class Honors.

Cezar P. Consing is a Senior Managing Director of Ayala Corporation and has been a member of the Ayala Group Management Committee since April 2013. He has been the President and CEO of BPI, one of the Ayala Group's publicly listed companies, since April 2013. He is an Independent Director of Jollibee Foods Corporation. His other significant positions are: President of Bancnet, Inc., Chairman of Philippine Dealing Systems Holdings Corp., and Director of LGU Guarantee Corporation, Filgifts.com., The Rohatyn Group, Sqreem Technologies and Endeavor Philippines. He is Chairman and President of the Bankers Association of the Philippines. He is also a Director of the US-Philippines Society, trustee of the Manila Golf Club Foundation, and a member of the Trilateral Commission. He served as an Independent Director of CIMB Group Holdings from 2006 to 2013 and First Gen Corporation from 2005 to 2013, and as Chairman of National Reinsurance Corporation from 2018 to 2019. Prior to being President of BPI, he first worked for BPI's corporate planning and corporate banking divisions from 1980 – 1985. He worked for J.P. Morgan & Co. in Hong Kong and Singapore from 1985– 2004 and became the co-head of the firm's investment banking business in Asia Pacific from 1997 – 2004 and President of J.P. Morgan Securities (Asia Pacific) Ltd. As a senior Managing Director of J.P. Morgan, he served as a member of the firm's global investment banking management committee and its Asia Pacific management committee. He was a partner at The Rohatyn Group from 2004 – 2013, ran its Hong Kong office and its private investing business in Asia, and was a board director of its real estate, and energy and infrastructure private equity investing subsidiaries. He graduated with a degree of A.B (Accelerated Program) Economics (Magna Cum Laude) from De La Salle University in 1979 and M.A. Applied Economics from the University of Michigan, Ann Arbor, in 1980.

Jose Rene Gregory D. Almendras is a Senior Managing Director and the Group Head of Public Affairs of Ayala Corporation, President & Chief Executive Officer of MWC, and President & Chief Executive Officer of AC Infrastructure Holdings Corporation. He is also a member of the AC Management Committee, member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since August 2016. He is the Chairman of the Executive Committee of MWCI and a member of the board of directors of the following companies within the Ayala Group: AF Payments Inc., Light Rail Manila Holdings, Inc., MCX Tollway Inc., and AC Energy Corporation. He spent 13 years with the Citibank group where he started as a management trainee and landed his first CEO position as President of City Savings Bank of the Aboitiz Group at the age of 37. In 2011, he was recognized by the World Economic Forum as a Sustainability Champion for his efforts as President of MWCI. During his stint as MWCI President and Chief Operating Officer, the company received multiple awards and was recognized as one of the Best Managed Companies in Asia, Best in Corporate Governance, one of the Greenest Companies in the Philippines and hailed as the world's Most Efficient Water Company. Under the Administration of President Benigno S. Aquino III, he served as a member of the Cabinet holding the position of Secretary of the Department of Energy, Office of the Cabinet Secretary and the Department of Foreign Affairs. In June 2016, he was acknowledged by the Administration for his remarkable performance in addressing the country's urgent issues and was awarded the highest Presidential Award given to a civilian – Order of Lakandula, Rank of Gold Cross Bayani.

John Philip S. Orbeta is a Managing Director, the Chief Human Resources Officer and Group Head for Corporate Resources of Ayala Corporation. He is a member of Ayala Corporation's Management Committee since May 2005 and the Ayala Group Management Committee since April 2009. He is also currently the Chairman of Ayala Aviation Corporation, Ayala Group HR Council, Ayala Group Corporate Security Council, and Ayala Business Clubs; Chairman and President of HCX Technology Partners, Inc.; and Vice Chairman of Ayala Group Club, Inc. Mr. Orbeta also serves as Director of AG Counselors Corporation, AC Industrial Technology Holdings, Inc., Ayala Healthcare Holdings, Inc., Ayala Retirement Fund Holdings, Inc., Zapfam, Inc., BPI Family Bank, Inc., ALFM Growth Fund, Inc., ALFM Money Market Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., and the Philippine Stock Index Fund Corp.; and as Trustee of Ayala Foundation, Inc. Mr. Orbeta served as the President and CEO of AC Industrial Technology Holdings, Inc. (formerly Ayala Automotive Holdings Corporation) and Automobile Central Enterprise, Inc. (Philippine importer of Volkswagen), as Chairman and CEO of Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc. and Iconic Dealership, Inc.; and as Board Director of Honda Cars Cebu, Inc. and Isuzu Cebu, Inc. Prior to joining Ayala Corporation, he was the Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Willis Towers Watson). He graduated with a degree in A.B. Economics from the Ateneo de Manila University.

Nicole Goh Phaik Khim is a Senior Vice President at GIC Private Limited's ("GIC") infrastructure practice, where she has coverage responsibility for the Asia-Pacific region with prior experience investing in the US and Europe. GIC was established in 1981 as a private company, wholly-owned by the Government of Singapore, to manage the foreign reserves of Singapore. It is one of the world's largest global investors, with well over US$100 billion of assets in more than 40 countries worldwide. Ms. Goh has been a member of GIC's infrastructure practice since 2008. She has an MSc in Management Science & Engineering from Stanford University and a BSc in Mathematics with Statistics for Finance from Imperial College London.

Sherisa P. Nuesa is a former Managing Director of the Ayala Corporation until her retirement in 2011. Currently, she is a member of the Boards of Directors of MWC, IMI, Far Eastern University, Inc., FERN Realty Corp, and the ALFM Mutual Funds Group. She is also a member of the Boards of Trustees of the Institute of Corporate Directors, the Judicial Reform Initiative, and the Financial Executives Institute of the Philippines. As a former Managing Director of the Ayala Corporation until 2011, she served in various senior management positions, namely: Chief Finance Officer and Chief

Administrative Officer of IMI (January 2009 to July 2010); Chief Finance Officer of MWCI (January 2000 to December 2008); Group Controller and later Vice President for Commercial Centers of ALI (January 1989 to March 1999); and as member of the boards of the various subsidiaries of ALI, MWC, and IMI. She graduated from the Far Eastern University with a Bachelor of Science Degree in Commerce (Summa cum laude). She is a Certified Public Accountant. She completed the Financial Management Program of the Stanford University in 1991 and the Advanced Management Program of the Harvard Business School in June 1999. She then obtained her master's degree in Business Administration from the Ateneo-Regis Graduate School of Business in 2011.

Melinda L. Ocampo served as President of PEMC, a nonstock, non-profit organization that governs the country's first and only wholesale electricity spot market, from 27 March 2009 until 31 July 2017. Her experiences include developing policies and programs during her stint as Undersecretary of the Department of Energy from May 2005 to December 2007. She was also involved in electric utility system regulation, planning and technical feasibility of electric power generation, transmission and distribution systems including granting of electric franchises to both electric cooperatives and private distribution utilities. She has extensive knowledge when it comes to energy regulation including petroleum, pricing and competition rules and has provided consulting services to legislative leaders on electricity pricing, particularly on the power purchased adjustments. She was also a consultant in the World Bank's project regarding Electric Cooperatives system loss reduction program and to the USAID under the Asia Foundation in its project to introduce the open access and competition in the coverage of PEZA. She was a board member (February 1996 to June 1998) and Chairman (August 1998 to August 2001) of the Energy Regulatory Board. She served as a Division Chief (October 1979 to November 1988) and a Director (December 1988 to February 1996) of the National Electrification Administration. In 1977, she obtained her Bachelor of Science degree in Commerce, Major in Accounting, from the Republic Central Colleges, in Angeles City, Pampanga. She received her master's degree in Business Administration from the University of the Philippines, Diliman, Quezon City. She is a Certified Public Accountant.

Consuelo D. Garcia is an Independent Director of the PSE. She is the Senior Consultant for Challengers and Growth Markets, Asia for ING Bank, Currently, she is the Chairman of the Committee on Ethics of the Financial Executives Institute of the Philippines ("FINEX"). She is also a Director of a family-owned business – Saje Wellness Corporation. She was formerly the Country Manager and Head of Clients of ING Bank N.V. Manila, Philippines from September 2008 to 15 November 2017. She joined ING in February 1991 as Head of Financial Markets. She previously worked with SGV & Co. and Bank of Boston. She served as Director of the Board and concurrently Chairman of the Capital Markets Committee of the Bankers Association of the Philippines ("BAP") and of FINEX for many years. She was a former member of the Board of Directors and Treasurer of the European Chamber of Commerce of the Philippines from 2011 to 2015. In 2010, she was a National Member of ASEAN Bond Market Forum. She received a Bachelor of Science degree in Business Administration, major in Accounting (Magna Cum Laude) from University of the East and is a Certified Public Accountant.

Ma. Aurora D. Geotina-Garcia is the President of Mageo Consulting, Inc. and CIBA Capital Philippines, Inc. She is also currently an Independent Director of Queen City Development Bank and Cebu Landmasters, Inc. She was a Director in the following companies/organizations: Bases Conversion and Development Authority (2011-2016), BCDA Management Holdings, Inc. (2011-2016), Fort Bonifacio Development Corporation (2011-2016), Heritage Park Management Corporation (2015-2016), Bonifacio Global City Estates Association, Inc. (2012-2016), Bonifacio Estates Services Corporation (2012-2016), and HBC, Inc. (2012-2016). She started her professional career at SGV & Co., where she joined the Management Services Division in 1974. She joined SGV & Co.'s Economic and Financial Consulting Division in 1986, and was promoted to Partner in 1990. She headed SGV & Co.'s Global Corporate Finance Division from 1992 until her retirement in 2001, after which she remained as Senior Adviser to SGV & Co. up to September 2006. She received her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines in 1973. She completed her Master of Business Administration from the same university in 1978.

Key Officers

The officers are likewise elected annually by the Board of Directors and serve for one year and until their respective successors have been elected and qualified. At the Company's Organizational Meeting of the Board of Directors held on 19 April 2021, the directors considered and appointed the following:

Name	Age	Citizenship	Designation
Fernando M. Zobel de Ayala	61	Filipino	Chairman, Board of Directors
Jaime Augusto M. Zobel de Ayala	62	Filipino	Vice Chairman, Board of Directors
John Eric T. Francia	49	Filipino	President & CEO
Maria Corazon G. Dizon	57	Filipino	Treasurer & CFO; Compliance Officer; Chief Risk Officer
Solomon M. Hermosura	59	Filipino	Corporate Secretary
Dodjie D. Lagazo	41	Filipino	Assistant Corporate Secretary 1; Head of Legal and Regulatory
Alan T. Ascalon	46	Filipino	Assistant Corporate Secretary 2; VP-Legal; Data Privacy Officer
Jose Maria Eduardo P. Zabaleta	48	Filipino	Chief Development Officer
Roman Miguel G. de Jesus	46	Filipino	Head of Commercial Operations
Gabino Ramon G. Mejia	49	Filipino	Head of Plant Operations
Irene S. Maranan	45	Filipino	Head of Corporate Communications and Sustainability
Peter M. Buenaseda	55	Filipino	Chief Human Resources Officer
Ronald F. Cuadro	52	Filipino	VP-Finance and Controller
Henry T. Gomez, Jr.	31	Filipino	Chief Audit Executive

Maria Corazon G. Dizon is the Chief Finance Officer and Treasurer of ACEIC, AC Energy Corporation, and ACE Enexor, Inc. She is also the Compliance Officer and Chief Risk Officer of AC Energy Corporation. She heads various functional units under Finance, which include Controllership, Financial Planning and Analysis, Corporate Finance, Treasury, and Internal Audit. In addition, she holds directorship positions and is a member of the Audit and Risk Committee in a number of subsidiaries within the ACEIC group, such as South Luzon Thermal Energy Corporation, Northwind Power Development Corp, ACE Endevor, Inc., and AC Renewables International Pte. Ltd., among other entities. She joined Ayala's Energy and Infrastructure Group in 2016 after spending 28 years with ALI the publicly listed real estate vehicle of Ayala Corporation, where she previously held the positions of Head of ALI Capital Corp., Head of Business Development and Strategic Planning of the Commercial Business Group, Head of Asset Management Group of Shopping Centers, Head of Control and Analysis, Head of Investor Relations, as well as Chief Financial Officer of Residential Buildings, Office Buildings and Shopping Centers groups. Prior to joining ALI, she was connected with SGV & Co for three years as a senior auditor. She is a CPA and graduated with a degree in Accountancy from the University of Santo Tomas, graduating cum laude. She completed the academic units for a Master's degree in Business Administration from De la Salle University Graduate School of Business, and attended an Executive Management Program in Wharton School of the University of Pennsylvania.

Solomon M. Hermosura is a Managing Director of Ayala Corporation since 1999, a member of the Ayala Corporation Management Committee since 2009, and a member of the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, General Counsel, Compliance Officer, and Corporate Secretary of Ayala Corporation, as well as the CEO of AG Counselors Corporation. He likewise serves as General Counsel and Corporate Secretary of ALI and Corporate Secretary of Globe Telecom, Inc., MWC, IMI, and Ayala Foundation, Inc., and a member of the Board of Directors of a number of companies in the Ayala Group. He graduated valedictorian with a Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examination.

Dodjie D. Lagazo is an Executive Director and the Head of ACEIC's Legal and Regulatory Group. He holds the following positions in publicly-listed companies: Corporate Secretary of ACE Enexor, Inc., and Assistant Corporate Secretary of Ayala Corporation and AC Energy Corporation. He is also the Assistant Corporate Secretary of ACEIC and the Corporate Secretary of various ACEIC subsidiaries and affiliates. Previously, he served as Director and member of AG Counselors Corporation's Management Committee from January 2014 to July 2017. Prior to joining Ayala, he worked at the law firm of SyCip Salazar Hernandez & Gatmaitan. He received his undergraduate degree in Political Science from the University of the Philippines, Diliman, graduating Magna Cum Laude. He then completed his Bachelor of Laws Degree in the College of Law of the University of the Philippines, Diliman, ranked sixth in the graduating class of 2003. He is a member in good standing of the Integrated Bar of the Philippines.

Alan T. Ascalon is a Vice President and the Company's Assistant Corporate Secretary. He served as director of GWC and is the Corporate Secretary of GWC, One Subic Power Generation Corp., One Subic Oil Distribution Corp., Palawan55 Exploration and Production Corp., PHINMA Power Generation Corporation, CIP II Power Corporation, and PHINMA Solar Corporation. He was the Assistant Legal Counsel of PHINMA, Inc. from 2005 to 2008. He graduated from the University of the Philippines with a Bachelor of Arts degree in Journalism in 1996 and a Bachelor of Laws degree in 2000.

Jose Maria Eduardo P. Zabaleta is the Chief Development Officer ACEIC, and Chief Executive Officer of ACE Endevor, the development arm of ACEIC. Prior to joining ACEIC, he was co-founder and Chief Executive Officer of Bronzeoak Philippines, a pioneer and leader in clean technology energy development in the Philippines. Bronzeoak's energy businesses were integrated into ACEIC in early 2018. He has a BS Management Honors degree from Ateneo de Manila University, and a Master's in Business Administration from the Fuqua School of Business, Duke University, USA.

Roman Miguel G. de Jesus is an Executive Director of ACEIC, and ACEIC's and ACEN's Head of Commercial Operations. The Commercial Operations group manages the capacity of the operating plants of AC Energy Corporation including the sale of power to the public through distribution utilities and to contestable customers through its retail supply license. He is also involved in managing the Vietnam portfolio of ACEIC, having headed up its solar development in the country. He established and ran the retail electricity business of ACEIC and previously managed its portfolio of operating wind assets in the Philippines. Before joining ACEIC, he practiced law in the law firms of Romulo Mabanta Buenaventura Sayoc & de los Angeles, and Puyat Jacinto Santos where he specialized in energy and project finance. He has Bachelor of Arts and Master of Arts degrees in Philosophy from the Ateneo de Manila University, where he was an instructor for ten years. He also has a Bachelor of Laws degree from the University of the Philippines where he graduated cum laude.

Gabino Ramon G. Mejia is an Executive Director of ACEIC and the Head of Plant Operations of ACEN. He is also concurrently the President & CEO of Northwind Power Development Corporation and North Luzon Renewable Energy Corp., President of Negros Island Solar Power, Inc. (IslaSol) and San Carlos Solar, Inc., Chairman of Monte Solar Energy, Inc., and Executive Vice President of GNPower Kauswagan Ltd. Co. He has worked in Ayala Corporation for more than 25 years. Before his secondment to ACEIC, he was assigned to HCX Technology Partners (formerly HRMall, Inc.) as Business Development Head and has also served as Project Manager in ALI. He holds a Master's Degree in Business Administration ("MBA") from the Asian Institute of Management and has completed his MBA Internship in York University, Schulich School of Business. He obtained his Bachelor of Arts in Philosophy and Letters degree from San Beda College where he graduated with Academic Distinction.

Irene S. Maranan is ACEIC's and ACEN's Head of Corporate Communications and Sustainability. She leads the overall communications team in protecting and promoting the Company's reputation, oversees public relations and drives the corporate sustainability strategy. She joined ACEIC in January 2015 and was one of the pioneers in Ayala's Energy and Infrastructure Group. She holds a Bachelor's Degree in Mass Communications from St. Scholastica's College Manila and brings over 20 years of experience in strategic marketing and corporate communications from companies across diverse industries such as Chevron, Globe Telecom and real estate companies, prior to joining Ayala.

Peter C. Buenaseda is the Company's Chief Human Resource Office. He has been a consultant for ACEIC since 2020. He was Chief Operating Officer of TDS Global Solutions from 2019 to 2020, and concurrently served as Senior Site Officer (Country Head) and Head of Human Resources of Thomson Reuters Manila from 2007 to 2018. Mr. Buenaseda was also a Director for Country HR and People Services of the Philips Group of Companies from 2005 to 2007. He completed a Human Resources Executive Program from the University of Michigan and earned his Master's in Business Management from the Asian Institute of Management. He received his Bachelor of Arts degree in Behavioral Science from the University of Santo Tomas. Mr. Buenaseda is a Graduate Fellow of the Institute of Corporate Directors, holds a Diploma in People Management from PMAP, and is a member of the Board of Trustees of the Global In-House Center Council.

Ronald F. Cuadro is the Company's VP-Finance & Controller. Prior to joining ACEIC, he worked at ALI with the following designations and assignments: Assistant Vice President, Finance Group (April 2013 to 2020), Director and General Manager of APRISA Business Process Solutions, Inc. (April 2013 to February 2019), Chief Finance Officer of the Strategic Land Management Group (April 2010 to March 2013), Chief Finance Officer of Ayala Land Office and Laguna Technopark, Inc. (April 2016 to April 2010), Finance Manager of Buyers' Financing Group (May 2002 to April 2006), Senior Financial Anaylst, Control & Analysis Division (January 1997 to December 2003), and Senior Accountant, Ayala Hotels (October 1991 to December 1996). He obtained his Bachelor's degree in Accountancy from the Polytechnic University of the Philippines. He is a certified public accountant. He has a Master's Degree in Business Administration from the Ateneo Graduate School of Business.

Henry T. Gomez, Jr. is the Company's Chief Audit Executive and the Internal Audit Head of ACEIC. Prior to joining ACEIC, he worked at Aboitiz Power Corporation in 2012 as a Senior Internal Auditor and at SGV & Co. in 2011 as an Assurance Associate. He is a Certified Public Accountant, Certified Internal Auditor, a passer of the Certified Information Systems Auditor examinations, and a CQI & IRCA Certified ISO 14001:2015 Environmental Management System Lead Auditor. He graduated from University of the Philippines-Visayas with a degree in BS in Accountancy.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

As of 19 April 2021, to the knowledge and/or information of the Company, none of the members of the Board of Directors or any of the Executive Officers are, presently, or during the last five years, subject to any (a) bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign; (c) order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; or (d) judgment by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading, market or self-regulatory organization, of a violation of securities or commodities law or regulation, which judgment has not been reversed, suspended or vacated legal proceeding; which would have any material effect on the Company, its operations, reputation, or financial condition.

As of 19 April 2021, Ms. Geotina-Garcia is/was involved in the following legal proceedings:

Offense charged / investigated	Case No.	Tribunal / agency involved	Status
Libel, as member of the Board of Directors of the Bases Conversion Development Authority ("BCDA")	Crim. Case No. 1500045-PSG	Branch 167, Pasig Regional Trial Court	In an Order dated 18 September 2020, the trial court granted the accused's demurrer to evidence and dismissed the case for insufficiency of the prosecution's evidence. The dismissal is equivalent to an acquittal, which is immediately final and executory. The prosecution filed a Motion for Reconsideration dated 15 October 2020, which was denied by the court at the hearing held on 23 October 2020. The Private Complainant filed a Petition for Certiorari dated 9 December 2020 with the Court of Appeals, alleging grave abuse of discretion on the part of the trial court. The Court of Appeals may either dismiss the petition outright or require the respondents to file a comment. It has not issued any resolution.
Criminal complaints for acts as member of the Board of Directors of BCDA	G.R. No. 225565	This case was originally filed with the Office of the Ombudsman and is now pending before the Supreme Court.	Dismissed by the Office of the Ombudsman. Petition for Review filed by the complainant before the Supreme Court (G.R. No. 225565) is still pending resolution.

Offense charged / investigated	Case No.	Tribunal / agency involved	Status
Administrative complaint for acts a member of the Board of Directors of BCDA	CA-G.R. No. SP No. 145849	This case was originally filed with the Office of the Ombudsman and was elevated to the Court of Appeals.	Dismissed by the Office of the Ombudsman and the Court of Appeals. Ms. Geotina-Garcia is not aware of any appeal or petition filed by the complainants from the Court of Appeals' rulings.

Notwithstanding the proceedings, orders, judgments or decrees described above, the Company believes that Ms. Geotina-Garcia is not disqualified to act as a director. Ms. Geotina-Garcia has confirmed to the Company that: the libel case has been dismissed for insufficiency of the prosecution's evidence against her, which dismissal was equivalent to an acquittal. While the Private Complainant has filed a Petition for Certiorari with the Court of Appeals to question the dismissal of the libel case, the Petition is susceptible to outright dismissal for having been filed out of time. Moreover, the Private Complainant must show grave abuse of discretion on the part of the trial court, which is difficult to do. In any case, the Court of Appeals has not required her and my co-respondents to file a comment on the Petition. The administrative and criminal complaints filed against her as a member of the Board of Directors of the BCDA have already been dismissed by the Office of the Ombudsman showing the lack of basis and merits to the charges; these cases will not and does not in any way affect her ability and bias her judgment and independence to act as an independent director of the Company; the issues raised, as well as parties to, these cases are not related in any way to the Company or to any of its businesses.

Family Relationships

Fernando Zobel de Ayala, Chairman of the Board, and Jaime Augusto Zobel de Ayala, a Director of the Company, are brothers.

There are no known family relationships between the current members of the Board and key officers other than the above.

Corporate Governance

Corporate Governance Manuals

The Board of Directors, officers and employees of the Company commit themselves to the principles and best practices embodied in its Manual on Good Corporate Governance (the "Manual"). The Company believes that good corporate governance is a necessary component of what constitutes sound strategic business management and will therefore exert every effort to ensure adherence thereto within the organization.

The Company has in place a Compliance Department Procedures and Protocols Manual (the "Compliance Manual") that prescribes the standard procedures to be followed in the management of required corporate documents and disclosures in compliance with PSE, SEC, and other relevant rules and regulations, and corporate documents issued by the corporate secretary. The Compliance Manual applies to all directors, officers and employees of ACEN in charge of corporate disclosure responsibilities related to the following rules and regulations:

- SEC Code of Corporate Governance for Publicly-Listed Companies (SEC Memorandum Circular No. 19 Series of 2016) effective 1 January 2017

- 2015 Securities and Regulations Code of the Philippines (R.A. No. 8799 and its Implementing Rules and Regulations)
- PSE Listing and Disclosure Rules, Supplemental Rules and Guidance Notes
- Revised Corporation Code of the Philippines
- Department of Energy Annual Certification on validity of service contracts
- Mines and Geosciences Bureau Annual Certification for listed mining companies

Compliance Officer

The Board designates a Compliance Officer who reports to the Chairman of the Board. As required of publicly-listed companies, the appointment of Compliance Officer is properly disclosed to the SEC. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

The Compliance Officer's duties include ensuring proper on boarding of new directors (*i.e.*, orientation on the company's business, charter, articles of incorporation and by-laws, among others), monitor, review, evaluate and ensure compliance by the Company, its officers and directors with the relevant laws, with the SEC Code of Corporate Governance ("Code"), rules and regulations and all governance issuances of regulatory agencies, appear before the Securities and Exchange Commission upon summon on matters in relation to compliance with the Code, ensure the integrity and accuracy of all documentary submissions to regulators, determine violation/s of the Code and recommend to the Board the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation, identify possible areas of compliance issues and work towards the resolution of the same, develop and establish, subject to approval of the Board, a monitoring and evaluation system to determine compliance with this Manual, which system shall provide for a procedure that fulfils the requirements of due process, ensure the attendance of board members and key officers to relevant trainings and perform such other duties and responsibilities as may be provided by the SEC.

Integrated Annual Corporate Governance Report (I-ACGR)

SEC MC No. 15, Series of 2017 was released in December 2017 which mandates all publicly-listed companies to submit an Integrated Annual Corporate Governance Report ("I-ACGR") on or before 30 May of the following year for every year that the company remains listed in the PSE, covering all relevant information for the preceding year.

The I-ACGR supersedes the ACGR last submitted for the year 2016 to the SEC and the Compliance Report on Corporate Governance last submitted for the year 2016 to the PSE. The Company submitted its I-ACGR for the year 2017 on 30 May 2018. For the fiscal year 2018, the Company submitted its I-ACGR on 30 May 2019. For the fiscal year 2019, the Company submitted its I-ACGR on 1 September 2020.[16]

As of 31 December2020, the Company has substantially complied with the principles and best practices contained in the Corporate Governance Manual. There were no sanctions imposed on any director, officer or employee for non-compliance of the Manual. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

Evaluation System and Compliance

As part of its system for monitoring and assessing compliance with the Manual and the Code, each committee is required to report regularly to the Board of Directors and the Manual is subject to quarterly review. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the Code. To strictly observe and implement the provisions of the Company's Manual, the

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16 Deadline extended to 1 September 2020 pursuant to the SEC Notice dated 22 July 2020 – *Further Extension of the Deadline for the Submission of the Integrated Annual Corporate Governance Report (I-ACGR)*

Company's Board of Directors may impose penalties, after notice and hearing, on the individual directors, officers, and employees, such as censure, suspension and removal from office depending on the gravity of the offense as well as the frequency of the violation. The commission of a grave violation of the Manual by any member of the Board of Directors is sufficient cause for his removal as a director.

Committees of the Board

The Board created and appointed Board members to each of the committees listed below. Each member of the respective committees named below holds office as of 19 April 2021 and will serve until his or her successor is elected and qualified.

Executive Committee

Fernando Miranda Zobel de Ayala – Chairman
Jaime Augusto Miranda Zobel de Ayala – Member
John Eric T. Francia – Member
Cezar P. Consing – Member

Audit Committee

Ma. Aurora D. Geotina-Garcia – Chairman
Consuelo D. Garcia – Member
Nicole Goh Phaik Khim – Member

Corporate Governance and Nomination Committee

Consuelo D. Garcia – Chairman
Melinda L. Ocampo – Member
Sherisa P. Nuesa – Member

Personnel and Compensation Committee

Consuelo D. Garcia – Chairman
Cezar P. Consing – Member
Sherisa P. Nuesa – Member

Board Risk and Related Party Transaction Committee

Sherisa P. Nuesa – Chairman
Nicole Goh Phaik Khim – Member
Melinda L. Ocampo – Member

Executive Compensation of Directors and Executive Officers Summary

For the calendar years ended 2020, 2019, and 2018, the total salaries, allowances, and bonuses paid to the directors and executive officers of ACEN are as follows:

Name/Position	Year	Salaries	Bonus	Other Annual Compensation
Top 4 Most Highly Compensated Executive Officers (Total Compensation) 2020				
Mariejo P. Bautista, SVP- Finance & Controller				
Danilo L. Panes, VP - Wind Operations				
Alan T. Ascalon, Assistant Corporate Secretary & VP - Legal				
Ma. Teresa P. Posadas, AVP - Human Resources				
Estimate	2020	15,703,929.33	2,920,701.81	2,487,596.29

CEO and Top 4 Most Highly Compensated Executive Officers (Total Compensation) end 2019				
Francisco L. Viray, President and CEO (until 15 May 2019)				
Mariejo P. Bautista, SVP- Finance & Controller				

Danilo L. Panes, VP - Wind Operations Alan T. Ascalon, Assistant Corporate Secretary & VP - Legal				
	2019	21,478,153	4,630,134	1,945,000
	2018	21,444,674	2,980,335	590,600

In the special meeting of the Board of Directors on 9 October 2019, the Board of Directors approved the general administrative expenses ("GAE") recoveries of ACEIC, representing the personnel costs in relation to the management and operations of ACEN since May 2019. For the period ended 31 December 2020, the GAE recoveries for officers of ACEN amounted to ₱84,384,258.17.

Compensation of Directors

The Independent Directors receive allowances, per diem of ₱100,000.00 per board meeting and ₱20,000.00 per committee meeting.

There are no other existing arrangements/agreements to which said directors are to be compensated during the last completed fiscal year and the ensuing year.

Security Ownership of Certain Record and Beneficial Owners and Management

The following table shows the persons or groups known to ACEN to be directly the record or beneficial owners of more than 5% of the Company's voting securities as of 19 April 2021:

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Ownership
Common	PDTC[a] 28th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City Stockholder		Filipino 20.87%[c] Foreign 2.43%	4,650,744,060	23.30%[c]
Common	AC Energy and Infrastructure Corporation[b] 4F 6750 Office Building, Ayala Avenue, Makati City Stockholder	Mermac, Inc. 3rd Floor, Makati Stock Exchange Building, Ayala Triangle, Ayala Avenue, Makati City	Filipino	11,175,442,921[d]	55.99%
Common	Arran Investment Pte Ltd 168 Robinson Road, #37-01, Capital Tower, Singapore 068912 Stockholder	GIC Private Limited 168 Robinson Road, #37-01, Capital Tower, Singapore 068912 Stockholder	Singaporean	3,999,999,999	20.04%

Notes:

(a) The Philippine Depository and Trust Corporation ("PDTC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD") which acts as trustee-nominee for all shares lodged in the PCD system.
(b) AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.) was incorporated on 13 December 2005 and is domiciled in the Philippines. ACEIC was organized primarily to purchase, exchange, hold, own, and use investments, capital stock or other securities, and exercise all the rights, powers, and privileges of ownership to the extent permitted by law, as well as to engage in the purchase, retail, supply, and delivery of electricity and in such other activities related thereto.
(c) Excludes AC Energy and Infrastructure Corporation's lodged shares.
(d) As of 19 April 2021, AC Energy and Infrastructure Corporation has 11,175,442,921 indirect shares lodged with BPI Securities Corp. representing 55.99% of the total shareholdings of the Company.

Security Ownership of Directors and Management as of 19 April 2021

None of the directors and officers individually owns 5% or more of the outstanding capital stock of ACEN. The table below shows the securities owned by the directors and officers of the Company as of 19 April 2021

Title of Class of Outstanding Share	Name of beneficial owner	Citizenship	Amount of beneficial ownership	Nature of beneficial ownership	Percent of total outstanding shares
Common	Jose Rene Gregory D. Almendras	Filipino	950,450 1[b]	Indirect[a] Direct	0.00%
Common	John Eric T. Francia	Filipino	164,366,425	Indirect[a]	0.82%
Common	John Philip S. Orbeta	Filipino	1[b] 4,162,161	Direct Indirect[a]	0.02%
Common	Fernando M. Zobel de Ayala	Filipino	1[b] 494,009,448	Direct Indirect[a]	2.47%
Common	Jaime Augusto M. Zobel de Ayala	Filipino	1[b] 416,217	Direct Indirect[a]	0.00%
Common	Cezar P. Consing	Filipino	1[b]	Direct	0.00%
Common	Consuelo D. Garcia	Filipino	1,000 900	Direct Indirect[a]	0.00%
Common	Ma. Aurora D. Geotina-Garcia	Filipino	1[b]	Direct	0.00%
Common	Sherisa P. Nuesa	Filipino	1,658,107 90,000	Indirect[a] Direct	0.01%
Common	Melinda L. Ocampo	Filipino	1[b]	Direct	0.00%
Common	Nicole Goh Phaik Khim	Malaysian	1	Direct	0.00%
Common	Maria Corazon G. Dizon	Filipino	42,521,444	Indirect[c]	0.21%
Common	Jose Eduardo P. Zabaleta	Filipino	0	N/A	0.00%
Common	Gabino Ramon G. Mejia	Filipino	7,993,953	Indirect[c]	0.04%
Common	Roman Miguel G. de Jesus	Filipino	4,129,895 14,691,503	Direct Indirect[c]	0.09%
Common	Solomon M. Hermosura	Filipino	0	N/A	0.00%
Common	Dodjie D. Lagazo	Filipino	6,526,166 7,055,313	Direct Indirect[c]	0.07%
Common	Alan T. Ascalon	Filipino	560,173 826,328	Direct Indirect[c]	0.01%
Common	Peter C. Buenaseda	Filipino	0	N/A	0.00%
Common	Mariejo P. Bautista	Filipino	1,101,450	Direct	0.02%
Common	Irene S. Maranan	Filipino	8,182,222	Indirect[c]	0.04%
Common	Henry T. Gomez, Jr.	Filipino	0	N/A	0.00%
Common	Ronald F. Cuadro	Filipino	900,000	Indirect[c]	0.00%

Title of Class of Outstanding Share	Name of beneficial owner	Citizens hip	Amount of beneficial ownership	Nature of beneficial ownership	Percent of total outstanding shares
	TOTAL		**759,041,713**		**3.80 %**

Notes:

(a) The indirect shares held by the following directors: Messrs. Jose Rene Gregory D. Almendras, John Eric T. Francia, John Philip S. Orbeta, Fernando M. Zobel de Ayala, Jaime Augusto M. Zobel de Ayala, and Mses. Consuelo D. Garcia, and Sherisa P. Nuesa are lodged with the PCD Nominee.

(b) The one nominal share of each of Messrs. Jose Rene Gregory D. Almendras, John Eric T. Francia, Fernando M. Zobel de Ayala, Jaime Augusto Zobel de Ayala, Cezar P. Consing, John Philip S. Orbeta, and Mses. Ma. Aurora D. Geotina-Garcia and Melinda L. Ocampo are qualifying shares held in trust for AC Energy and Infrastructure Corporation.

(c) The indirect shares held by the following officers: Messrs. Roman Miguel G. de Jesus, Dodjie D. Lagazo, Gabino Ramon G. Mejia, Alan T. Ascalon, Ronald F. Cuadro, and Mses. Maria Corazon G. Dizon and Irene S. Maranan are lodged with the PCD Nominee.

Voting Trust Holders of 5% or more

The Company is not aware of any person holding five percent (5%) or more of the Company's outstanding shares under a voting trust agreement or similar agreement.

Changes in Control

There are no arrangements that may result in a change in control of ACEN.

On 24 June 2019, ACEIC acquired the 51.48% combined stake of PHI and PHN in ACEN at a purchase price of ₱1.4577 per Share or a total purchase price of ₱3,669,125,213.19. In addition, ACEIC: (a) acquired an additional 156,476 Shares under the mandatory tender offer which ended on 19 June 2019 at the tender offer price of ₱1.4577 per Share, and (b) subscribed to 2.632 billion Shares at ₱1.00 per Share or a total subscription price of ₱2.632 billion. The consideration for the Shares was sourced out of ACEIC's equity.

Following the issuance of the First SEC Approval on 22 June 2020, ACEIC acquired beneficial ownership of 6,185,182,288 Common Shares pursuant to the ACEIC Philippine Transaction, with effective date as at 9 October 2019.

On 29 January 2021, the Company completed the Rights Offer of 2,267,580,434 Common Shares.

As of 19 April 2021, ACEIC (55.99%), together with the Company's directors, officers and affiliates (3.95%), owns and controls 59.94% of all issued and outstanding Shares of the Company. Further discussion can be found under "***Dilution***" on page 88 of this Prospectus.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The Company and its Subsidiaries have executed pro-forma employment contracts with its employees and key officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

Under the Company's By-laws, the Officers of the Company shall hold office for one year and until their successors are chosen and qualified in their stead. Any officer elected or appointed by the majority of the Board of directors may be removed by the affirmative vote of the Board of Directors.

The Company does not have written contracts with any of its executive officers or other significant employees. There are no arrangements for compensation to be received by these named executive officers from the Company in the event of a change in control.

Compensatory Plan or Arrangement

The compensation received by officers who are not members of the Board consists of salaries, bonuses, and other benefits.

All permanent and regular employees of the Company and its Subsidiaries hired are covered by the ACEN retirement plan (the "Plan"). The Plan provides benefits upon normal retirement beginning at age 60, early retirement beginning at age 50 with completion of at least 10 years of service, voluntary separation beginning upon completion of at least 10 years of service, total and physical disability, death, and involuntary separation. The benefits are based on the employee's final monthly basic salary and length of service.

Warrants and Options Outstanding

As of 19 April 2021, there are no outstanding stock options in the Company.

On 18 March 2021, the Board approved the ESOP/ESOWN and the allocation of 960,000,000 Common Shares from the unsubscribed portion of the ACS, which was also approved on 19 April 2021 by the stockholders of the Company in its ASM.

RELATED PARTY TRANSACTIONS

The Company has instituted internal policies with respect to related party transactions and the Company ensures that it is compliant with the policies instituted on transactions involving related parties. Relevant related party transactions are also discussed at the Related Party Committee or Audit and Risk Committees of the companies who oversee such matters. Further, the Company will be complying with BIR Revenue Regulation No. 19-2020 on the disclosure of related party transactions.

The Company believes that all past related party transactions have been conducted at arm's length on commercially reasonable terms.

ACEIC

ACEIC International Transaction

On 26 April 2021, the Company and ACEIC executed the Deed of Assignment effective as at 26 April 2021, whereby ACEIC transferred and conveyed to the Company its rights and interest in AC Energy International as payment for its subscription to 16,685,800,533 Common Shares of the Company, valued at ₱5.15 per Share. Please refer to the section on "***Executive Summary –ACEIC International Transaction***," on page 24 of this Prospectus, including the evaluation for fairness.

ACEIC Philippine Transaction

On 14 May 2020, the Company and ACEIC executed the Second Amended and Restated Deed of Assignment effective as at 9 October 2019, whereby ACEIC transferred and conveyed to the Company its rights and interest in 10 corporations as payment for its subscription to 6,185,182,288 Common Shares of the Company, valued at ₱2.37 per Share. Please refer to the section on "***Executive Summary – ACEIC Philippine Transaction***" on page 21 of this Prospectus, including the evaluation for fairness.

Management Contracts

Effective 24 June 2019, ACEIC became the managing company of the Company and its subsidiaries BPGC, CIPP, and GWC pursuant to separate management contracts originally executed with PHI but were assigned to ACEIC on 24 June 2019.

Under the management contracts, ACEIC shall have general management authority with corresponding responsibility over all operations and personnel of the managed company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the managed company in consideration of the payment by the managed company of a fixed monthly management fee plus an annual incentive based on a certain percentage of each company's net income to the managing company.

Each management contract has a term of five years. The management contract of the Company became effective on 1 September 2018, while the management contracts of BPGC, CIPP, and GWC became effective on 1 September 2016, 1 January 2018, and 1 September 2018, respectively.

Master Service Agreement

NLREC and NPDC entered into a Master Service Agreement ("MSA") with ACEN or any of its affiliates effective 1 January 2020 for the rendition of services to the Company in connection with matters on finance, legal, administrative and human resources. The respective board of the companies approved the execution of the MSA on 24 October 2019 and 11 October 2019, respectively.

Operations and Maintenance Agreement

On 8 October 2015, ACEN entered into an Operation and Maintenance Agreement ("O&M Agreement") with BPGC for a term of five years or until 8 October 2020. Pursuant to the O&M Agreement, BPGC shall perform all the operation and maintenance activities for Power Barges 101, 102, and 103 (the "Power Barges"), including but not limited to performing periodic and corrective maintenance/repairs, as well as ordinary repair works, and providing the manpower, personnel or staff for the efficient operation and maintenance of the Power Barges.

On 23 November 2016 and 20 September 2018, the parties entered into Addendum Nos. 1 and 2 respectively, for the adjustment of the service fees.

Lease Contract

The Company is the assignee of a lease contract from ACEIC for the 22nd floor, 6750 Office Tower, Ayala Ave., Makati City, and has paid ACEIC for the proportionate share in fit-out costs, cabling, systems development, and other costs. The lease period is from 1 September 2019 to 31 December 2021.

On 20 November 2019, ACEIC, Ayala Land, Inc and Ayalaland Offices, Inc. entered an agreement on assignment of contract of lease. ACEIC assigned a portion of its office unit and parking slots effective 1 September 2019 to the Company. The lease is until 31 May 2022.

ACE Shared Services, a wholly-owned subsidiary of the Company, has an existing lease agreement with Fort Bonifacio Development Corporation, a joint venture company of Ayala Land, Inc., for its office space and parking slots. The lease is from 1 August 2020 to 31 March 2023.

SLTEC

SLTEC and the Company entered into an Administration and Management Agreement on 4 October 2019.

BPGC

On 27 December 2013, BPGC and ACEN entered into a PAMA which gave ACEN the right to administer, sell and dispatch all of the capacity of PHINMA Power for a period of 10 years. Prior to 24 June 2019, the Company leased part of its office space to BPGC.

CIPP

The Company executed a PAMA with CIP II effective as of 26 June 2013. Under the PAMA, the Company shall have the right and obligation to administer and manage the entire capacity and net output of CIP II for a period of 10 years.

One Subic

The Company has an existing PAMA with ACEN under which ACEN is given the right to administer and manage the net output of One Subic's 116 MW Subic Diesel Generator Power Plant (the "Subic Power Plant") in consideration of energy fees to be paid by the Company to One Subic. The PAMA became effective on 17 February 2011 and shall be effective throughout the term of the lease of the Subic Power Plant from SBMA.

MGI

ACEN purchases all of the power generated by Maibarara Project. Other transactions with MGI include reimbursements of expenses and advances for future subscriptions.

SOLARACE1

On 30 September 2019, SolarAce1 executed a Contract of Lease with lessors Ayala Land, Inc., Crimson Field Enterprises, Inc., and Red Creek Properties, Inc. for the lease of approximately 106.59 hectares of land in Alaminos, Laguna for a period of 21 years, renewable for another 20 years. The leased area shall be used as the site of a 120 MWdc solar power plant.

Post ACEIC Philippine Transaction ACEIC

Deed of Assignment

On 12 November 2019, ACEIC and the Company executed an Amended and Restated Deed of Assignment effective as at 9 October 2019, which was further amended and restated on 14 May 2020, whereby ACEIC transferred and conveyed all its rights to and interest in several Associates involved in the development or operation of onshore projects for and in payment of ACEIC's subscription to common shares of stock of the Company to be issued partially out of the increase in the Company's authorized capital stock.

Management Services Agreement

ACEIC also performs certain management and technical services for Isla Bio pursuant to the Management Services Agreement dated 1 September 2018. The agreement is effective until 31 December 2021, and shall automatically be renewed for successive periods of five years each time, unless earlier terminated by the parties in accordance with the agreement.

ACEIC and IslaSol entered into an Administration and Management Agreement dated 6 September 2019 for the administration, control, and management of the net output of all energy produced by IslaSol's 32 MWdc and 48 MWdc solar plants located at La Carlota City, Negros Occidental and Manapla, Negros Occidental, respectively. The agreement is effective from 2 September 2019 and shall remain valid until 25 December 2026, or such other date mutually agreed upon by the parties in writing.

ACEIC also assigns certain personnel to perform certain management and administrative support services for NPDC and NLREC pursuant to their respective Services and Assignment Agreements.

Other transactions between ACEIC and Associates

ACEIC has outstanding receivables from and/or deposits for future subscriptions in several Associates.

<u>Transactions between Associates</u>

ACE Endevor, Inc.

ACE Endevor performs certain management, engineering, technical, financial and administrative services for MonteSol, SacaSol, and IslaSol and receives service fees stated in their respective Management Services Agreements therefor.

SCC Bulk Water

On 10 April 2017, SCC Bulk Water acquired from San Julio Realty, Inc. its Water Supply Contract with SCBP. Pursuant thereto, SCC Bulk Water would provide water to SCBP for the use of its 20 MW biomass power plant under development in San Carlos City, Negros Occidental.

MCV Bulk Water

On 15 July 2016, MCV Bulk Water entered into a Water Supply Contract with NNBP, for the provision of water to NNBP's 25MW biomass power plant under development in Manapla, Negros Occidental.

On 22 December 2020, MCV Bulkwater entered into a Deed of Absolute Sale with LCC Bulk Water for three (3) units of 75KVa power transformers.

LCC Bulk Water

On 21 May 2014, LCC Bulk Water Supply entered into a Water Supply Contract SNBP for the provision of water to SNBP's 25 MW biomass power plant under development in La Carlota City, Negros Occidental.

Other Transactions

ACE Endevor, ACE Renewables, and Gigasol2 have outstanding receivables from and/or deposits for future subscriptions in various Associates.

Transactions with entities under Control of the Ultimate Parent

Several Associates have engaged AG Counselors Corporation, a wholly-owned company of Ayala, for the performance of legal services.

On 19 March 2021, the Board approved the execution of a Power Suply Agreement between the Company and DirectPower Services, Inc., an affiliate of Ayala Land, Inc.

PRINCIPAL AND SELLING SHAREHOLDERS

Principal Shareholders

The following table shows the persons or groups known to the Company to be directly the record or beneficial owners of more than 5% of the Company's voting securities as of 19 April 2021:

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Ownership
Common	PDTC[a] 28th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City Stockholder		Filipino 20.87%[c] Foreign 2.43%	4,650,744,060[c]	23.30%[c]
Common	AC Energy and Infrastructure Corporation[b] 4F 6750 Office Building, Ayala Avenue, Makati City Stockholder	Mermac, Inc. 3rd Floor, Makati Stock Exchange Building, Ayala Triangle, Ayala Avenue, Makati City	Filipino	11,175,442,921[d]	55.99%
Common	Arran Investment Pte Ltd 168 Robinson Road, #37-01, Capital Tower, Singapore 068912 Stockholder	GIC Private Limited 168 Robinson Road #37-01 Capital Tower Singapore 068912 Singapore	Singaporean	3,999,999,999	20.04%

Notes:

(a) The Philippine Depository and Trust Corporation ("PDTC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD") which acts as trustee-nominee for all shares lodged in the PCD system.

(b) AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.) was incorporated on 13 December 2005 and is domiciled in the Philippines. ACEIC was organized primarily to purchase, exchange, hold, own, and use investments, capital stock or other securities, and exercise all the rights, powers, and privileges of ownership to the extent permitted by law, as well as to engage in the purchase, retail, supply, and delivery of electricity and in such other activities related thereto.

(c) Excludes AC Energy and Infrastructure Corporation's lodged shares.

(d) As of 19 April 2021, AC Energy and Infrastructure Corporation has 11,175,442,921 indirect shares lodged with BPI Securities Corp. representing 55.99% of the total shareholdings of the Company.

The Company has approximately 3,162 shareholders as of 19 April 2021. Based on the records, the following are the top 20 stockholders of the Company with their respective shareholdings and percentage to total shares outstanding as of said date:

Common Shareholders

No.	Name of Shareholder	No. of Shareholdings	Amount Paid-up (₱)	Percent of Ownership
1	PCD Nominee Corporation (Filipino)	15,341,781,640[a]	15,341,781,640	76.86[a]
	PCD Nominee Corporation (Non-Filipino)	484,405,401	484,405,401	2.43
2	Arran Investment Pte Ltd	3,999,999,999	3,999,999,999	20.04
3	Emar Corporation	37,283,937	37,283,937	0.19
4	Bulacan Power Generation Corporation	6,969,271	6,969,271	0.03
5	Dodjie D. Lagazo	6,526,166	6,526,166	0.03
6	Roman Miguel G. De Jesus	4,129,895	4,129,895	0.02
7	Phil. Remnants Co. Inc.[b]	2,801,218	2,801,218	0.01
8	Victor J. Del Rosario	2,625,639	2,625,639	0.01
9	Peter Mar or Annabelle C. Mar	2,055,000	2,055,000	0.01
10	Teresita A. Dela Cruz	1,502,221	1,502,221	0.01
11	Guillermo D. Luchangco	1,500,000	1,500,000	0.01
12	Belek Inc.	1,484,002	1,484,002	0.01
13	Joseph D. Ong	1,397,663	1,397,663	0.01
14	William How and/or Benito How	1,333,457	1,333,457	0.01
15	Mariejo P. Bautista	1,101,450	1,101,450	0.01
16	Victor J. Del Rosario or Ma. Rita S. Del Rosario	954,603	954,603	0.00
17	Dr. Anita Ty	933,971	933,971	0.00
18	Pacifico B. Tacub	896,206	896,206	0.00
19	Lim Tay	816,284	816,284	0.00
20	Albert Mendoza and/or Jeannie Mendoza	689,295	689,295	0.00

Notes:

(a) Includes ACEIC's and BPGC's lodged shares.

(b) Now "American Wire & Cable Co, Inc." pursuant to the SEC Certificate of Filing of the Articles and Plan of Merger dated 3 December 1999. The change of name in the relevant stock certificate will be processed accordingly in coordination with the stockholder.

Foreign Shareholding

As of 19 April 2021, Filipino shareholders own 77.51% of the outstanding capital stock of the Company, while foreign shareholders own 22.49% of the outstanding capital stock of the Company.

Ownership of ACEIC

As of 19 April 2021, ACEIC beneficially owns an aggregate of 11,175,442,921 of the Company's Common Shares, representing 55.99% of the outstanding Common Shares of the Issuer.

Treasury Shares

As of 19 April 2021, the Company has cumulatively purchased a total of 14,500,000 of its own Common Shares pursuant to its share buy-back program. These Common Shares remain issued but are not outstanding and are held as treasury shares. These Common Shares remain listed on the PSE and can be re-sold by the Company at such price and on such terms (without being subject to pre-emptive rights) as the Company considers appropriate. Considering treasury shares, a total of 19,974,537,644 Common Shares are issued and outstanding as of 19 April 2021.

First SEC Approval

Upon the issuance of the First SEC Approval on 22 June 2020, ACEIC acquired beneficial ownership of 6,185,182,288 Common Shares pursuant to the ACEIC Philippine Transaction, with effective date as at 9 October 2019. To allow the recording of these Common Shares in the name of ACEIC in the stock and transfer book of the Company and their listing on the PSE, the parties applied with the BIR for the issuance of a confirmatory ruling that the ACEIC Philippine Transaction qualifies as a tax-free exchange. On 30 October 2020, the BIR issued a ruling confirming that the ACEIC Philippine Transaction qualifies as a tax- free exchange. On 25 November 2020, the Company submitted to the SEC the stock certificates of the ACEIC Assigned Associates in the name of the Company as proof of transfer following the issuance by the BIR on 24 November 2020 of a certificate authorizing registration covering such shares in compliance with MC 14-2013, in respect of the First Increase in ACS and the ACEIC Philippine Transaction. To comply with the standard post-transaction submission of proof that the transfer values of the shares of the ACEIC Assigned Associates that were transferred to the Company based on the Valuation Report have been attained, the Company submitted to the SEC a Special Audit Report on 18 December 2020. On 21 December 2020, the SEC issued its confirmation that the Company has complied with the conditions in MC 14-2013. See "***Executive Summary – ACEIC Philippine Transaction.***" Following the First SEC Approval, the Company's total issued and outstanding Common Shares increased by the corresponding amount to a total of 13,692,457,210 Common Shares. As a result, ACEIC held a total of 11,175,442,928 Common Shares representing 81.62% of the Company, while 15.40% is held by the public.

Rights Offer

On 29 January 2021, the Company completed the Rights Offer of 2,267,580,434 Common Shares, wherein ACEIC did not participate to provide maximum availability of rights shares to minority eligible shareholders. As a result, ACEIC held a total of 11,175,442,928 Common Shares representing 70.02% of the Company, while 24.96% was held by the public, as at the completion of the Rights Offer.

Arran Primary Issuance

On 18 March 2021, ACEN and Arran signed a subscription agreement for the allotment and issuance by ACEN of 4 billion Common Shares via private placement, constituting 20.04% of the total outstanding Common Shares, at the subscription price of ₱2.97 per Share as more particularly described in the section "***Material Contracts – Arran Investment Pte Ltd Investment***," on page 180 of this Prospectus

Selling Shareholders

The table below sets forth, for the Selling Shareholders, the number of Shares held by such Selling Shareholders before the Offer, the number of Shares to be sold in the Offer and the number of Shares to be owned by those Selling Shareholders immediately after the Offer.

The Selling Shareholders comprise ACEIC and BPGC.

					No exercise of Over-subscription Option		Full exercise of Over-subscription Option	
Selling Shareholders	Common Shares held before the Offer	% of Common Shares outstanding before the Offer	Common Shares to be sold in the Firm Offer	Common Shares to be sold pursuant to the Over-subscription Option	Common Shares held after the Offer	%	Common Shares held after the Offer	%
ACEIC	11,175,442,921	55.99	300,000,000	100,000,000	10,875,442,921	50.49	10,775,442,921	50.03
BPGC	30,253,617	0.15	30,248,617	-	5,000	0.00	5,000	0.00
TOTAL	11,205,691,538	56.14	330,248,617	100,000,000	10,875,447,921	50.49	10,775,447,921	50.03

MARKET PRICE OF THE COMPANY'S STOCK AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's Common Shares are listed and traded on the PSE under the symbol "ACEN." Below are the high and low sale prices for calendar years 2016 to 2020:

Period	High	Low
Calendar 2020		
Fourth quarter	9.05	2.90
Third quarter	3.30	2.16
Second quarter	2.44	1.95
First quarter	2.48	1.39
Calendar 2019		
Fourth quarter	2.89	2.05
Third quarter	3.06	2.20
Second quarter	2.89	1.38
First quarter	1.50	1.13
Calendar 2018		
Fourth quarter	1.23	0.85
Third quarter	1.33	0.94
Second quarter	1.86	1.21
First quarter	1.89	1.48
Calendar 2017		
Fourth quarter	1.80	1.52
Third quarter	2.08	1.70
Second quarter	2.22	1.91
First quarter	2.48	2.15
Calendar 2016		
Fourth quarter	2.3	2.02
Third quarter	2.60	2.15
Second quarter	2.95	2.28
First quarter	2.89	1.98

On 28 April 2021, the closing price of ACEN's common shares on the PSE was ₱7.00 per Common Share.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company and the Joint Bookrunners, or any of their respective subsidiaries, affiliates or advisors in connection with the Offer.

The Exchange

The PSE is the only stock exchange in the Philippines. It is one of the oldest stock exchanges in Asia, having been in continuous operation since the establishment of the Manila Stock Exchange in 1927. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018 the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor. Beginning 19 March 2020 on account of the COVID-19 pandemic, trading in the PSE is a continuous session from 9:30 a.m. to 1:00 p.m. daily.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

In June 1998, the SEC granted the PSE a "Self-Regulatory Organization" status, which meant that the bourse can implement its own rules and establish penalties on erring trading participants and listed companies. In 2011, Capital Market Integrity Corporation ("CMIC") was incorporated to function as the independent audit, surveillance and compliance arm of PSE. The mandate of CMIC is to ensure that trading participants adhere to all pertinent rules, regulations, and code of conduct of CMIC and PSE, as well as all related legislative and regulatory requirements.

On 8 August 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the Philippine Securities Regulation Code. The PSE had an authorized capital stock of ₱120 million, of which 85,164,091 are issued, out of which 3,513,954 are held in treasure shares, resulting in 81,650,137 total shares outstanding as of 30 June 2018. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President of the PSE.

On 15 December 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry. Recently, the PSE issued Rules on Exchange Traded Funds ("ETF") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards.

The PSE has a benchmark index, referred to as the PSEi, which reflects the price movements of the 30 largest and most active stocks at the PSE. The PSEi is a free float market capitalization-weighted index.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated 6 June 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the issuer.

With the increasing calls for good corporate governance and the need to consistently provide full, fair, accurate and timely information, the PSE has adopted an online daily disclosure system to support the provision of material information coming from listed companies and enhance access to such reports by the investing public. In December 2013, the PSE Electronic Disclosure Generation Technology ("EDGe"), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to-download mobile application for easy access by investors.

The main index for PSE is the PSEi, which is a capitalization-weighted index composed of stocks representative of the Industrial, Properties, Services, Holding Firms, Financial and Mining & Oil Sectors of the PSE. It measures the relative changes in the free float-adjusted market capitalization of the 30 largest and most active common stocks listed at the PSE. The selection of companies in the PSEi is based on a specific set of public float, liquidity and market capitalization criteria. There are also six sector-based indices as well as a broader all shares index.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ's X-stream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, the Exchange received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of PPP Companies.

In June 2018, the PSE received approval from the Philippine SEC to introduce short selling in the equities market.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

The table below sets out movements in the composite index as of the last business day of each calendar year from 2008 to 2020, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	PSEi Level at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
2008	1,872.85	246	4,072.16	763.90
2009	3,052.68	248	6,032.22	994.15
2010	4,201.14	253	8,866.11	1,207.38
2011	4,371.96	253	8,696.96	1,422.59
2012	5,812.73	254	10,930.09	1,771.71
2013	5,889.83	257	11,931.29	2,546.18
2014	7,230.57	263	14,251.72	2,130.12
2015	6,952.08	265	13,465.57	2,151.41
2016	6,840.64	265	14,438.77	1,929.50
2017	8,558.42	267	17,583.12	1,958.36
2018	7,466.02	267	16,146.69	1,736.82
2019	7,815.26	268	16,705.35	1,772.58
2020	7,139.71	274	15,890	1,185.74

Source: PSE

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 p.m. for the morning session, and resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session. Trading days are Monday to Friday, except legal and special holidays and days when the BSP clearing house is closed. Beginning 19 March 2020 on account of the COVID-19 pandemic, trading in the PSE is a continuous session from 9:30 a.m. to 1:00 p.m. daily.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (*i.e.,* 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE.
- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (*i.e.*, 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on 17 January 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also PSE Trading Participants;
- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and
- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the nine existing Settlement Banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited, Maybank Philippines, Inc., Asia United Bank, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement ("CCCS") system on 29 May 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On 16 December 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (*e.g.*, brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through their participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant- brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade their interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On 24 June 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on 1 July 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Philippine SEC in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of 1 July 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.
- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on 21 May 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through their broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

Pursuant to the amended rules on minimum public ownership promulgated by the PSE and approved by the SEC, companies listed prior to December 6, 2017 are required at all times to maintain a minimum percentage of listed securities held by the public of 10% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage as may be prescribed by the PSE.

The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) the purpose of investment; and (c) the extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (*i.e.,* shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) Social Security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the MPO on or after 1 January 2013 will be suspended from trading for a period of not more than six months and will automatically be delisted if it remains non- compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

On December 1, 2017, the SEC issued SEC Memorandum Circular No. 13, Series of 2017 ("SEC MC 13-2017") on the rules and regulations on minimum public ownership ("MPO") on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

On 4 August 2020, the PSE issued Guidelines on MPO Requirement for Initial and Backdoor Listings, effective immediately. Under the guidelines, companies applying for initial listing through an IPO are required to have a minimum public offer size of 20% to 33% of its outstanding capital stock, as follows:

Market Capitalization	Minimum Public Offer
Not exceeding ₱500 million	33% or ₱50 million, whichever is higher
Over ₱500 million to ₱1 billion	25% or ₱100 million, whichever is higher
Over ₱1 billion	20% or ₱250 million, whichever is higher

A company listing through an IPO is required to maintain at least 20% public ownership level at all times, whether the listing is initial or through backdoor listing. For companies doing a backdoor listing, the 20% MPO requirement shall be reckoned from the actual issuance or transfer (as may be applicable) of the securities which triggered the application of the Backdoor Listing Rules or from actual transfer of the business in cases where the Backdoor Listing Rules are triggered by a substantial change in business.

DESCRIPTION OF THE SHARES

General Corporate Information

Incorporation

The Company is duly organized as a corporation under the laws of the Philippines and was registered with the SEC on 8 September 1969. The Company started as a resource exploration company. Then known as Trans-Asia Oil and Mineral Development Corporation, the Company successfully produced oil in Cadlao, Tara and Matinloc in the 1980s. In 1996, the Company was renamed to Trans-Asia Oil and Energy Development Corporation as it shifted its primary focus to power generation. In 2017, the Company was renamed PHINMA Energy Corporation, and on 11 October 2019, the Company amended its Articles of Incorporation to amend its corporate name to AC Energy Philippines, Inc. to align the Company as the Philippine pipeline of its parent company, ACEIC. On 5 January 2021, the Company was renamed to "AC Energy Corporation" in consideration of the potential regional expansion of the Company following the ACEIC International Transaction.

Primary Purpose

The Company's Amended Articles of Incorporation provide that its primary purpose is to engage in and carry out the business of oil and mineral exploration and production, and power generation and distribution.

Under Philippine law, a corporation may invest its funds in any other corporation or business for any purpose other than the primary purpose for which it was organized when approved by a majority of the Board of Directors and ratified by the shareholders representing at least two-thirds of the outstanding capital stock, at a shareholders' meeting duly called for the purpose; provided, however, that where the investment by the corporation is reasonably necessary to accomplish its primary purpose, the approval of the shareholders shall not be necessary.

Capitalization

As of the date of this Prospectus, the Company has 19,960,037,644 Common Shares outstanding and 19,974,537,644 Common Shares issued, considering the 14,500,000 Common Shares held as treasury shares. There are no other class of shares which enjoy preferential rights as to voting or dividends.

The Primary Offer Shares will be issued from the existing authorized capital stock of the Company.

Stockholders of the Company enjoy full dividend and voting rights in accordance with the Revised Corporation Code of the Philippines, pro-rata to their shareholdings.

The Offer Shares shall be offered at a price of ₱6.50 per Offer Share. The determination of the Offer Price is further discussed on page 87 of this Prospectus. A total of 21,540,037,644 Common Shares will be outstanding after the Offer (assuming the Over-subscription Option is exercised in full). The Offer Shares will comprise 9.33% of the outstanding Common Shares after the Offer.

Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and by-laws of the corporation. Under Philippine law, the shares of a corporation may either be with or without a par value. All of the Common Shares currently issued by the Company have a par value of ₱1.00 per Share.

Subject to the approval by the SEC, a corporation may increase or decrease its authorized capital stock by amending its articles of incorporation, provided that the change is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

On 22 June 2020, the authorized capital stock of the Company was increased by 16,000,000,000 Common Shares. An amendment to Article Seventh of the Company's Articles of Incorporation was submitted for Board approval on 23 July 2019 under Resolution No. B-2019-0723-08 and during the ASM on 17 September 2019 under Resolution No. S-2019-007, and filed with the SEC on 22 November 2019. The said amendment sought to increase the Company's authorized capital stock from Eight Billion Four Hundred Million Pesos (₱8,400,000,000.00) divided into eight billion four hundred million (8,400,000,000) Common Shares, to Twenty-four Billion Four Hundred Million Pesos (₱24,400,000,000.00) divided into twenty-four billion four hundred million (24,400,000,000) Common Shares ("First Increase in ACS"). The SEC approved the First Increase in ACS on 22 June 2020. On 18 March 2020, the Board approved the further increase of the Company's authorized capital stock to ₱48,400,000,000, consisting of 48,400,000,000 Common Shares with a par value of ₱1.00 per Share ("Second Increase in ACS"). However, such application for increase will only be filed with the SEC after the Listing Date or as may be determined by the Company, and is expected to be completed in 2021.

A corporation is also empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has Unrestricted Retained Earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of instances in which the corporation is empowered to purchase its own shares are: when the elimination of fractional shares arising out of share dividends is necessary or desirable, the purchase of shares of dissenting shareholders exercising their appraisal right (as discussed below), and the collection or compromise of an indebtedness arising out of an unpaid subscription. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the Company, including its officers or employees for such consideration in money as the Board may determine.

Voting Rights

The Company's Shares have full voting rights. However, the Revised Corporation Code of the Philippines provides that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Dividend Rights

Under the Revised Corporation Code of the Philippines, dividends may be paid out of the Unrestricted Retained Earnings of the Company as and when the Board of Directors may elect, subject to legal requirements. The Unrestricted Retained Earnings represent the undistributed earnings of the Company which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. Dividends are payable to all shareholders on the basis of outstanding shares of the Company held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to shareholders whose name are recorded in the stock and transfer book as of the record date fixed by the Board of Directors. The Exchange has an established mechanism for distribution of dividends to beneficial owners of shares which are traded through the Exchange which are lodged with the PCD Nominee as required for scripless trading.

See "***Dividends***" beginning on page 86 of this Prospectus.

Pre-Emptive Rights

The Revised Corporation Code of the Philippines confers pre-emptive rights on the existing shareholders of a Philippine corporation which entitle such shareholders to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

Pursuant to Article Seventh of the Company's Articles of Incorporation, stockholders have pre-emptive right to purchase or subscribe to additional Shares, except if the issue of the said additional Shares does not exceed 35% of the resulting total subscribed capital stock and shall be used exclusively for the benefit of the Company. Accordingly, the issuance of the Primary Offer Shares in accordance with the Offer is not subject to pre-emptive rights as it will not exceed 35% of the resulting total subscribed capital stock of the Company and shall be used exclusively for the benefit of the Company.

All Common Shares have full voting rights and the right to receive dividends. There are no provisions in the Articles of Incorporation or the By- laws that would delay, defer or prevent a change in control of the Company.

On 19 April 2021, the stockholders of the Company approved the increase in the number of Shares exempt from the pre-emptive right of shareholders in relation to Shares issued in exchange for property needed for corporate purposes or in payment of a previously contracted debt from 16,000,000,000 Shares to 24,000,000,000 Shares and for this purpose, to amend the Seventh Article of the Articles of Incorporation. The amendment to the Articles of Incorporation of the Companys is expected to be filed within the second quarter of 2021.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Appraisal Rights

The Revised Corporation Code of the Philippines grants a shareholder a right of appraisal and demand payment of the fair value of his or her or its shares in certain circumstances where he or she has dissented and voted against a proposed corporate action, including:

1. an amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;

2. the extension of the term of corporate existence;

3. the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;

4. a merger or consolidation; and

5. investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has Unrestricted Retained Earnings sufficient to support the purchase of the shares of the dissenting shareholders.

As provided under Section 81 of the Revised Corporation Code of the Philippines, the appraisal right may be exercised by the dissenting stockholder who votes against a proposed corporate action by making a written demand on the corporation for the payment of the fair value of shares held within 30 days from the date on which the vote was taken. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Right to Inspect Corporate Books and Records

A shareholder has the right to inspect the records of all business transactions of the corporation and the minutes of any meeting of the board of directors and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, the corporation may refuse such inspection if the shareholder demanding to examine or copy the corporation's records has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

A shareholder has a right to be furnished with the most recent financial statement of a Philippine corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the Board of Directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certificate by an independent certified public accountant.

Right to Stock Certificates

Each shareholder whose shares of stock have been paid in full shall be entitled to a stock certificate for such shares of stock.

Right to be Elected as a Director

Any shareholder having at least one share registered in his or her name may be elected director, provided that he or she has such qualifications and none of the disqualifications provided for in the Revised Corporation Code, Securities Regulation Code, the Company's Manual on Corporate Governance and other relevant laws and regulations.

Board of Directors

Unless otherwise provided by law or in the articles of incorporation, the corporate powers of the Company are exercised, its business conducted, and its property controlled by the Board. Pursuant to its Articles of Incorporation, as amended, the general management of the Company shall be vested in a Board of 11 directors who shall be stockholders and who shall serve until the election and qualification of their successors. As a corporation publicly listed in the Exchange, the Company shall conform with the requirement to have three independent directors within the meaning set forth in Section 38 of the SRC. An independent director shall hold no interests or relationships with the Company that may hinder his or her independence from the Company or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and which he or she shall certify in a letter of confirmation to the Corporate Secretary.

The Board of Directors shall be elected during each regular meeting of shareholders, at which shareholders representing at least a majority of the issued and outstanding capital stock of the Company are present, either in person or by proxy. Any vacancy in the Board of Directors shall be filled by a majority vote of the Board of Directors at a regular meeting or at a special meeting called for that purpose, and the director or directors so chosen shall serve for the unexpired term.

Under Philippine law, representation of foreign ownership on the Board is limited to the proportion of the foreign shareholding. The directors shall act only as a Board and the individual directors shall have no power as such. A majority of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business, and every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act. Six directors, which is a majority of the Board, constitute a quorum for the transaction of corporate business. Except for certain corporate actions such as the election of officers, which shall require the vote of a majority of all the members of the Board, every decision of a majority of the quorum duly assembled as a board is valid as a corporate act.

Pursuant to its Articles of Incorporation, the Board of Directors of the Company shall have the management of the business of the Company and such powers and authorities as are by the By-laws or by statutes of the Philippines expressly conferred upon it. Without prejudice to the general powers conferred in the By-laws, the Board of Directors shall have the following express powers:

a. From time to time to make and change rules and regulations not inconsistent with the By-laws for the management of the Company's business and affairs;

b. To purchase or otherwise acquire for the Company, rights or privileges which the Company is authorized to acquire at such price and on such terms and conditions and for such consideration as it shall from time to time see fit;

c. To pay for any property or rights acquired by the Company or to discharge obligations of the Company either wholly or partly in money or in stocks, bonds, debentures or other securities of the Company;

d. To borrow money for the Company and for such purpose to create, make and issue mortgages, bonds, deeds of trust and negotiable instruments or securities, secured by mortgage or pledge of property belonging to the Company; provided, that, as hereinafter provided, the proper officers of the Company shall have these powers unless expressly limited by the Board of Directors;

e. To lend or invest money or property of the Company or otherwise to make temporary placement of funds for the best interests of the Company; and

f. To delegate from time to time, any of the powers of the Board in the course of the current business or businesses of the Company to any standing or special committee or to any officer or agent and to appoint any persons to be agents of the Company with such powers (including the power to subdelegate), and upon such terms as may be deemed fit.

Shareholders' Meetings

Annual or Regular Shareholders' Meetings

The Revised Corporation Code of the Philippines requires all Philippine corporations to hold an annual meeting of shareholders for corporate purposes including the election of directors. The By-laws of the Company provide for annual meetings on any business day in April of each year as may be fixed by the Board of Directors to be held at its principal office or at such place in Makati, Metro Manila and at such hour as specified in the notice. For the year 2021, the ASM was held on 19 April 2021 virtually due to the COVID-19 pandemic.

Special Shareholders' Meeting

Pursuant to the Company's By-laws, special meetings of the stockholders shall be held at the same place as the annual meetings, *i.e.*, to be held on any business day in April of each year as may be fixed by the Board of Directors to be held at its principal office or at such place in Makati, Metro Manila and at such hour as specified in the notice. Such meeting may be called at any time by the President, at his discretion, any five directors, or except as otherwise expressly provided for by law at the request of the stockholders holding the majority of the shares issued and outstanding. Such request shall state the purpose or purposes of the proposed meeting.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date, and time of the meeting, and the purpose or purposes for which the meeting is called. The Company's By-laws provide that the annual meeting of shareholders may be held without prior notice however, under the Exchange's disclosure rules, for the holding of any shareholders' meeting, the Exchange must be given a written notice of the annual meeting of shareholders at least 10 Trading Days prior to the record date fixed by the Company as an Issuer. The notice must include all the necessary details including the time, venue, and agenda of the meeting and the inclusive dates when the stock and transfer books will be closed. The Company shall further submit within five Trading Days after the record date the list of shareholders who are entitled to notice and to vote at a regular or special shareholders' meeting.

For special meetings of stockholders, a written notice stating the day and place of the meeting and the general nature of the business to be transacted shall be sent to the address as appearing in the books of the Company at least five days from the date of the meeting to each shareholders empowered to vote at such meeting, provided that this requisite may be waived by shareholders. No other business shall be transacted at a special meeting not stated in the notice sent to the shareholders as described above.

Attendance through Electronic Means

When so provided in the By-laws or by majority of the Board of Directors, stockholders who cannot physically attend at stockholders' or members' meetings may participate in such meetings through remote communications or other alternative modes of communication. A stockholder who participates through remote communication or in absentia shall be deemed present for purposes of quorum. Likewise, the right to vote of stockholders may be exercised in person, through a proxy, or when so authorized in the by-laws, through remote communication, or in absentia. The right to vote of stockholders or members may be exercised also through remote communication or in absentia when authorized by a resolution of the majority of the Board of Directors, provided that the resolution shall only be applicable for a particular meeting. For the year 2021, the ASM was held on 19 April 2021 virtually due to the COVID-19 pandemic.

Quorum

The owners of a majority of the shares issued and outstanding either in person or by proxy shall, except as otherwise expressly provided by law, constitute a quorum for the transaction of business at any meeting of the stockholders. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of shares shall be presented.

Pursuant to the Company's By-laws, the Chairman of the Board, or in case of his absence or disability, the Vice-chairman of the Board, may then call to order any meeting of the shareholders, and proceed to the transaction of business, provided a majority of the shares issued and outstanding be present, either in person or by proxy, but if there be no quorum present at any meeting, the meeting may be adjourned by the shareholders present from time to time until the quorum shall be obtained. If neither the Chairman nor the Vice-chairman of the Board is present, then the meeting is to be conducted by the President, and in case the latter is also absent, by the Vice President who is a director designated by the Board of Directors.

Voting

At all meetings of shareholders, a holder of Common Shares may vote in person or by proxy, for each share held by such shareholder. Voting at all meetings of the shareholders shall be by shares of stock and not per capita.

Matters Pertaining to Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing, signed and duly presented to the Office of the Corporate Secretary at least five days before the meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary.

Proxies should comply with the relevant provisions of the Revised Corporation Code of the Philippines, the SRC, the IRRs, and SEC Memorandum Circular No. 5 (Series of 1996) issued by the Commission.

Dividends

The Common Shares have full dividend rights. Dividends on the Company's Common Shares, if any, are paid in accordance with Philippine law. Dividends are payable to all shareholders on the basis of outstanding Common Shares held by them, each Common Share being entitled to the same unit of dividend as any other Common Share. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by the Company's Board of Directors. The Exchange has an established mechanism for distribution of dividends to beneficial owners of Common Shares which are traded through the Exchange which are lodged with the PCD Nominee as required for scripless trading.

Fixing Record Dates

Under existing rules of the Commission, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than 10 or more than 30 days from the date of declaration.

With respect to share dividends, the record date shall not be less than 10 or more than 30 days from the date of shareholder approval; provided, however, that the record date set shall not be less than 10 Trading Days from receipt by the Exchange of the notice of declaration of share dividends. In the event that share dividends are declared in connection with an increase in the authorized capital shares, the corresponding record date shall be fixed by the Commission.

Shares of Stock

Under the Company's By-laws, each shareholder whose shares of stock have been paid in full shall be entitled to a stock certificate for such shares of stock.

Under the Rules of the Exchange, only fully-paid shares may be listed with the Exchange.

Transfer of Shares and Share Register

All transfers of shares on the Exchange shall be effected by means of a book-entry system. Under the book-entry system of trading and settlement, a registered shareholder shall transfer legal title over the shares to a nominee, but retains beneficial ownership over the shares. The transfer of legal title is done by surrendering the stock certificate representing the shares to participants of the PDTC System (*i.e.*, brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee Corporation, a corporation wholly-owned by the PDTC (the "PCD Nominee"). A shareholder may request upliftment of the shares from the PDTC, in which case a stock certificate will be issued to the shareholder and the shares registered in the shareholder's name in the books of the Company. See "***The Philippine Stock Market***" beginning on page 289 of this Prospectus. Under its By-laws, shares of stock shall be transferred by delivery of the certificate indorsed by the owner or his or her attorney-in-fact or other person legally authorized to make the transfer, but no transfer shall be valid and effective until the transfer is annotated in the books of the Company.

Philippine law does not require transfers of the Common Shares to be effected on the Exchange, but any transfers will subject the transferor to a capital gains tax that may be significantly greater than the share transfer tax applicable to transfers effected on the PSE. See "***Philippine Taxation***" beginning on page 307 of this Prospectus. All transfers of shares on the Exchange must be effected through a licensed stockbroker in the Philippines.

There are no existing provisions in the Company's Amended Articles of Incorporation or the Amended By-laws which will delay, defer, or in any manner prevent a change in control of the Company.

Share Certificates

Pursuant to the Company's By-laws, share certificates shall be in such form and design as required by the Articles of Incorporation and as may be determined by the Board of Directors. Every certificate shall be signed by the President or shall bear a facsimile of the President's signature and countersigned by the Secretary, and shall state on its face, its class, its number, the date of issue, the par value, and the number of shares for which it was issued, and the name of the person in whose favor it was issued. In the absence from the Philippines or incapacity of either or both the President and/or Secretary, every certificate shall be signed by their respective substitutes or alternates duly designated by the Board of Directors for the purpose.

Certificates representing the Common Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. Shareholders wishing to split their certificates may do so upon application to the Company's Stock Transfer Agent, which will maintain the share register. Common Shares may also be lodged and maintained under the book entry system of the PDTC. See "***The Philippine Stock Market***" beginning on page 289 of this Prospectus.

Mandatory Tender Offers

In general, under the SRC and the IRRs, any person or group of persons acting in concert and intending to acquire at least (1) 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of 12 months, or (2) 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders, or (3) if any acquisition would result in ownership by the acquiring party of over 50% of the total outstanding equity of a public company, is required to make a tender offer to all the shareholders of the target corporation on the same terms. Generally, in the event that the securities tendered pursuant to such an offer exceed that which the acquiring person or group of persons is willing to take up, the securities shall be purchased from each tendering shareholder on a pro rata basis, disregarding fractions, according to the number of securities tendered by each security holder.

Where a mandatory tender offer is required, the acquirer is compelled to offer the highest price paid by him for such shares during the past six months. Where the offer involves payment by transfer or allotment of securities, such securities must be valued on an equitable basis. However, if any acquisition would result in ownership of over 51% of the total outstanding equity, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining shareholders of the said corporation at a price supported by a fairness opinion provided by an independent financial adviser or equivalent third party. The acquirer in such a tender offer shall be required to accept any and all securities thus tendered.

No Mandatory Tender Offer is required in: (i) purchases of shares from unissued capital shares unless it will result to a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the board, (ii) purchases from an increase in the authorized capital shares of the target company, (iii) purchases in connection with a foreclosure proceedings involving a pledge or security where the acquisition is made by the debtor or creditor, (iv) purchases in connection with privatization undertaken by the government of the Philippines, (v) purchases in connection with corporate rehabilitation under court supervision, (vi) purchases through an open market at the prevailing market price, or (vii) purchases resulting from a merger or consolidation.

Fundamental Matters

The Revised Corporation Code of the Philippines provides that certain significant acts may only be implemented with shareholders' approval. The following require the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of the corporation in a meeting duly called for the purpose:

1. amendment of the articles of incorporation;

2. removal of directors;

3. sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the assets of the corporation;

4. investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized;

5. declaration or issuance of share dividends;

6. delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws, merger or consolidation;

7. dissolution;

8. an increase or decrease in capital shares;

9. ratification of a contract of a directors or officer with the corporation;

10. extension or shortening of the corporate term;

11. creation or increase of bonded indebtedness; and

12. management contracts with related parties.

The approval of shareholders holding a majority of the outstanding capital stock of a Philippine corporation, including non-voting preferred shares, is required for the adoption or amendment of the by- laws of such corporation.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the Commission. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the Commission. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the Company for the preceding year. This report is required to include audited financial statements.

Additional Information

The Company files periodic reports and other information to the SEC and the PSE. These reports and other information may be inspected and copied at the public reference facilities maintained by the SEC and PSE or obtained at the PSE website at www.pse.com.ph. Information on this website or any other websites are not incorporated by reference into this Prospectus and does not constitute a part of this Prospectus.

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based on the laws, regulations, rulings, income tax conventions, treaties, administrative practices and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the applicant.

The tax treatment of an applicant may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS.

As used in this Section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a non- resident alien engaged in trade or business in the Philippines; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business in the Philippines. A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines.

Corporate Income Tax

While Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion ("TRAIN"), which is the first package of the Comprehensive Tax Reform Program ("CTRP") of the Duterte administration, brought about extensive changes to individual income taxation, the first package of the CTRP did not include changes in corporate income taxation. This was addressed in the second package of the CTRP or Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE"), which was signed into law on 26 March 2021, amending provisions of the Tax Code, related to, among others, corporate income tax, lowering corporate income taxes and modernizing fiscal incentives in a bid to complement the expected incremental revenues from the first package. CREATE shall take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

A domestic corporation is subject to a tax of 25% of its taxable income from all sources within and outside the Philippines beginning 1 July 2020, provided that domestic corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed) ("MSMEs"), shall be taxed at 20%. Taxable net income refers to items of income specified under Section 32(A) of the Tax Code less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

Passive income of a domestic corporations are taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Any excess of the Minimum Corporate Income Tax ("MCIT"), beginning 1 July 2020 and until 30 June 2023, shall be computed at 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. After 30 June, 2023, the rate of MCIT shall be 2% of the gross income as of the end of the taxable year.

Subject to certain conditions, the MCIT may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, force majeure, or due to legitimate business reverses.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to income tax at the rate of 10%. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines from a domestic corporation are subject to a 20% tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines from a domestic corporation are subject to tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations are subject to withholding tax at the rate of 25% beginning 1 January 2021.

The 25% final withholding tax rate for inter-corporate cash and/or property dividends paid by a domestic corporation to a non-resident foreign corporation may be reduced depending on the country of domicile of the non-resident foreign corporation if it has an existing tax treaty with the Philippines. A country with a tax treaty may have a reduced preferential tax rate depending on the provisions of the corresponding tax treaties. On the other hand, the tax rate for a country without a tax treaty may be reduced to 15% ("tax sparing rate") if (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or (ii) if the country of domicile of the non-resident foreign corporation allows a credit equivalent to 10% for taxes deemed to have been paid in the Philippines.

Stock dividends distributed pro-rata to any holder of shares of stock are not subject to Philippine income tax. However, if the proportionate interests of the stockholders are changed, dividends received are taxable as ordinary income in the year paid or accrued. The sale, exchange or disposition of shares received as stock dividends by the holder is subject to either the capital gains tax or the stock transaction tax.

Philippine tax authorities have prescribed certain procedures, through an administrative issuance, for availment of tax treaty relief.

The Company shall withhold taxes at a reduced rate on dividends to be paid to a non-resident holder, if such non-resident holder provides the company with a duly accomplished Certificate of Residence for

Tax Treaty Relief ("CORTT") Form before the dividends is paid or credited. Proof of legal domicile or residence for an individual consists of certification from his embassy, consulate, or other equivalent certifications issued by the proper government authority, or any other official document proving residence.

If tax at the regular rate is withheld by the Company instead of the reduced rates applicable under a treaty, the non-resident holder of the Common Shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue obtaining such a refund.

Philippine tax authorities have also prescribed certain procedures, through an administrative issuance, for availment of the tax sparing rate.

The Company shall withhold taxes at a reduced rate on dividends to be paid to a non-resident holder, if such non-resident holder submits to the BIR authenticated proof of the law that (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or (ii) if the country of domicile of the non-resident foreign corporation allows a credit equivalent to 15% for taxes deemed to have been paid in the Philippines.

Sale, Exchange, or Disposition of Shares

Capital Gains Tax

Pursuant to the TRAIN, net capital gains realized by an individual taxpayer or domestic corporation other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at and effected outside of the facilities of the local stock exchange, are subject to a final tax at the rate of 15% beginning 1 January 2018. Net capital gains realized by resident and non-resident foreign corporations during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at but effected outside of the facilities of the local stock exchange, are subject to a final tax as follows: 5% on gains not exceeding ₱100,000.00 and 10% on gains over ₱100,000.00.

Gains from such sale or disposition of shares in a Philippine corporation may be exempt from capital gains tax or subject to a preferential rate under a tax treaty. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain a confirmation of exemption or preferential tax rate under a tax treaty. Such application must be filed before the deadline for the filing of the documentary stamp tax return. A prospective investor should consult its own tax advisor with respect to the applicable rates under the relevant tax treaty.

Furthermore, if the fair market value of the shares of stock (currently defined as the book value) in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code at the rate of 6% of the total gifts exceeding ₱250,000.00; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm's length and free from donative intent) will be considered as made for an adequate and full consideration in money or money's worth and will not be subject to donor's tax.

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains, documentary stamp taxes, and other internal revenue taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Taxes on Transfer of Shares Listed and Traded at The Philippine Stock Exchange

Beginning 1 January 2018, a sale, barter, exchange or other disposition of shares of stock listed at and effected through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in cash of the shares of stock sold, bartered, exchanged or otherwise disposed, unless an applicable treaty exempts such sale from the said tax. The stock transaction tax is classified as a percentage tax and is paid in lieu of the capital gains tax. In addition, a value added tax of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client.

On 7 November 2012, the BIR issued Revenue Regulations No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the minimum public ownership ("MPO") requirement (*i.e.*, the rule that requires listed companies to maintain a minimum percentage of listed securities held by the public or "public float" at 10% of such companies' issued and outstanding shares, exclusive of treasury shares, at all times) after 31 December 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter. The PSE gave non-compliant companies until 31 December 2012 to comply with the said requirement. Immediately after that grace period, listed companies which fail to maintain, at all times, a minimum percentage of listed securities held by the public at 20% of the listed companies' issued and outstanding shares ("Minimum Public Ownership") shall be subject to a trading suspension for a period of not more than six months. After the lapse of the suspension period, a listed company that remains non-compliant with the MPO shall be automatically be delisted. The sale, barter, transfer and/or assignment of shares of listed companies that fail to meet the Minimum Public Ownership requirement will be subject to capital gains and documentary stamp taxes.

The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax.

Documentary Stamp Tax

Beginning 1 January 2018, the original issue of shares is subject to a documentary stamp tax of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The transfer of shares is subject to a documentary stamp tax of ₱1.50 for each ₱200.00, or a fractional part thereof of the par value of the shares transferred. However, the sale, barter or exchange of shares of stock listed and traded through the local stock exchange shall not be subject to documentary stamp tax.

Estate and Gift Taxes

Beginning 1 January 2018, the transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to Philippine tax at the rate of 6% based on the value of the decedent's net estate.

Moreover, beginning 1 January 2018, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax on such a transfer of shares at the rate of 6% computed on the basis of the total gifts in excess of ₱250,000.00 made during the calendar year.

Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the deceased at the time of his death or the donor at the time of his donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Taxation Outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes stated above. Sales or other dispositions of shares of stock in a domestic corporation through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, are, however, subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

LEGAL MATTERS

Certain legal matters as to Philippine law in connection with the Offer will be passed upon by Angara Abello Concepcion Regala & Cruz Law Offices, legal counsel to the Joint Bookrunners. Certain matters relating to the permits and licenses of the Company shall be passed upon by SyCip Salazar Hernandez & Gatmaitan as independent counsel required by the SEC and the PSE. The legality of the securities being registered and tax matters shall be passed upon by Gatmaytan Yap Patacsil Gutierrez & Protacio as independent counsel required by the SEC.

Certain legal matters as to United States federal law and New York State law will be passed upon by Allen & Overy LLP, United States counsel to the Joint Bookrunners. In rendering such opinions, Allen & Overy LLP may rely upon the opinion of Angara Abello Concepcion Regala & Cruz Law Offices as to all matters of Philippine law.

None of the above-mentioned legal counsel own shares in the Company or have any rights, whether legally enforceable or not, to nominate persons or to subscribe for the Company's securities. None of the above-mentioned legal counsel have or will receive any direct or indirect interest in the Company or any securities thereof (including options, warrants, or rights thereto) pursuant to arising from the Offer.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as of and for the years ended 31 December 2020, 2019, 2018, and 2017 were audited by SGV & Co., a member firm of Ernst & Young Global Limited, independent auditors, in accordance with PSA, as stated in their report appearing herein.

In the past five years, no event has occurred where SGV & Co. and the Company had any disagreement regarding any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. SGV & Co. will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The Company has complied with SRC Rule 68, paragraph 3(b)(ix) requiring the rotation of external auditors or engagement partners who have been engaged by the Company for a period of five consecutive years or more since 31 December 2002. The current engagement partner is Mr. Benjamin B. Villacorte who is one of the SEC-accredited audit partners of SGV & Co.

SGV & Co. billed the Company an amount of ₱1.2 million per year for the calendar years 2016 to 2018, ₱1.3 million for the calendar year 2019, and ₱1.3 million for the calendar year 2020 for the audit and audit-related fees which include the audit of annual financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. The Company also paid ₱8.3 million and ₱6.4 million for the calendar years 2020 and 2019, respectively, for quarterly financial statement reviews, issuance of comfort letters and other requirements for the Rights Offer concluded in January 2021, and other non-audit related expenses for those calendar years.

This is exclusive of VAT and of out-of-pocket expenses incidental to the independent auditors' work.

In relation to the audit of the Company's annual financial statements, the Company's Revised Manual of Corporate Governance provides that the Audit Committee shall, among other activities, be primarily responsible for ensuring that adequate and effective financial reporting, internal control, internal and external audits, and compliance systems are established and maintained.

FINANCIAL INFORMATION

The following pages set forth the Company's audited consolidated financial statements as at and for the years ended 31 December 2020, 2019, 2018, and 2017 and the Company's pro forma condensed consolidated financial statements as at and for the year ended 31 December 2020.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 6 9 - 0 3 9 2 7 4

COMPANY NAME

AC ENERGY CORPORATION (Formerly AC Energy Philippines Inc.) 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
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	7730-6300	–

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
ALAN T. ASCALON	Ascalon.at@acenergy.com.ph	(02) 7730-6300	–

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.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
AC Energy Corporation
4th Floor, 6750 Office Tower
Ayala Avenue, Makati City

Opinion

We have audited the consolidated financial statements of AC Energy Corporation (formerly AC Energy Philippines, Inc.) and its Subsidiaries (collectively, the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Common Control Transaction

In 2020, AC Energy Corporation ("ACEN") and AC Energy and Infrastructure Corp. ("ACEIC") executed a Deed of Assignment (the "Transaction") where ACEIC transferred and conveyed to ACEN all its rights and interests in the onshore companies in consideration for the issuance by ACEN 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 ACEIC. The Transaction was a common control transaction and was accounted for using the pooling of interests method. In applying the pooling of interests method, the assets and liabilities of the acquired entities were recognized at their carrying values, an equity adjustment was recorded for the difference between the carrying values of the assets and liabilities acquired and consideration given, and the prior year comparative information were restated. We considered the accounting for the Transaction as a key audit matter due to the complexity and financial impact of the Transaction to the Group.

The Group's disclosures about the Transaction are included in Notes 1, 3 and 32 to the consolidated financial statements.

Audit Response

We reviewed the Deed of Assignment and regulatory approvals related to the Transaction. We tested management's application of the pooling of interests method, the balances of the onshore entities transferred to ACEN, restatement of prior year comparative information and the resulting equity adjustments. We also reviewed the presentation and disclosures related to the common control transaction in the consolidated financial statements.

Accounting for Business Combinations

The Group had a number of acquisitions in 2020. We considered the accounting for these acquisitions as a key audit matter because these required significant management judgment and estimation in identifying the underlying assets and liabilities, and in measuring these and any previously-held interest at fair values. The key assumptions used include discount rates, revenue and earnings forecast and relevant market data.

The Group's disclosures about the business combinations are included in Notes 3, 10 and 31 to the consolidated financial statements.

Audit Response

We reviewed the purchase agreements and the purchase price allocation prepared by management. We tested the identification of the underlying assets and liabilities based on our understanding of the acquirees' businesses. We also involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the underlying assets and liabilities, and any previously-held interest. We compared the key assumptions used such as discount rates, revenue and earnings forecast against historical information and relevant market data. We reviewed the presentation and disclosures related to these business combinations in the consolidated financial statements.

Impairment Testing of Assets

As at December 31, 2020, the aggregate carrying amount of the Group's investment in Negros Island Biomass Holdings, Inc. ("NIBHI", an associate), power barges, assets related to the Bataan Project and goodwill amounted to ₱864.80 million. Management performed impairment assessment on these assets based on the following:

- The projects where NIBHI has investments have not started commercial operations, are still completing pertinent regulatory permitting requirements, and are accumulating losses.
- There are no existing ancillary service contracts to utilize power barges for income generation, and the Bataan Project lack economies of scale.
- Goodwill attributable to the acquisition of One Subic Power Generation Corporation in 2014 and to the acquisition of Negros Island Solar Power, Inc. in 2020 are required to be tested annually under PFRS.

Based on the impairment assessment, management provided allowance for impairment loss on its investment in NIBHI, power barges, and assets related to the Bataan Project amounting to ₱617.97 million. No impairment loss on goodwill was recognized. The impairment testing is a key audit matter because it requires significant management judgment and estimation with respect to the estimated future cash flows of the related cash-generating units, forecasted revenue growth rates, gross margin, prices in the energy spot market, fuel prices, weighted average cost of capital, market risk premium, pre-tax cost of debt, capital structure, scrap value and discount rates used in calculating the present value of future cash flows.

The Group's disclosures are included in Notes 3, 7, 9, 10 and 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used by management. These assumptions include forecasted revenue growth rates and gross margins, prices in the energy spot market, fuel prices, weighted average cost of capital, market risk premium, pre-tax cost of debt, capital structure, scrap value and discount rates. We compared the key assumptions used, such as forecasted revenue growth rates, gross margin, prices in the energy spot market and fuel prices against the historical performance of the cash generating units ("CGU") and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amounts.

Provisions and Contingencies

The Group is involved in legal proceedings, tax and/or other regulatory assessments. This matter is significant to our audit because the estimation of the potential liability resulting from these assessments requires significant judgments by management. The inherent uncertainty over the outcome of these tax matters is brought about by the differences in the interpretation and application of laws and tax rulings.

The Group's disclosures about provisions and contingencies are included in Note 38 to the consolidated financial statements.

Audit Response

We involved our internal specialist in the evaluation of management's assessment on whether or not any provision for contingencies should be recognized, and the estimation of such amount. We discussed with management the status of these assessments and obtained the Group's correspondences with the relevant tax authorities and opinions of the external tax counsel. We evaluated the position of the Group by considering the relevant tax laws, rulings and jurisprudence.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Benjamin N. Villacorte.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
[redacted]

March 8, 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2020	2019 (As restated, Notes 2 and 32)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 34)	**₱5,135,474**	₱9,593,248
Short-term investment (Note 34)	**–**	100,000
Receivables (Notes 5, 29 and 34)	**6,095,019**	3,122,386
Fuel and spare parts (Note 6)	**1,391,340**	938,459
Current portion of:		
Input value added tax (VAT)	**430,139**	186,337
Creditable withholding taxes	**649,271**	179,007
Other current assets (Notes 7 and 34)	**453,233**	212,819
	14,154,476	14,332,256
Assets held for sale (Note 8)	**–**	3,546
Total Current Assets	**14,154,476**	14,335,802
Noncurrent Assets		
Property, plant and equipment (Note 9)	**31,837,939**	25,438,929
Investments in associates and joint venture (Notes 2 and 10)	**6,593,492**	2,534,102
Financial asset at fair value through other comprehensive income [(FVOCI) Notes 11 and 35]	**1,211**	533,137
Investment properties (Note 12)	**341,549**	13,085
Goodwill and other intangible assets (Notes 13 and 31)	**2,537,094**	441,077
Right-of-use assets (Note 14)	**2,343,404**	951,750
Deferred income tax assets - net (Note 27)	**416,353**	653,923
Net of current portion:		
Input VAT	**1,177,802**	372,917
Creditable withholding taxes	**601,840**	861,208
Other noncurrent assets (Notes 15 and 34)	**3,570,160**	2,401,613
Total Noncurrent Assets	**49,420,844**	34,201,741
TOTAL ASSETS	**₱63,575,320**	₱48,537,543

(Forward)

	December 31	
	2020	2019 (As restated, Notes 2 and 32)
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 16, 29 and 34)	**₱6,539,227**	₱4,199,576
Short-term loans (Notes 17 and 34)	**9,438,600**	3,556
Current portion of long-term loans (Notes 17, 34 and 35)	**707,782**	905,931
Current portion of lease liabilities (Notes 14, 34 and 35)	**285,001**	128,796
Income and withholding taxes payable	**129,072**	41,208
Due to stockholders (Notes 29 and 34)	**18,272**	16,594
Total Current Liabilities	**17,117,954**	5,295,661
Noncurrent Liabilities		
Long-term loans - net of current portion (Notes 17, 34 and 35)	**21,682,924**	22,292,698
Lease liabilities - net of current portion (Notes 14, 34 and 35)	**1,631,628**	852,742
Pension and other employee benefits (Note 28)	**50,929**	71,034
Deferred income tax liabilities - net (Note 27)	**127,693**	350,487
Other noncurrent liabilities (Note 18)	**1,609,123**	3,289,902
Total Noncurrent Liabilities	**25,102,297**	26,856,863
Total Liabilities	**42,220,251**	32,152,524
Equity		
Capital stock (Notes 1 and 19)	**13,706,957**	7,521,775
Additional paid-in capital (Notes 1 and 32)	**8,692,555**	83,768
Other equity reserves (Notes 19 and 32)	**(7,541,223)**	5,366,480
Unrealized fair value loss on equity instruments at FVOCI (Note 11)	**(8,169)**	(96,584)
Unrealized fair value gain (loss) on derivative instruments designated under hedging accounting (Note 34)	**57,409**	(14,742)
Remeasurement (loss) gain on defined benefit plans (Note 28)	**(6,999)**	9,254
Accumulated share in other comprehensive loss of associates and a joint venture (Note 10)	**(2,723)**	(2,107)
Retained earnings (Note 19)	**5,167,685**	3,296,295
Treasury shares (Note 19)	**(40,930)**	(27,704)
Total equity attributable to equity holders of the Parent Company	**20,024,562**	16,136,435
Non-controlling interests (Notes 2 and 31)	**1,330,507**	248,584
Total Equity	**21,355,069**	16,385,019
TOTAL LIABILITIES AND EQUITY	**₱63,575,320**	₱48,537,543

See accompanying Notes to Consolidated Financial Statements.

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

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

	Years Ended December 31		
	2020	2019 (As restated, Notes 2 and 32)	2018
REVENUES			
Revenue from sale of electricity (Note 20)	**₱20,283,303**	₱16,096,549	₱15,113,601
Rental income	**86,623**	3,115	674
Dividend income (Note 11)	**–**	14,741	9,117
Other revenues	**69,525**	–	–
	20,439,451	16,114,405	15,123,392
COSTS AND EXPENSES			
Costs of sale of electricity (Note 21)	**13,420,539**	15,302,530	15,109,491
General and administrative expenses (Note 22)	**2,585,290**	767,840	654,517
	16,005,829	16,070,370	15,764,008
INTEREST AND OTHER FINANCE CHARGES (Note 25)	**(1,879,868)**	(976,029)	(433,649)
EQUITY IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE (Note 10)	**898,513**	206,985	532,460
OTHER INCOME - NET (Note 26)	**908,028**	736,249	120,252
INCOME (LOSS) BEFORE INCOME TAX	**4,360,295**	11,240	(421,553)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**197,666**	99,250	20,699
Deferred	**293,116**	(220,883)	150,904
	490,782	(121,633)	171,603
NET INCOME (LOSS)	**₱3,869,513**	₱132,873	(₱593,156)
Net Income (Loss) Attributable To:			
Equity holders of the Parent Company	**₱3,753,813**	₱57,654	(₱560,496)
Non-controlling interests	**115,700**	75,219	(32,660)
	₱3,869,513	₱132,873	(₱593,156)
Basic/Diluted Earnings (Loss) Per Share (Note 30)	**₱0.35**	₱0.01	(₱0.11)

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2020	2019 (As restated, Notes 2 and 32)	2018
NET INCOME (LOSS)	**₱3,869,513**	₱132,873	(₱593,156)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Unrealized fair value gains (losses) on derivatives instruments designated under hedge accounting (Note 34)	**103,073**	(21,060)	–
Income tax effect	**(30,922)**	6,318	–
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Net changes in the fair value of equity instruments at FVOCI (Note 11)	**(57)**	(29,619)	1,475
Remeasurement gains (losses) on defined benefit plans (Note 28)	**50**	(10,814)	5,237
Income tax effect	**2**	5,494	(940)
	72,146	(49,681)	5,772
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURE			
Other comprehensive income (loss) not 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 10)	**(616)**	86	1,220
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**71,530**	(49,595)	6,992
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱3,941,043**	₱83,278	(₱586,164)
Total Comprehensive Income (Loss) Attributable To:			
Equity holders of the Parent Company	**₱3,825,343**	₱8,059	(₱553,504)
Non-controlling interests	**115,700**	75,219	(32,660)
	₱3,941,043	₱83,278	(₱586,164)

See accompanying Notes to Consolidated Financial Statements.

AC ENERGY CORPORATION
(Formerly AC ENERGY PHILIPPINES, INC.)
AND SUBSIDIARIES
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 Reserves (Note 19)	Unrealized Fair Value Gain (Loss) on Equity Investments at FVOCI (Note 11)	Unrealized Fair Value Loss on derivative instrument designated under hedge accounting (Note 34)	Remeasurement Gain (Loss) on Defined Benefit Plans (Note 28)	Accumulated Share in Other Comprehensive Gain (Loss) of Associates and a Joint Venture (Note 10)	Retained Earnings (Note 19)	Treasury Shares (Note 19)	Total	Non-controlling Interests	Total Equity
BALANCES AT JANUARY 1, 2020, AS PREVIOUSLY REPORTED	**₱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 32)	–	–	**7,708,583**	**(88,455)**	–	**16,288**	–	**373,781**	–	**8,010,197**	**(2,729,996)**	**5,280,201**
BALANCES AT JANUARY 1, 2020, AS RESTATED	**7,521,775**	**83,768**	**5,366,480**	**(96,584)**	**(14,742)**	**9,254**	**(2,107)**	**3,296,295**	**(27,704)**	**16,136,435**	**248,584**	**16,385,019**
Net income	–	–	–	–	–	–	–	**3,753,813**	–	**3,753,813**	**115,700**	**3,869,513**
Other comprehensive income (loss)	–	–	–	**(40)**	**72,151**	**35**	**(616)**	–	–	**71,530**	–	**71,530**
Total comprehensive income (loss)	–	–	–	**(40)**	**72,151**	**35**	**(616)**	**3,753,813**	–	**3,825,343**	**115,700**	**3,941,043**
Dividends declared and paid (Note 19)	–	–	–	–	–	–	–	**(546,751)**	–	**(546,751)**	**(133,121)**	**(679,872)**
Issuance of capital stock (Note 32)	**6,185,182**	**8,473,700**	–	–	–	–	–	–	–	**14,658,882**	–	**14,658,882**
Stock issuance costs (Note 32)	–	**(94,782)**	–	–	–	–	–	–	–	**(94,782)**	–	**(94,782)**
Acquisition of treasury shares	–	–	–	–	–	–	–	–	**(28,657)**	**(28,657)**	–	**(28,657)**
Reissuance of treasury shares	–	**71,402**	–	–	–	–	–	–	**15,431**	**86,833**	–	**86,833**
Non-controlling interest arising from a business combination (Note 31)	–	–	–	–	–	–	–	–	–	–	**1,099,344**	**1,099,344**
Effects of common control business combinations (Note 32)	–	**158,467**	**(12,907,703)**	**88,455**	–	**(16,288)**	–	**(1,335,672)**	–	**(14,012,741)**	–	**(14,012,741)**
	6,185,182	**8,608,787**	**(12,907,703)**	**88,455**	–	**(16,288)**	–	**(1,882,423)**	**(13,226)**	**62,784**	**966,223**	**1,029,007**
BALANCES AT DECEMBER 31, 2020	**₱13,706,957**	**₱8,692,555**	**(₱7,541,223)**	**(₱8,169)**	**₱57,409**	**(₱6,999)**	**(₱2,723)**	**₱5,167,685**	**(₱40,930)**	**₱20,024,562**	**₱1,330,507**	**₱21,355,069**

(Forward)

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 19)	Additional Paid-in Capital	Other Equity Reserves (Note 19)	Unrealized Fair Value Gain (Loss) on Equity Investments at FVOCI (Note 11)	Unrealized Fair Value Gains on AFS Investments	Unrealized Fair Value Loss on derivative instrument designated under hedge accounting (Note 34)	Remeasurement Gain (Loss) on Defined Benefit Plans (Notes 28)	Accumulated Share in Other Comprehensive Gain (Loss) of Associates and a Joint Venture (Note 10)	Retained Earnings (Note 19)	Treasury Shares (Note 19)	Total	Non-controlling Interests	Total Equity
BALANCES AT JANUARY 1, 2019, AS PREVIOUSLY REPORTED	₱4,889,775	₱83,768	₱18,338	₱59,772	₱–	₱–	₱536	(₱2,193)	₱3,303,708	(₱27,706)	₱8,325,998	₱45,450	₱8,371,448
Effect of initial application of PFRS 16	–	–	–	–	–	–	–	–	(90,715)	–	(90,715)	–	(90,715)
BALANCES AT JANUARY 1, 2019, AS ADJUSTED	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 income (loss)	–	–	–	–	–	–	–	–	57,654	–	57,654	75,219	132,873
Other comprehensive income (loss)	–	–	–	(27,369)	–	(14,742)	(7,570)	86	–	–	(49,595)	–	(49,595)
Total comprehensive income (loss)	–	–	–	(27,369)	–	(14,742)	(7,570)	86	57,654	–	8,059	75,219	83,278
Sale of financial assets at FVOCI	–	–	–	(40,532)	–	–	–	–	40,532	–	–	–	–
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 19)	–	–	–	–	–	–	–	–	–	2	2	–	2
Effects of common control business combinations (Note 32)	–	–	5,478,996	(88,455)	–	–	16,288	–	(14,884)	–	5,391,945	150,697	5,542,642
	2,632,000	–	5,348,142	(128,987)	–	–	16,288	–	25,648	2	7,893,093	127,915	8,021,008
BALANCES AT DECEMBER 30, 2019	₱7,521,775	₱83,768	₱5,366,480	(₱96,584)	₱–	(₱14,742)	₱9,254	(₱2,107)	₱3,296,295	(₱27,704)	₱16,136,435	₱248,584	₱16,385,019
BALANCES AT JANUARY 1, 2018, AS PREVIOUSLY REPORTED	₱4,889,775	₱83,768	₱18,338	₱–	₱85,924	₱–	(₱3,130)	(₱3,413)	₱4,018,980	(₱28,793)	₱9,061,449	₱78,110	₱9,139,559
Effect of initial application of PFRS 9	–	–	–	99,513	(85,924)	–	–	–	(9,614)	–	3,975	–	3,975
BALANCES AT JANUARY 1, 2018, AS ADJUSTED	4,889,775	83,768	18,338	99,513	–	–	(3,130)	(3,413)	4,009,366	(28,793)	9,065,424	78,110	9,143,534
Net loss	–	–	–	–	–	–	–	–	(560,496)	–	(560,496)	(32,660)	(593,156)
Other comprehensive income	–	–	–	2,106	–	–	3,666	1,220	–	–	6,992	–	6,992
Total comprehensive income (loss)	–	–	–	2,106	–	–	3,666	1,220	(560,496)	–	(553,504)	(32,660)	(586,164)
Sale of financial asset at FVOCI	–	–	–	(41,847)	–	–	–	–	49,436	–	7,589	–	7,589
Dividends declared	–	–	–	–	–	–	–	–	(194,598)	–	(194,598)	–	(194,598)
Disposal of treasury shares	–	–	–	–	–	–	–	–	–	1,087	1,087	–	1,087
	–	–	–	(41,847)	–	–	–	–	(145,162)	1,087	(185,922)	–	(185,922)
BALANCES AT DECEMBER 31, 2018	₱4,889,775	₱83,768	₱18,338	₱59,772	₱–	₱–	₱536	(₱2,193)	₱3,303,708	(₱27,706)	₱8,325,998	₱45,450	₱8,371,448

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2020	2019 (As restated, Notes 2 and 32)	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱4,360,295**	₱11,240	(₱421,553)
Adjustments for:			
Interest and other finance charges (Note 25)	**1,879,868**	976,029	433,649
Depreciation and amortization (Note 24)	**1,810,707**	1,037,725	405,835
Equity in net income of associates and a joint venture (Note 10)	**(898,513)**	(206,985)	(532,460)
Foreign exchange gains – net	**(361,260)**	(13,793)	(3,471)
Interest and other financial income (Note 26)	**(121,512)**	(116,569)	(96,851)
Gain on bargain purchase (Notes 26 and 31)	**(49,970)**	–	–
Pension and other employee benefits (Note 28)	**(20,071)**	35,439	9,373
Dividend income	**–**	(14,741)	(9,117)
Provisions for (reversal of):			
Impairment loss on:			
Property, plant and equipment impairment (Note 9)	**381,105**	–	2,066
Investments in associates and a joint venture (Note 10)	**186,513**	–	–
Advances to contractors (Notes 7 and 9)	**49,884**	–	–
Credit losses (Note 5)	**(32)**	12,059	14,548
Probable losses on deferred exploration costs (Note 13)	**–**	34,493	48,263
Inventory obsolescence (Note 6)	**–**	5,554	159
Unrecoverable input VAT (Note 26)	**–**	–	43,712
Plug and abandonment costs	**–**	–	38,776
Loss (gain) on sale of:			
Property and equipment (Note 26)	**4,280**	(294,725)	(254)
Derivatives (Note 26)	**3,414**	6,850	15,056
By-product (Note 26)	**(15,354)**	(13,226)	–
Asset held for sale (Note 26)	**–**	(14,289)	–
Investments (Note 26)	**–**	(1,375)	(5,834)
Inventories (Note 26)	**–**	461	–
Operating income (loss) before working capital changes	**7,209,354**	1,444,147	(58,103)
Decrease (increase) in:			
Receivables	**(1,399,141)**	263,401	(121,909)
Fuel and spare parts	**(426,969)**	(188,448)	(92,307)
Other current assets	**186,337**	504,819	(487,086)
Other noncurrent assets	**(1,238,150)**	–	–
Decrease in accounts payable and other current liabilities	**(324,695)**	(1,192,913)	(223,804)
Cash generated from operations	**4,006,736**	831,006	(983,209)
Income and withholding taxes paid	**(192,586)**	(227,577)	(20,699)
Net cash flows from (used in) operating activities	**3,814,150**	603,429	(1,003,908)

(Forward)

	Years Ended December 31		
	2020	2019 (As restated, Notes 2 and 32)	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Note 9)	**(₱6,259,461)**	(₱496,471)	(₱119,680)
Investments in subsidiaries, net of cash acquired (Note 31)	**(4,026,861)**	2,203,455	–
Investment in a joint venture (Note 10)	**(2,573,300)**	–	(236,315)
Right-of-use assets (Notes 14 and 34)	**(378,492)**	–	–
Investment properties (Note 12)	**(44,605)**	–	–
Deferred exploration costs (Note 13)	**(13,836)**	(19,426)	(4,526)
Short-term investments (Note 34)	**–**	(100,000)	(35,326)
Financial assets at fair value through profit or loss (FVTPL)	**–**	–	(15,741,377)
Proceeds from:			
Termination of short-term investments	**100,000**	35,326	478,932
Insurance claim (Note 9)	**35,282**	222,789	90,146
Property, plant and equipment	**2,627**	337,961	261
Sale of financial assets at FVOCI	**–**	255,772	53,328
Sale of investment in joint venture	**–**	218,348	–
Sale of asset held for sale (Note 8)	**–**	45,071	–
Sale and redemption of financial assets at FVTPL	**–**	779,853	16,505,872
Cash dividends received (Notes 10, 11 and 32)	**446,480**	39,742	514,030
Interest received	**140,450**	71,232	33,471
Increase in other noncurrent assets, non-current portion of input VAT and CWT (Note 37)	**(1,766,094)**	(405,315)	118,346
Net cash flows from (used in) investing activities	**(14,337,810)**	3,188,337	1,657,162
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of short-term debt (Notes 17 and 37)	**10,506,500**	–	400,000
Availment of long-term debt (Notes 17 and 37)	**3,807,614**	5,000,000	930,000
Reissuance of treasury shares (Note 19)	**86,833**	3	1,415
Issuance of capital stock (Note 30)	**–**	2,632,000	–
Sale of investment	**–**	–	225,000
Payments of:			
Long-term loans (Notes 17 and 37)	**(4,602,920)**	(1,494,900)	(1,445,235)
Interest on short-term, long-term loans (Note 37)	**(1,505,299)**	(958,249)	(406,779)
Short-term loans (Notes 17 and 37)	**(1,148,944)**	(400,000)	–
Cash dividends (Notes 19 and 37)	**(679,872)**	–	(193,247)
Interest on lease liabilities (Notes 14 and 37)	**(171,097)**	(69,284)	–
Stock issuance costs (Note 32)	**(94,782)**	–	–
Lease liabilities (Notes 14 and 37)	**(68,670)**	(49,522)	–
Treasury shares (Note 19)	**(28,657)**	–	–
Debt issue cost (Note 17)	**(28,500)**	(43,003)	(6,975)
Acquisition of non-controlling interests	**–**	(153,636)	–
Finance leases	**–**	–	(8,153)
Increase (decrease) in due to stockholders	**1,678**	(5,405)	–
Increase (decrease) in other noncurrent liabilities	**27,263**	334,009	(431,384)
Net cash flows from (used in) financing activities	**6,101,147**	4,792,013	(935,358)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(35,261)**	(12,897)	3,471
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,457,774)**	8,570,882	(278,633)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**9,593,248**	1,022,366	1,300,999
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱5,135,474**	₱9,593,248	₱1,022,366

See accompanying Notes to Consolidated Financial Statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except When Otherwise Indicated)

1. Corporate Information and Status of Operations

AC Energy Corporation, formerly AC Energy Philippines, Inc. (“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 and Infrastructure Corporation (“ACEIC”, formerly AC Energy, Inc.) signed an investment agreement for ACEIC’s acquisition of PHINMA, Inc.’s 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 ACEIC. ACEIC made a tender offer to the other shareholders of ACEN 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 ACEIC. On the same day, ACEIC 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 ACEIC equivalent to 6.19 billion common shares at ₱2.37 per share in exchange for ACEIC’s interest in various Philippine companies.

As at December 31, 2020, ACEIC directly owns 81.62% of the ACEN’s total outstanding shares of stock.

The direct parent company (or intermediate parent company) of ACEN is ACEIC, a wholly owned subsidiary of Ayala Corporation (“AC”), a publicly-listed company which is 47.3% owned by Mermac, Inc. (ultimate parent company). ACEN is managed by ACEIC under an existing management agreement, which was assigned by PHINMA, Inc. to ACEIC on June 24, 2019 and which assignment was approved by the stockholders on September 17, 2019. ACEN, ACEIC 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" or "Board") of ACEN approved the following amendments to 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.

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, the BOD of ACEN approved, among others, the following matters:

i) The swap between the Parent Company and ACEIC and the issuance of shares of stock in the Parent Company in favor of ACEIC in exchange for the latter's shares of stock in its various Philippine subsidiaries and affiliates;
ii) The undertaking of a stock rights offering (the "Rights Offer" or the "SRO"), subject to applicable regulatory approvals and
iii) The transfer to ACEN of ACEIC's right to purchase the 20% ownership stake of Axia Power Holdings Philippines, Corporation ("APHPC"), a subsidiary of Marubeni Corporation, in South Luzon Thermal Energy Corporation ("SLTEC").

On October 9, 2019 ACEN and ACEIC executed a Deed of Assignment wherein ACEIC assigned to ACEN shares of stock in various ACEIC subsidiaries and affiliates in exchange for ACEN shares. The Deed of Assignment was amended on November 13, 2019 to reflect the correct number of common shares of ACEIC in SLTEC, ACTA Power Corporation ("ACTA Power") and Manapla Sun Power Development Corporation ("MSPDC"). Detailed information is disclosed in Note 32.

On November 5, 2019, ACEN signed a Deed of Assignment with ACEIC to transfer ACEIC's rights to purchase 20% ownership stake of APHPC in SLTEC, which owns and operates the 2x135 megawatt (MW) Circulating Fluidized Bed power plant (the "SLTEC Power Plant") in Calaca, Batangas.

On November 11, 2019, the BOD of ACEN 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% of the 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% of the 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 ACEN 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.

The BOD also approved the consolidation of ACEIC's international business and assets into ACEN via a tax free exchange, whereby ACEIC will transfer its shares of stock in AC Energy International, Inc. (formerly Presage Corporation; "ACE International"), ACEIC's subsidiary, a holding company that owns ACEIC's international business and investments) to ACEN in exchange for the issuance to ACEIC of additional primary shares in ACEN (assets-for-shares swap), on terms to be determined by ACEN Executive Committee.

On April 1, 2020, ACEN's Executive Committee approved the terms of the exchange at 16,685,800,533 additional primary shares of ACEN to ACEIC at an issue price of ₱2.97 per share in exchange for property consisting of 100% of ACEIC's shares in ACE International. As at March 8, 2021, ACEIC and the Parent Company are still in discussions as to the timing and the implementation of the exchange, considering the regulatory approvals required.

During the Annual Stockholders' Meeting held on April 20, 2020, the stockholders of the Parent Company 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 ₱24.4 billion divided into 24.4 billion shares, to ₱48.4 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".

On January 5, 2021, the SEC approved the amendments to the Parent Company's Articles of Incorporation and By-laws to change the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation." As at March 8, 2021, the Parent Company has not yet filed an application to increase its authorized capital stock from ₱24.4 billion divided into 24.4 billion shares, to ₱48.4 billion divided into 48.4 billion shares.

Effective on August 14, 2020, the Parent Company changed its PSE stock symbol from "ACEPH" to "ACEN".

On October 30, 2020, ACEN received BIR Certification Ruling SN027-2020 relative to the tax-exempt transfer of shares of stocks made by ACEIC to ACEN pursuant to Section 40 (C) (2) of the National Internal Revenue Code of 1997, as amended ("NIRC"). The Certification Ruling states that the property-for-share swap between ACEIC and ACEN covering the issuance of 6,185,182,288 shares of stock in ACEN in favor of ACEIC in exchange for ACEIC's shares of stock in select Philippine operating and development companies, is not subject to income tax/capital gains tax/expanded withholding tax/donor's tax and value-added tax (see Note 32).

On November 11, 2020, the BOD of ACEN approved, among others, the following matters:

i) The terms of the Parent Company's SRO for the issuance of 2,267,580,434 shares at an offer price of ₱2.37 per share, and at an entitlement ratio of 1.11 shares:1 offer share, subject to applicable SEC and other regulatory approvals of the offer, including the offer price and

ii) The offer of an affiliate of GIC Private Limited ("GIC"), Arran Investment Pte Ltd ("Arran"), to invest into ACEN and acquire a 17.5% ownership stake, subject to definitive documentation and satisfaction of agreed conditions. The proposed 17.5% ownership stake is on the basis that ACEN's SRO and follow-on-offering, and the infusion of ACEIC's international business into the Group, have been completed (see Note 33).

On December 11, 2020, ACEN received the confirmation letter from the SEC that the SRO is exempt from registration requirements under Section 8 of the Securities Regulation Code (the "Code") pursuant to Section 10.1 thereof. On December 16, 2020, the PSE approved the application of the Parent Company for the listing of additional shares of up to 2,267,580,434 common shares covering its SRO to all stockholders as of the proposed record date of January 13, 2021 (see Note 33).

On December 30, 2020, ACEN and ACEIC signed an Investment Agreement with Arran for the latter's investment into ACEN subject to agreed conditions precedent.

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

Authorization for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group were approved and authorized for issuance by the Parent Company's BOD on March 8, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), derivative financial instruments and equity instruments at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The 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 values, per share amounts, number of shares and when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring its accounting policies in line with the Parent Company's accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resulting gain or loss is recognized in the consolidated statement of income. Any investment retained is recognized at fair value.

NCI represents the interests in the subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company. NCI shares in losses even if the losses exceed the NCI in the subsidiary.

The consolidated financial statements comprise the Parent Company and the following subsidiaries of the Group:

		Percentage of Ownership (%)			
		2020		2019 (As restated)	
Subsidiaries	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
Bulacan Power Generation Corporation ("Bulacan Power" or 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 ("One Subic Power")	Power generation	**–**	**100.00**	–	100.00
ACE Enexor, Inc. ("ACEX")	Oil, gas, and geothermal exploration	**75.92**	**0.40**	75.92	0.40
Palawan55 Exploration & Production Corporation ("Palawan55")	Oil and gas exploration	**30.65**	**52.93**	30.65	52.93
South Luzon Thermal Energy Corporation	Power generation	**100.00**	**–**	100.00	–
Buendia Christiana Holdings Corp. ("BCHC")	Investment holding	**100.00**	**–**	100.00	–

Subsidiaries	Principal Activities	Percentage of Ownership (%) 2020 Direct	2020 Indirect	2019 (As restated) Direct	2019 (As restated) Indirect
ACE Shared Services, Inc. ("ACES")	Shared services	**100.00**	**–**	100.00	–
Giga Ace 1, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 2, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 3, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 4, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 5, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 6, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 7, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 8, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 9, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 10, Inc.	Power generation	**100.00**	**–**	–	–
Negros Island Solar Power, Inc.	Solar power generation	**–**	**60.00**	–	2.00
San Carlos Solar Energy, Inc.	Solar power generation	**–**	**100.00**	–	4.00
Monte Solar Energy, Inc. ("MSEI")	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. ("VRC")	Investment holding	**–**	**100.00**	–	100.00
San Julio Land Development Corporation	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
Ingrid2 Power Corp.	Advisory/Consultancy	**–**	**100.00**	–	100.00
Ingrid3 Power Corp.	Advisory/Consultancy	**–**	**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
Gigawind1 Inc.	Power generation	**–**	**100.00**	–	100.00
Gigawind2 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
Solarace3 Energy Corp.	Power generation	**–**	**100.00**	–	100.00
Solarace4 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 Corporation	Investment holding	**–**	**100.00**	–	100.00
Bayog Wind Power Corp.	Power generation	**–**	**60.00**	–	60.00
Manapla Sun Power Development Corporation ("MSPDC")	Leasing and land development	**36.37**	**29.63**	36.37	29.63
ACE Renewables Philippines, Inc.	Investment holding	**100.00**	**–**	100.00	–
NorthWind Power Development Corporation ("NorthWind")	Wind power generation	**19.52**	**48.27**	19.52	48.27
Viage Corporation	Investment holding	**100.00**	**–**	100.00	–
Ingrid Power Holdings, Inc. ("Ingrid")	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.

Except as discussed below, the voting rights held by the Parent Company in its investments in subsidiaries are in proportion to its ownership interest.

The following significant transactions affected the Parent Company's investments in its subsidiaries:

Investments in SACASOL
On December 2, 2019, ACEN signed a share purchase agreement with Macquarie Infrastructure Holdings (Philippines) Pte. Limited, Langoer Investments Holding B.V., and the Government Service Insurance System (collectively, the "PINAI Investors") for the acquisition of PINAI's ownership interest in SACASOL. Prior to the acquisition, the Group had 4% economic interest in SACASOL through VRC. ACEN received the PCC approval for the transaction on February 13, 2020. Detailed information on the step acquisition of SACASOL is disclosed in Note 31.

Investments in ISLASOL
On December 2, 2019, ACEN signed a share purchase agreement with the PINAI Investors for the acquisition of PINAI's 98% ownership interest in ISLASOL Prior to the acquisition, the Group had 2% economic interest in ISLASOL through VRC. ACEN received the PCC approval for the transaction on February 26, 2020. Further, ACEN and ThomasLloyd CTI Asia Holdings Pte. Ltd. ("TLCTI Asia"), a corporation incorporated in Singapore, entered into an Investment Agreement with the intention to own 66% and 34% voting interest, and 60% and 40% economic interest, respectively, in ISLASOL.

A series of transactions entered into by ACEN together with TLCTI Asia for the investment and entry in ISLASOL were accounted for as a single transaction and resulted in recognition of NCI. Detailed information on the accounting for ownership interest in ISLASOL is disclosed in Note 31.

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.

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 31).

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 31).

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 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.

Investments in various Onshore Companies under common control of ACEIC
On October 9, 2019, ACEN entered into a share swap agreement with ACEIC to acquire the latter’s ownership interest in various entities (the “Onshore Companies”) 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.

On June 22, 2020, the application for the increase in the capital stock was approved by the SEC, which rendered prior period restatement to account for the retroactive impact of the share swap transaction effective July 1, 2019, the date when ACEN and the Onshore Companies became under the common control of ACEIC. Detailed information on the share swap is disclosed in Note 32.

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.

On July 10, 2020, ACEN signed a ₱230-million loan agreement with Greencore Power Solutions 3, Inc. (“Greencore”), 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 (see Note 5).

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.

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.

Investments in Ingrid Power Holdings, Inc. (“Ingrid”)
On July 23, 2020, the Parent Company and ACE Endevor signed a Shareholders’ Agreement (the “Agreement”) with APHPC and Marubeni Corporation, for the development, construction and operation of a 150 megawatt (MW) high-speed diesel power plant project in Brgy. Malaya, Pililla, Rizal (the “Ingrid Project”), which will provide ancillary services to the National Grid Corporation of the Philippines (NGCP). The power plant is targeted to be completed in the first quarter of 2021.

The Ingrid Project will be through a Power Plant Lease Agreement from Aggreko International Projects Limited.

Under the Agreement, APHPC will acquire 50% of the voting shares and 50% of the economic rights in the Ingrid Project while the Parent Company will hold 50% of the voting shares and 45% of the economic rights, with ACE Endevor having a 5% share of the economic rights in Ingrid.

On November 24, 2020, the PCC issued Decision No. 20-M-017/2020 finding that the transaction "will not likely result in substantial lessening of competition" and resolving "to take no further action with respect to the proposed transaction among APHPC, ACEN, Endevor and Ingrid".

As at December 31, 2020, there are no pending regulatory approvals and ACEN continues to account for Ingrid as a wholly-owned subsidiary. Further, ACEN has infused ₱570.00 million into Ingrid in addition to its initial ₱10.00 million equity to fund the construction of the project. Infusions from APHPC are to be received in the first quarter of 2021 following the agreement to set implementation date of the Shareholders' Agreement to 2021.

Ingrid and ACE Endevor are among the Parent Company's subsidiaries which were acquired from ACEIC in exchange for ACEN's own shares.

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.

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.

Material partly-owned subsidiaries with material economic ownership interest
The consolidated financial statements include additional information about subsidiaries that have NCI that are material to the Group. Management determined material partly-owned subsidiaries as those with balance of NCI greater than 5% of total NCI's and those subsidiaries which type of activities engaged in are important to the Group as at the end of the year.

The principal place of business of the subsidiaries are as follows:

<u>NorthWind</u>
The registered office address of NorthWind is Sitio Suyo, Barangay Baruyen, Municipality of Bangui, Province of Ilocos Norte.

<u>MSPDC</u>
MSPDC's registered office address is at No. 56, Rodriguez Avenue, Brgy. 36, Bacolod City, Negros Occidental.

<u>BWPC</u>
BWPC's principal and registered office address is 4F Delgado-Adiarte Building, Rizal Street corner Gen. Segundo Avenue, Laoag City, 2900, Ilocos Norte.

ACEX
The registered office address of ACEX is at 4th Floor, 6750 Office Tower, Ayala Ave., Makati City.

Palawan55
The registered office address of Palawan55 is Level 11 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

ISLASOL
The registered office address and principal place of business of ISLASOL are Emerald Arcade, F.C. Ledesma St., San Carlos City, Negros Occidental.

Information on subsidiaries that have material non-controlling economic interests are provided below:

2020	**ISLASOL**	**NorthWind**	**MSPDC**	**BWPC**	**ACEX**	**Palawan55**
Proportion of equity interests held by NCI	**40.00%**	**32.21%**	**34.00%**	**40.00%**	**23.68%**	**16.42%**
Voting rights held by NCI	**34.00%**	**32.21%**	**34.00%**	**40.00%**	**23.68%**	**16.42%**
Accumulated balances of NCI	**₱1,056,074**	**₱312,710**	**₱12,141**	**(₱61,372)**	**₱14,040**	**(₱3,086)**
Net income (loss) allocated to NCI	**(43,270)**	**160,511**	**18,750**	**(15,469)**	**(1,352)**	**(3,470)**
Comprehensive income (loss) allocated to NCI	**(43,270)**	**160,695**	**18,750**	**(15,469)**	**(1,352)**	**(3,470)**
Dividends paid to NCI	–	**112,721**	**20,400**	–	–	–

2019 (As restated)	NorthWind	MSPDC	BWPC	ACEX	Palawan55
Proportion of equity interests held by NCI	32.21%	34.00%	40.00%	23.68%	16.42%
Voting rights held by NCI	32.21%	34.00%	40.00%	23.68%	16.42%
Accumulated balances of non-controlling interest	₱264,920	₱13,791	(₱45,903)	₱15,392	₱384
Net income (loss) allocated to NCI	77,606	8,555	(4,051)	(6,473)	(418)
Comprehensive income (loss) allocated to material NCI	77,606	8,555	(4,051)	(6,473)	(418)
Dividends paid to NCI	8,053	12,161	–	–	–

Summarized financial information of these subsidiaries are as follows:

2020	**ISLASOL**	**NorthWind**	**MSPDC**	**BWPC**	**ACEX**	**Palawan55**
				(In Thousands)		
Statements of financial position						
Current assets	**₱830,148**	**₱751,206**	**₱10,467**	**₱9,768**	**₱39,925**	**₱8,400**
Noncurrent assets	**2,855,627**	**2,658,610**	**33,655**	**277,682**	**30,792**	**36,639**
Current liabilities	**236,607**	**358,575**	**17,964**	**8,692**	**3,065**	**65,654**
Noncurrent liability	**3,871,321**	**2,084,203**	–	**420,810**	–	–
Statements of comprehensive income (loss)						
Revenues	**224,726**	**1,154,383**	**79,393**	**27**	**37**	**27**
Cost and expenses	**332,219**	**626,495**	**1,431**	**41,850**	**5,020**	**21,245**
Other income (expenses)	**(681)**	**(1,260)**	–	**15,948**	**(726)**	**88**
Provision for income tax	–	**28,302**	**22,815**	–	–	–
Profit (loss) attributable to:						
Equity holders of the parent	**(64,904)**	**337,815**	**36,397**	**(10,406)**	**(4,357)**	**(17,660)**
Non-controlling interests	**(43,270)**	**160,511**	**18,750**	**(15,469)**	**(1,352)**	**(3,470)**
Total comprehensive income (loss) attributable to:						
Equity holders of the parent	**(64,904)**	**337,999**	**36,397**	**(10,406)**	**(4,357)**	**(17,660)**
Non-controlling interests	**(43,270)**	**160,695**	**18,750**	**(15,469)**	**(1,352)**	**(3,470)**
Statements of cash flows						
Operating activities	**82,640**	**783,280**	**15,903**	**(20,367)**	**(16,143)**	**(8,307)**
Investment activities	**(2,024)**	**(288,104)**	–	**(58,997)**	**(260)**	**(20,245)**
Financing activities	**153,044**	**(436,151)**	**(60,000)**	**73,316**	–	**19,846**
Net increase (decrease) in cash and cash equivalents	**₱233,660**	**₱59,025**	**(₱44,097)**	**(₱6,048)**	**(₱16,403)**	**(₱8,706)**

2019 (As restated)	NorthWind	MSPDC	BWPC	ACEX	Palawan55
			(In Thousands)		
Statements of financial position					
Current assets	₱657,147	₱68,063	₱13,061	₱54,097	₱16,542
Noncurrent assets	2,559,607	33,410	213,024	30,702	23,063
Current liabilities	251,286	3,556	426	11,256	39,090
Noncurrent liability	2,142,992	57,090	340,416	16	–
Statements of comprehensive income (loss)					
Revenues	580,819	31,593	–	–	–
Cost and expenses	269,544	580	5,816	19,463	1,631
Other income (expenses)	(58,855)	–	(4,312)	1,320	(198)
Provision for (benefit from) income tax	11,482	5,687	–	(293)	(6)
Profit (loss) attributable to:					
Equity holders of the parent	163,332	16,771	(6,077)	(11,377)	(1,405)
Non-controlling interests	77,606	8,555	(4,051)	(6,473)	(418)
Total comprehensive income (loss) attributable to:					
Equity holders of the parent	163,332	16,771	(6,077)	(11,377)	(1,405)
Non-controlling interests	77,606	8,555	(4,051)	(6,473)	(418)
Statements of cash flows					
Operating activities	606,382	71,387	(17,103)	(25,374)	4,519
Investment activities	(24,116)	(900)	(34,937)	57,739	(16,588)
Financing activities	(642,205)	(60,069)	54,156	–	22,465
Net increase (decrease) in cash and cash equivalents	(₱59,939)	₱10,418	₱2,116	₱32,365	₱10,396

2018	ACEX	Palawan55
	(In Thousands)	
Statements of financial position		
Current assets	₱63,753	₱5,777
Noncurrent assets	29,527	6,816
Current liabilities	1,590	6
Noncurrent liability	281	–
Statements of comprehensive income (loss)		
Revenues	–	–
Cost and expenses	64,405	5,516
Other income	1,543	35
Benefit from income tax	170	6
Loss attributable to:		
Equity holders of the parent	(32,232)	(3,627)
Non-controlling interests	(30,800)	(1,860)
Total comprehensive loss attributable to:		
Equity holders of the parent	(32,232)	(3,627)
Non-controlling interests	(30,800)	(1,860)
Statements of cash flows		
Operating activities	(16,061)	2,757
Investment activities	19,025	(1,102)
Financing activities	–	1,950
Net increase in cash and cash equivalents	₱2,964	₱3,605

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. Unless otherwise indicated, adoption of these new standards did not have an impact on the 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 year ended December 31, 2020 (see Note 31).

- 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.

  The Group's hedged item has not been modified and remains exposed to interbank offered rates ("IBORs") as it continues to apply the relief to the hedge relationship as the Group's hedged item continues to be exposed to the uncertainties of interest rate benchmark. The Group demonstrates that on a prospective basis it expects its alternative risk free rate (RFR)-based derivative to be highly effective at hedging its IBOR-based hedged item in the case of Philippine Accounting Standards ("PAS") 39, or in the case of PFRS 9 demonstrate that the RFR-based derivative and the IBOR-based hedged item have an economic relationship.

- Amendments to 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 starting July 1, 2020 but it has no impact to the Group for the year ended December 31, 2020.

<u>Future Changes in Accounting Policies</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

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

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

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

  The Group shall also disclose information about:

  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendments are not expected to have material impact to the Group.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Group.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Group first applies the amendment. The amendments are not expected to have a material impact on the Group.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have an impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts.* This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Group's consolidated financial statements, unless otherwise indicated.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in the consolidated statement of income. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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.

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.

Combination of Entities under Common Control

Combination 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 value or recognize any new assets or liabilities at the date of combination. The only adjustments that are made are those adjustments to harmonize the 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 entity acquired is reflected within equity.
- The consolidated statement of income, comprehensive income and cash flows reflect the result of the combining entities in full, irrespective of when the combination takes 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.

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of OCI (consolidated statement of comprehensive income).

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:
- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve (12) months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve (12) months after the reporting period; or,
- there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents
Cash and cash equivalents in the consolidated statement of financial position is composed of cash in banks and on hand and short-term deposits with a maturity of three (3) months or less, which are subject to an insignificant risk of changes in value.

Short-term Investments
Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three (3) months to one (1) year.

Fair Value Measurement

The Group measures financial assets at FVTPL, FVOCI and derivative financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Quantitative disclosures of fair value measurement hierarchy (see Note 34)
- Investment properties (see Note 12)
- Financial instruments (including those carried at amortized cost, see Note 34)

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or,
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described in Note 35, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Financial Instruments – Classification and Measurement

Classification of Financial Assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at FVTPL

- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business Model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Other income-net" in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for probable losses" in the consolidated statement of income.

As at December 31, 2020 and 2019, the Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments, trade receivables, due from related parties and receivables from third parties under "Receivables" and deposits under "Other Noncurrent Assets" (see Notes 4, 5, 7, 15 and 34).

Financial Assets at FVOCI

Debt instruments

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As at December 31, 2020 and 2019, the Group does not have debt instruments at FVOCI.

Equity instruments

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

As at December 31, 2020 and 2019, the Group's investments in quoted and unquoted equity securities and golf club shares are classified as financial asset at FVOCI (see Notes 11 and 34).

Financial Assets at FVTPL

Financial assets at FVTPL are measured at fair value unless these are measured at amortized cost or at FVOCI. Included in this classification are debt instruments with contractual terms that do not represent solely payments of principal and interest. Finwy2ancial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The net changes in fair value of financial assets at FVTPL from the Group's investments in Unit Investment Trust Funds (UITF) and Fixed Interest Treasury Notes (FXTN),, included in "Interest and other financial income" account presented under "Other income - net" in the consolidated statements of income, amounted to nil, ₱30.84 million and ₱24.83 million in 2020, 2019 and 2018, respectively (see Note 26).

As at December 31,2020, the Group has already liquidated all outstanding investment in marketable securities and will discontinue investing in highly volatile financial instruments to keep a risk-averse position.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges
The change in the fair value of a hedging instrument is recognized in the consolidated statement of income as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statement of income as other expense.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in consolidated statement of income.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expense and the ineffective portion relating to commodity contracts is recognized in other operating income or expenses.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

The Group entered into fuel and coal swap contracts as a hedge of its exposure to price risk on its purchases (see Note 34).

Classification of Financial Liabilities

Financial liabilities are measured at amortized cost, except for the following:
- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:
- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

As at December 31, 2020 and 2019, the Group has not designated any financial liability at FVTPL.

The Group's accounts payable and other current liabilities (excluding derivative liability and statutory payables), due to stockholders, short-term and long-term loans, deposit payables and other noncurrent liabilities are classified as financial liabilities measured at amortized cost under PFRS 9 (see Notes 16, 17, 18 and 34).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:
- the rights to receive cash flows from the asset have expired; or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Modification of Contractual Cash Flows
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

There are no offsetting of financial assets and financial liabilities and any similar arrangements that warrants disclosure in the Group's consolidated financial statements as at December 31, 2020 and 2019.

Impairment of Financial Assets
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes ECL on debt instruments that are measured at amortized. No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three (3) stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss Allowance
For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognized a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, the Group applies the low credit risk simplification. The investments are considered to be low credit risk investments as the counterparties have investment grade ratings. It is the Group's policy to measure ECLs on such instruments on a 12-month basis based on available probabilities of defaults and loss given defaults. The Group uses the ratings published by a reputable rating agency to determine if the counterparty has investment grade rating. If there are no available ratings, the Group determines the ratings by reference to a comparable bank.

For all debt financial assets other than trade receivables, ECLs are recognized using general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:
- the financial instrument has a low risk of default

- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Determining the Stage for Impairment
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 reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Write-off policy
The Group writes-off a financial asset and any previously recorded allowance, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Fuel and Spare Parts
Fuel and spare parts are stated at the lower of cost or net realizable value (NRV). Cost is determined using the first-in, first-out method. NRV is the current replacement cost of fuel and spare parts.

Non-current Assets Held for Sale
The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Property, Plant and Equipment
Property, plant and equipment, except land, is stated at cost, net of accumulated depreciation and impairment losses. Such cost includes the cost of replacing a part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed,

its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost, net of accumulated impairment losses, if any.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The depreciation of property and equipment, except land, begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases when the assets are fully depreciated or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the item is derecognized. The estimated useful lives used in depreciating the Group's property, plant and equipment are as follows:

Category	In Years
Land improvements	10
Buildings and improvements	6-25
Machinery and equipment:	
Wind towers and equipment	25
Power plant	20
Power barges	10
Others	10-15
Tools and other miscellaneous assets	5-10
Transportation equipment	3-5
Office furniture, equipment and others	3-10

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. These are adjusted prospectively, if appropriate.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

Construction in progress includes cost of construction and other direct costs and is stated at cost less any impairment in value. Construction in progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

Leases (Prior to adoption of PFRS 16)
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception of the lease, if any, if the following applies:
a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or,
d) there is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

The Group determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

Group as a Lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized under "Interest and Other Finance Charges" account in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as "Rent" included under "Cost of sale of electricity" and "General and administrative expenses" in the consolidated statement of income on a straight-line basis over the lease term.

Group as a Lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Leases (Upon adoption of PFRS 16)</u>
The Group applied PFRS 16, *Leases* on January 1, 2019.

PFRS 16 supersedes PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under PFRS 16 is substantially unchanged under PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has elected to use the two exemptions proposed by the standard on the following contracts:

a. Lease contracts for which the lease terms ends within 12 months from the date of initial application
b. Lease contracts for which the underlying asset is of low value

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option to renew the lease contract for an additional term subject to the mutual agreement with the lessors. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Deferred taxes
Upon adoption of PFRS 16, the Group has adopted the modified retrospective approach for accounting the transition adjustments and has elected to recognize the deferred income tax assets and liabilities pertaining to right-of-use assets and lease liabilities on a gross basis.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate used by the Group is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

All other borrowing costs are expensed in the period in which these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currency Denominated Transactions and Balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized as "Foreign exchange gain - net" under "Other income - net" in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair values are determined. The gains or losses arising on translation of non-monetary items measured at fair value are treated in line with the recognition of the gains or losses on the change in fair values of the items (i.e., translation differences on items which the fair value gains or losses are recognized in OCI or in profit or loss are also recognized in OCI or in profit or loss, respectively).

<u>Interests in Joint Arrangements</u>
Joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint Operations
A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement. The Group's service contracts (SC) are assessed as joint operations.

<u>Investments in Associates and a Joint Venture</u>
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and a joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share in the net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is collectively assessed for impairment.

The consolidated statement of income reflect the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share in profit or loss of the associate or the joint venture is shown in the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate or joint venture.

If the Group's share in losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

The consolidated financial statements include additional information about associates and joint ventures that are material to the Group (see Note 10). Management determined material associates and joint ventures as those associates and joint ventures where the Group's carrying amount of investments is greater than 5% of the total investments and advances in associates and joint ventures as at the end of the year.

Investment Properties
Investment properties are carried at cost, including transaction costs, net of accumulated depreciation. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized either when disposed of or when permanently withdrawn from use and no future economic benefit is expected from disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leasehold Rights (Prior to adoption of PFRS 16)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

The useful lives of leasehold rights are assessed as finite. The amortization expense on leasehold rights are recognized as "Depreciation and amortization" under "Cost of sale of electricity" account in the consolidated statement of income.

Deferred Exploration Costs
The Group follows the full cost method of accounting for exploration costs determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided with an allowance when there are indications that the exploration results are negative. These are written-off against the allowance when the projects are abandoned or determined to be unproductive. When the exploration work results are positive, the net exploration costs and subsequent development costs are capitalized and amortized from the start of commercial operations.

Impairment of Non-financial Assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired in accordance with PAS 36. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth (5^{th}) year.

Impairment losses are recognized in the consolidated statement of income in the expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

The following assets have specific characteristics for impairment testing:

Property, Plant and Equipment and Investment Properties
For property, plant and equipment and investment properties, the Group assesses for impairment based on impairment indicators such as evidence of internal obsolescence or physical damage.

Investments in Associates and Interest in a Joint Venture
The Group determines at the end of each reporting period whether there is any objective evidence that the investments in associates and interest in a joint venture are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in associates and interests in joint ventures, and their carrying amounts.

Goodwill
Goodwill is tested for impairment annually and more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Right-of-Use Assets and Leasehold Rights
Right of use assets and leasehold rights with finite useful lives are tested for impairment when circumstances indicate that the carrying value may be impaired.

Deferred Exploration Costs
Deferred exploration costs are reassessed for impairment on a regular basis. An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:
- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- When a service contract where the Group has participating interest in is permanently abandoned; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36, *Impairment of Assets*.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as "Other income" in the consolidated statement of income.

Asset Retirement Obligation
The Group is legally required under a lease agreement to dismantle certain machinery and equipment and restore the leased site at the end of the lease contract term. The Group recognizes the fair value of the liability for this obligation and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The liability is subsequently carried at amortized cost using the EIR method with the related interest expense recognized in the consolidated statement of income.

Pensions and Other Post-employment Benefits
Defined Benefit Plan
ACEN Retirement Plan for Plants is a hybrid retirement plan which has funded defined benefit features and matching defined contribution features covering all regular and permanent employees. Benefits under the defined benefit features of the plan are based on the employee's final plan salary and years of service. The defined benefit provisions of the ACEN Retirement Plan for Plants is patterned from the Phinma Jumbo Retirement Plan, which is the former retirement plan of the Group.

Effective January 1, 2020, the matching defined contribution features of the plan covers all regular and permanent employees. Starting on the date of membership of an employee in the Plan, the Group shall contribute to the retirement fund a percentage of the member's salary as defined when a Member opts to contribute to the plan. Benefits are based on the percentage of the total amount of contributions and investment returns credited to the personal retirement account (PRA) of the member at the time of separation. The Retirement Plan meets the minimum retirement benefit specified under Republic Act 7641.

The retirement fund is administered by a trustee bank under the supervision of the Retirement Committee of the plan. The Retirement Committee is responsible for investment strategy of the plan.

The hybrid retirement plan currently covers for participating entities: ACEN, Bulacan Power, CIPP, One Subic Power, Guimaras Wind, and any subsidiary and affiliate of ACEN that may subsequently adopt and participate in the Plan.

SLTEC and NorthWind currently operate their separate and distinct funded, noncontributory, defined benefit retirement plan with separately administered funds. Other entities are covered by Republic Act (R.A.) 7641, otherwise known as "The Philippine Retirement Law", which provides for qualified employees to receive a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. 7641. The cost of providing benefits is determined using the projected unit credit method.

The Defined Benefit Obligation (DBO)/Actuarial Accrued Liability (AAL) is the actuarial present value of expected future payments required to settle the obligation resulting from employee service in current and prior periods. The calculation of the DBO/AAL assumes that the plan continues to be in effect and that estimated future events (including salary increases, turnover and mortality) occur. DBO differs from AAL only in the use of discount rate to compute the present value of expected future payments. The discount rate for DBO is based on the single weighted average discount rate which is based on the bootstrapped PHP-BVAL rates as mandated by PAS 19 at various tenors for intermediate durations were interpolated. The rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate while the expected rate of return on plan assets is used as the discount rate in computing AAL for funding.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

Past service costs are recognized in the consolidated statement of income on the earlier of:
- the date of the plan amendment or curtailment; or,
- the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. The Group recognizes the following changes in the net defined benefit obligation under “Cost of sale of electricity” and “General and administrative expenses” accounts in the consolidated statement of income:
- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when these are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Other long-term benefits
Vacation and sick leaves are recognized as a liability when these are accrued to the employees. Unused vacation and sick leave credits shall be converted to cash upon separation of employee. Leave expected to be settled wholly before twelve months after the end of the annual reporting period is reclassified to short-term benefits.

<u>Capital Stock</u>
Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.

Stock Options and Grants
Stock option and grants are accounted for in accordance with PFRS 2, that is, the cost of stock option awards is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the binomial method. The cost of such awards is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense that is recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of the award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where the stock option is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

If the outstanding options are dilutive, its effect is reflected as additional share dilution in the computation of diluted earnings per share.

Additional Paid-in Capital (APIC)
APIC represents the amount paid in excess of the par value of the shares issued. An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs, net of tax, might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. In accordance with PAS 32, *Financial Instruments: Presentation,* the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Accounted also in the APIC are dividends declared by the transferee entities in the common control transaction with ACEIC between October 10, 2019 to June 20, 2020 which the Parent Company has beneficial economic interests already based on the Deed of Assignment. These are accounted for as equity contributions from ACEIC and are recorded as APIC.

Treasury Shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the acquisition, reissuance or retirement of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Share options exercised during the reporting period are satisfied with treasury shares.

Other Equity Reserves
Other equity reserves are made up of equity transactions other than capital contributions such as share in equity transactions of associates and joint ventures and difference between considerations paid or transferred and the net assets of the entity acquired through business combinations involving entities under common control.

Retained Earnings
Retained earnings include all current and prior period results of operations as reported in the consolidated statement of income, net of any dividend declaration and adjusted for the effects of changes in accounting policies as may be required by PFRS's transitional provisions.

Cash Dividend and Non-cash Dividend to Equity Holders of the Parent Company
The Group recognizes a liability to make cash or non-cash distributions to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized directly in equity.

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded acting as principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognized.

Sale of Electricity
Sale of electricity is consummated whenever the electricity generated by the Group is transmitted through the transmission line designated by the buyer, for a consideration. Revenue from sale of electricity is based on sales price. Sales of electricity using bunker fuel are composed of generation fees from spot sales to the WESM and supply agreements with third parties and are recognized monthly based on the actual energy delivered.

Starting December 27, 2014, sales of electricity to the WESM using wind are based on the Feed in Tariff (FIT) rate under the FIT System and are recognized monthly based on the actual energy delivered. Meanwhile, revenue from sale of electricity through ancillary services to NGCP is recognized monthly based on the capacity scheduled and/or dispatched and provided. Revenue from sale of electricity through Retail Supply Contract (RSC) is composed of generation charge from monthly energy supply with various contestable customers and is recognized monthly based on the actual energy delivered. The basic energy charges for each billing period are inclusive of generation charge and retail supply charge.

The Group identified the sale of electricity as its performance obligation since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract. The performance obligation qualifies as a series of distinct services that are substantially the same and have the same pattern of transfer. The Group concluded that the revenue should be recognized overtime since the customers simultaneously receives and consumes the benefits as the Group supplies electricity.

Amounts Reimbursed to Customers
Certain revenue contracts with customers provide for the sale of any unutilized electricity to the WESM. The proceeds are recorded as reduction in "Revenue from sale of electricity" in the consolidated statement of income.

Dividend Income
Dividend income is recognized when the Group's right to receive the payment is established, which is generally when shareholders of the investees approve the dividend.

Management Fees
Management fees for services rendered are recognized when earned.

Rental Income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature.

Contract Liability
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liability is recognized as revenue when the Group performs under the contract.

Claims on business interruptions and property damage
Income is recognized when an acknowledgment for the proposed claims is received from insurers. The income arises from unplanned shutdown of an insured property which resulted to business interruptions and property damage.

Other Income
Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or reduction in liability that can be measured reliably.

<u>Costs and Expenses</u>
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized when incurred.

<u>Taxes</u>
Current Income Tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax return with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Deferred Income Tax
Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:
- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, including carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) which can be deducted against future RCIT due to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from unused NOLCO can be utilized, except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statement of income.

Creditable Withholding Taxes (CWT)
CWTs are carried at the amount withheld by the customers for services provided by the Group. CWTs are recognized when payments are received from customers and the related withholding taxes were made. CWTs can be utilized as credits against the Group's income tax liability provided these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation and may also be reduced by impairment losses, if any. CWTs, which are expected to be utilized as payment for income taxes within 12 months are classified as current, otherwise, these are classified as noncurrent assets.

Value-added Tax (VAT)
Expenses and assets are recognized net of the amount of VAT, except:
- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and,
- When receivables and payables are stated with the amount of VAT included

The amount of VAT recoverable from the taxation authority is recognized as "Input VAT", while VAT payable to taxation authority is recognized as "Output VAT". Output VAT is recorded based on the amount of sale of electricity billed to third parties. Any amount of output VAT not yet collected as at reporting period are presented under "Accounts payable and other current liabilities" account in the consolidated statement of financial position.

Earnings (Loss) Per Share
Basic earnings (loss) per share is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted earnings (loss) per share is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Group does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

Segment Reporting
The Group's operating businesses are organized and managed separately according to its geographic areas of operations, with each segment representing a strategic business unit that serves different markets.

Previously, the operating businesses are organized and managed separately according to its related services. Financial information on operating segments and the restatement following a change in composition of reportable segments are presented in Note 36 to the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. If it is probable that an outflow of resources embodying economic benefits will occur and the liability's value can be measured reliably, the liability and the related expense are recognized in the consolidated financial statements.

Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it is virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the consolidated financial statements.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position as at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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.

Judgments and estimates are continually evaluated taking into consideration the Group's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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:

Asset Acquisitions and Business Combinations
Where asset is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the asset.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Otherwise, corporate acquisitions are accounted for as business combinations. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

The Group's acquisitions of SACASOL and ISLASOL have been accounted for as business combinations, the share swap transaction with ACEIC and the acquisition of 20% ownership stake of APHPC in SLTEC as business combinations involving entities under common control, while acquisition of BCHC, Ingrid and ACTA Power and various subscriptions to Giga Ace 1 up to 10 have been accounted for as purchases of assets (see Notes 2 and 31).

Combination of Entities under Common Control
A 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 ACEIC and the acquisition of 20% ownership stake of APHPC in SLTEC were determined to be common control business combinations (see Note 32).

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 Company 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 in recognition of NCI. Management's judgements in accounting for its ownership interest in ISLASOL are discussed in Note 31.

Assessment of Joint Control
The Group's investments in joint ventures are structured in separate incorporated entities. The investment in PhilWind is accounted for as an investment in a 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 Corp. ("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 10).

Change in Operating Segments
The Group changed the structure of its internal organization that caused the composition of its reportable segments to change. The Group's segment report is according to its geographic areas of operations, with each segment representing a strategic business unit that serves different markets, 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 36).

Revenue Recognition

Identifying Performance Obligations

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customers and the Group's promise to transfer the good or service to the customer is separately identifiable.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if (i) each distinct good or service in the series are transferred over time and (ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation, trading and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the customer cannot benefit from the contracted capacity alone without the corresponding energy and the customer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Retail supply also qualifies as a series of distinct services which is accounted for as one performance obligation since the delivery of energy every month is a distinct service which is recognized over time and have the same measure of progress.

Identifying Methods for Measuring Progress of Revenue Recognized Over Time

The Group determines the appropriate method of measuring progress which is either using input or output methods. Input method recognizes revenue based on the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue based on direct measurements of the value to the customer of the goods or services transferred to date.

For ancillary services, the Group determined that the output method is the best method in measuring progress since actual energy is supplied to customers. The Group recognizes revenue based on contracted and actual kilowatt hours (kwh) dispatched which are billed on a monthly basis.

For power generation and trading and retail supply, the Group uses the actual kwh dispatched which are also billed on a monthly basis.

Determining Method to Estimate Variable Consideration and Assessing the Constraint

The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as (i) highly susceptible to factors outside of the Group's influence, (ii) timing of resolution of the uncertainty, and (iii) having a large number and broad range of possible outcomes are considered.

Some contracts with customers provide for unspecified quantity of energy, index adjustments and prompt payment discounts that give rise to variable considerations. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while most likely amount is used when the outcome is binary.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and wide the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., prompt payment discounts), the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Group's influence (i.e., index adjustments).

Lease Accounting

Determining Whether an Arrangement Contains a Lease (Prior to adoption of PFRS 16)

ACEN supplies the electricity requirements of certain customers under separate Electricity Supply Agreements (ESA) (see Note 33). The Group has evaluated the arrangements and the terms of the ESA and determined that the agreements do not qualify as leases. Accordingly, fees billed to these customers are recognized as revenue from sale of electricity.

Under ACEN's Power Purchase Agreement (PPA) with SLTEC and Maibarara Geothermal Inc. (MGI), ACEN agreed to purchase all of SLTEC's and MGI's output (see Note 33). The Group has evaluated the arrangements and the terms of the PPA and determined that the agreements do not qualify as leases prior to adoption of PFRS 16. Accordingly, prior to the consolidation of SLTEC to the Group, the fees paid to SLTEC and MGI are recognized under "Cost of sale of electricity" (see Note 21).

Guimaras Wind also entered into various easements and right of way agreements with various landowners to support the erection of transmission lines to be used to connect its 54 MW Wind Farm Project in Guimaras. These agreements contain leases as the arrangements convey the rights to use the assets and Guimaras Wind has control over the utility of the assets. Accordingly, the Group has accounted for these agreements as leases upon adoption of PFRS 16.

Classification of Leases - the Group as Lessee (Prior to adoption of PFRS 16)

The Group exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Group. Lease agreements, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items are classified as finance leases. Otherwise, these are considered as operating leases (see Note 33).

One Subic Power has a lease agreement with Subic Bay Metropolitan Authority ("SBMA") for a parcel of land and electric generating plant and facilities where it has determined that the risks and rewards related to the properties are retained with the lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The lease is, therefore, accounted for as an operating lease (see Note 33).

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 asset, among others, which indicates that it does not transfer substantially all the risks and rewards from the various land owners to the Group incidental to the ownership of the parcels of land. These leases are classified as operating leases.

Guimaras Wind has entered into various lease agreements with individual land owners where the present value of the minimum lease payments amount to at least substantially all of the fair value of the leased asset, which indicates that the risks and rewards related to the asset are transferred to the Group. These leases are classified as finance leases.

The Parent Company, AC Energy, Ayala Land, Inc. (ALI) and Ayalaland Offices, Inc. entered an agreement on assignment of contract of lease. ACEIC assigned a portion of its office unit and parking slots to the Parent Company.

Various renewable entities also have existing lease agreements for land properties as sites for the power plant projects. Details of these and the above lease agreements are disclosed in Note 33.

Classification of Leases - the Group as Lessor
The Group had a lease agreement for the lease of its investment property. The Group had determined that the risks and rewards of ownership of the underlying property were retained by the Group. Accordingly, the leases are classified as an operating lease (see Note 33).

Determination of lease term of contracts with renewal and terminations options - the Group as Lessee
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include the renewal period as part of the lease term for leases of land and power plant because as at commencement date, the Group assessed that it is not reasonably certain that it will exercise the renewal options since the renewal options are subject to mutual agreement of the lessor and the Group. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Discount Rate
The Group used the risk free rate per PHP-BVAL plus the credit spread provided by the bank or the incremental borrowing rate which is the rate of interests that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in similar economic environment.

Practical Expedients
The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application. All leases with a term of 1 year and below shall be expensed outright.

- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.

Refer to Note 33 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Business Model Assessment
Classification and measurement of financial assets depends on the results of the business model and SPPI characteristics tests. The Group manages its financial assets based on a business model that maintains adequate level of financial assets to match expected cash outflows while maintaining a strategic portfolio of financial assets for trading activities. This assessment consists of judgment reflecting all relevant evidence including how the performance of the asset is evaluated and their performance measured and the risks that affect the performance of the assets. The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur.

Judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements
Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax positions. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

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.

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 any previously assessed significant increase in credit risk also reverses since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL (see Note 5).

Determination of Significant Increase in Credit Risk (SICR)
The Group compares the probabilities of default occurring over the expected life of financial assets as at the reporting date with the probability of default occurring over the 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 and the ECL for the year for financial assets carried at amortized cost. The review considered the macroeconomic outlook, client and customer/borrower credit quality, the type of collateral held, exposure at default and the effect of payment deferral options as at the reporting date.

As at December 31, 2020 and 2019, the Group assessed that for its financial assets such as cash and cash equivalents, there has been no SICR since origination and is assessed as low credit risk based on published information of comparable entities. For trade receivables, the Group used provision matrix in estimating its ECL. A broad range of forward-looking information were considered as economic inputs, such as GDP growth, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. While these model inputs including forward-looking information are revised, the ECL models, and definitions of default remain consistent with prior periods.

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.

Purchase Price Allocation and Goodwill
The Group made several acquisitions in 2020 (see Note 31) accounted for using the acquisition method which requires 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 in 2020 have resulted in gain on bargain purchase and goodwill. See Notes 26 and 31 for related disclosures.

The Group estimated the fair value of the net assets of the investee companies for the finalization of the purchase price allocation. Information related to Certificate of Compliance ("COC") authorizing to operate as FIT-eligible RE plant, as issued by Energy Regulatory Commission ("ERC"), certain bilateral contracts, WESM prices, forecast of electricity demand and consumption, discount rates, and property plant and equipment were used in the estimation (see Note 31).

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 starting from January 2021 (see Notes 5, 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. As at December 31, 2020 and 2019, the carrying value of inventories amounted to ₱1,391.34 million and ₱938.46 million, respectively (see Note 6).

Recoverability and Classification 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 38).

The Group has written off input VAT of nil in 2020 and 2019, and ₱21.90 million in 2018 as these are considered no longer recoverable. The Group also provided provisions for unrecoverable input tax amounting to nil in 2020 and 2019, while ₱43.71 million in 2018 (see Notes 26 and 38). The carrying amounts of input VAT as at December 31, 2020 and 2019 amounted to ₱1,607.94 million and ₱559.25 million, respectively.

Recoverability and Classification of Creditable Withholding Tax
Creditable withholding taxes (CWT) represent amounts withheld by the Group's customers and are deducted from the Group's income tax payable. The Group has recognized as part of noncurrent assets in the consolidated statement of financial position the CWTs that are not expected to be utilized within one year based on forecast of taxable income. As at December 31, 2020 and 2019, the carrying amount of CWT amounted to ₱1,251.11 million and ₱1,040.22 million, respectively.

Impairment of Goodwill
The Group subjects goodwill to an impairment test annually and whenever there is an indication that it is impaired. This requires an estimation of the value in use of the related CGU. The value in use calculation requires the Group to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Key assumptions used in the value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trend, target market analysis, government regulations and other economic factors.
- EBITDA margin - It is a measure of a firm's profit that includes all expenses except interest, depreciation and income tax expenses. It is the difference between operating revenues and operating expenses. EBITDA was adjusted for tax, depreciation, interest expenses and changes in net working capital and maintenance capital expenditures in arriving the free cash flow.
- Discount rates - represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

An increase of 100 basis points in the Group's pre-tax discount rate will not result in an impairment of goodwill.

Management used an appropriate discount rate for cash flows which is consistent with the valuation practice. The management used the weighted average cost of capital (WACC) wherein the source of the cost of equity and debt financing are weighted. The post-tax discount rates of 7.7% to 9.7% and 8.4% to 9.4% were used in 2020 and 2019. The Group used a capital structure of 64.7% and 50.3% debt/equity (DE) ratio based on industry-comparable weights and the growth rate used in extrapolating cash flows beyond the period covered by the Group's recent budget was 3% in 2020 and 2019.

The carrying amount of goodwill amounted to ₱246.61 million and ₱234.15 million as at December 31, 2020 and 2019 (see Note 13). No impairment loss has been recognized on goodwill in 2020, 2019 and 2018.

Impairment of Deferred Exploration Costs
The carrying value of deferred exploration costs is reviewed for impairment by management when facts and circumstances suggest that their carrying amount exceeds the recoverable amount under PFRS 6. Among the factors considered by management on impairment review of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomic. In the event of impairment, the Group measures, presents and discloses the resulting impairment loss in accordance with PAS 36.

The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves. The Group considers the status of each exploration projects and its plans as it determines the recoverable amount of deferred exploration costs. The Group recognized impairment losses on deferred exploration costs amounting to nil, ₱34.49 million and ₱48.26 million in 2020, 2019 and 2018, respectively (see Note 22). The carrying value of deferred exploration costs amounted to ₱59.88 million and ₱46.04 million as at December 31, 2020 and 2019, respectively (see Note 13).

Impairment of Non-financial Assets, other than Goodwill and Deferred Exploration Costs
The Group reviews property, plant and equipment, investments in associates and joint venture, investment properties, leasehold rights and right-of-use assets for impairment of value. 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.

Business disruption resulting from the global pandemic has led to the Group recognizing asset impairments and forecasting future losses. These circumstances introduced new uncertainties that the Group considered in its analysis of the recoverability of certain assets.

Impairment of Investment in an Associate
In 2020, the Group assessed that its investment in Negros Island Biomass Holdings, Inc (NIBHI) was impaired. The Group expects the return on its investment in NIBHI through dividends. Given however that the projects where NIBHI has investments have not started commercial operations, are still completing pertinent regulatory permitting requirements, and in the process are accumulating pre-operating costs and losses, the Group has provided allowance for the impairment loss amounting to ₱186.51 million (see Note 22).

The recoverable amount of the investment in NIBH amounting to nil as at December 31, 2020 was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a twenty five-year period. The pre-tax discount rate applied to cash flow projections is 10.0%. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, the Group has recognized an impairment charge of ₱186.51 million in 2020 against the related goodwill recorded inthe investment in an associate account. The provision for impairment of investment in an associate is recorded in "General and administrative expenses" in the consolidated statements of income (see Notes 10 and 22).

Impairment of Assets Related to Bataan Project
On September 20, 2020, Bataan Solar Energy, Inc. ("BSEI") issued the Notice to Proceed ("NTP") for the development of a 4.375 MWdc Renewable Energy Laboratory Facility with Energy Storage System Project (the "Bataan Project") in Brgy. Batangas-II Mariveles, Bataan. The Bataan Project utilizes state-of-the art technologies in the solar and storage industry with various types of modules, mounting structures, inverters and energy storage system with the view of acquiring first-hand experience in operating such technologies. Power generated will be initially sold to WESM. Given however the lack of economies of scale for the Bataan Project, the management assessed that the expected revenue cannot cover return of the investment in the Bataan Project and thereby provided impairment for the Bataan Project's various spending to date for its advances to contractors and construction in progress and tools and miscellaneous assets under property, plant and equipment amounting to ₱49.88 million, ₱96.62 million, and ₱14.89 million, respectively (see Notes 7 and 9).

The recoverable amount of the Bataan Project assets amounting to nil as at December 31, 2020 was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a seven-year period. The pre-tax discount rate applied to cash flow projections is 10.0%. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, the Group recognized an impairment charge of ₱160.93 million in 2020 against the related other current assets and property, plant and equipment. The provision for impairment of property, plant and equipment and advances to contracts are included in "General and administrative expenses" in the consolidated statements of income (see Notes 7, 9 and 22).

Impairment of PB 102 and PB 103
In 2020, following the fuel oil discharge accident (Notes 9 and 38), the Parent Company recognized full provision for impairment of PB 102 and PB 103 amounting to ₱270.53 million as the assets are not operational as at December 31, 2020 and there are no existing ancillary service contracts to utilize the assets for income generation. The Group reassessed the depreciation policies of its property, plant and equipment and estimated that their useful lives will not be affected following this decision.

The recoverable amounts of PB 102 and PB 103 amounting to nil as at December 31, 2020 were determined based on the calculation of fair value less costs of disposal using estimated scrap value with reference to recent sales, adjustments to weight of the scrap and deduction for costs of disposal. As a result of this analysis, the Group has recognized an impairment charge of ₱270.53 million in 2020 against the related property, plant and equipment. The provision for impairment loss on property, plant and equipment is included in "General and administrative expenses" in the consolidated statements of income (see Notes 9 and 22).

Further details on plant, property, and equipment, investments in associates and joint venture, investment properties, leasehold rights and right-of-use assets are provided in Notes 9, 10, 12, 13 and 14, respectively.

Estimating Useful Lives of Property, Plant and Equipment, Investment Properties, Right-of-Use Assets and Leasehold Rights
The Group estimates the useful lives of property, plant and equipment, investment properties, right-of-use assets and leasehold rights based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties, right-of-use assets and leasehold rights are reviewed periodically and are updated if expectations

differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment and investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. In 2020, 2019 and 2018, there were no changes in the estimated useful lives of these assets.

The total depreciation and amortization of property, plant and equipment, right-of-use assets investment properties and leasehold rights amounted to ₱1,810.71 million, ₱1,037.73 million and ₱405.84 million in 2020, 2019 and 2018, respectively (see Note 24).

Estimating the Incremental Borrowing Rate
The Group cannot readily determine the interest rate implicit in its leases, therefore, it used its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the entities' stand-alone credit rating). The Group's lease liabilities amounted to ₱1,916.63 million and ₱981.54 as at December 31, 2020 and 2019, respectively (see Note 14).

Realization of Deferred Income Tax Assets
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).

The deferred income tax assets recognized by the Group and the deductible temporary differences, unused NOLCO and MCIT for which no deferred income tax assets were recognized as at December 31, 2020 and 2019 are disclosed in Note 27.

Estimation of Pension and Other Employee Benefits Liabilities
The cost of defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates of the country. Further details about the assumptions used are provided in Note 28. Pension and other employee benefits amounted to ₱50.93 million and ₱71.03 million as at December 31, 2020 and 2019, respectively.

Contingencies and Tax Assessments
The Group is currently involved in various legal proceedings and assessments for local and national taxes (see Note 38). 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. Cash and Cash Equivalents

	2020	2019 (As restated)
Cash on hand and in banks	**₱3,354,039**	₱2,015,564
Short-term deposits	**1,781,435**	7,577,684
	₱5,135,474	₱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 in 2020, 2019 and 2018 amounted to ₱57.56 million, ₱70.79 million and ₱34.04 million, respectively (see Note 26).

Short-term deposits include debt service reserves account amounting to ₱212.24 million and ₱281.65 million as at December 31, 2020 and 2019, respectively, for the payment of loans by Guimaras Wind and SLTEC (see Note 17).

5. Receivables

	2020	2019 (As restated)
Trade	**₱4,662,852**	₱2,644,921
Due from related parties (Note 29)	**219,965**	9
Receivables from:		
Third parties (Note 15)	**1,227,849**	403,950
Consortium - service contracts and assignee of mining rights	**78,809**	78,809
Employees	**16,608**	102,628
Others	**55,911**	59,076
	6,261,994	3,289,393
Less allowance for credit losses	**166,975**	167,007
	₱6,095,019	₱3,122,386

Trade receivables mainly represent receivables from Independent Electricity Market Operator of the Philippines ("IEMOP"), NGCP and National Transmission Corporation ("Transco") for the FIT and from the group's bilateral customers. Significant portion of outstanding balance relate to receivables from Manila Electric Company ("MERALCO") baseload and Mid-Merit PSAs as well as FIT system adjustments (see Notes 20 and 33).

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 31).

Receivable from third parties also include the ₱230-million loan agreement with Greencore to implement the Arayat project (see Note 2).

The movements in the allowance for credit losses on individually impaired receivables in 2020 and 2019 are as follows:

	2020		
	Trade	**Others**	**Total**
Balances at beginning of year	**₱80,991**	**₱86,016**	**₱167,007**
Reversal	**–**	**(32)**	**(32)**
Balances at end of year	**₱80,991**	**₱85,984**	**₱166,975**

	2019 (As restated)		
	Trade	Others	Total
Balances at beginning of year	₱36,957	₱94,377	₱131,334
Effect of common control business combination	32,712	1,162	33,874
Effect of consolidation of SLTEC	–	(10,260)	(10,260)
Provisions - net (Note 22)	11,322	737	12,059
Balances at end of year	₱80,911	₱86,016	₱167,007

The allowance for credit losses includes ₱39.37 million full provision for receivables from mining rights assigned to a third party.

6. Fuel and Spare Parts

	2020	2019 (As restated)
Fuel - at cost	**₱251,553**	₱247,570
Fuel - at net realizable value	**419,974**	66,217
Spare parts - at cost	**310,899**	299,396
Spare parts - at net realizable value	**408,914**	325,276
	₱1,391,340	₱938,459

Fuel charged to “Costs of sale of electricity” in the consolidated statements of income amounted to ₱2,820.12 million, ₱2,568.33 million and ₱766.48 million in 2020, 2019 and 2018, respectively (see Note 21).

In 2020, 2019 and 2018, the Group recognized provision for impairment of fuel inventory amounting to nil, ₱5.55 million and ₱0.16 million, respectively, while none was recognized for spare parts in those years (see Note 22).

The cost of the fuel carried at net realizable value as at December 31, 2020 and 2019 amounted to ₱425.59 million and ₱71.83 million, respectively.

The cost of spare parts carried at net realizable value as at December 31, 2020 and 2019 amounted to ₱410.26 million and ₱326.62 million, respectively.

7. Other Current Assets

	2020	2019 (As restated)
Advances to contractors	**₱264,979**	₱14,593
Prepaid expenses	**186,213**	197,595
Derivative asset (Notes 34 and 35)	**46,968**	33
Others	**4,957**	598
	503,117	212,819
Less allowance for impairment loss	**(49,884)**	–
	₱453,233	₱212,819

Advances to contractors pertain to advance payments for services and supply of repairs and maintenance. In 2020, advances to contractors amounting to ₱14.59 million were transferred to Property, plant and equipment (see Note 9).

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

Allowance for impairment relates to the advances to contractors paid by BSEI for the development of its renewable energy laboratory facility with energy storage system project (see Notes 3 and 9).

8. Asset held for sale

One Subic Oil

In 2018, the management planned to sell some of its equipment and parts presented under “Machinery and equipment” and the remaining unsold assets were classified as “Assets held for sale”. Impairment loss amounting to ₱1.13 million was recognized in 2018 to reduce the carrying amount of the assets held for sale to their fair value less costs to sell.

The carrying value of the remaining asset classified as assets held for sale amounting to ₱3.55 million were reclassified to “Property, Plant and Equipment” as at December 31, 2020 as the Group changed its intention from selling to using the assets for future projects.

ACEN
On August 7, 2018, the BOD approved the Parent Company's decision to sell the Guimaras Power Plant located in Jordan, Guimaras. Subsequently, on January 7, 2019, the BOD approved the sale of the Guimaras Power Plant and on January 24, 2019, the Asset Purchase Agreement (APA) between the Parent Company and S.I. Power Corporation (the buyer) was signed and notarized with an agreed selling price of ₱45.07 million. The sale resulted in a gain of ₱14.29 million (see Note 26).

SLTEC
Under the Republic Act No. 9136 Electric Power Industry Reform Act (EPIRA) of 2001, NGCP, as National Transmission Commission's concessionaire, is solely responsible for the operation and/or maintenance of the connection assets and is designated as the only entity which possesses the required technical expertise to maintain and operate the nationwide power grid. Following a decision by the ERC based on the EPIRA, SLTEC determined on June 19, 2017 that certain transmission line assets need to be transferred, conveyed, and turned-over to NGCP, hence, it classified said assets as noncurrent assets held for sale. The transmission line assets pertain to the easements or Right-of-Way (ROW) granted by landowners over portions of land, for the installation and maintenance of the 230kV Salong-Calaca Line.

However, in 2018, NGCP informed SLTEC of additional requirements relating to the documentation of the ROW which need to be complied with as a condition for the sale and transfer of the assets.

Due to the significant change in the circumstances, the transmission line assets are not readily available for immediate sale as at December 31, 2019. As a result, SLTEC reclassified the 230kV Salong-Calaca Line back to "Property, Plant and Equipment". The cost of the transmission line assets transferred to "Property, Plant and Equipment" amounted to ₱152.38 million and the accumulated depreciation amounted to ₱15.30 million (see Note 9).

9. Property, Plant and Equipment

The details and movements of this account for the years ended December 31 are shown below:

	2020							
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	**₱1,177,004**	**₱8,033,011**	**₱23,024,374**	**₱66,048**	**₱199,444**	**₱152,941**	**₱426,124**	**₱33,078,946**
Step acquisition of ISLASOL and SACASOL (Note 31)	**283,450**	**384,724**	**1,264,699**	**896**	**180,884**	**5,143**	**–**	**2,119,796**
Additions	**25,683**	**32,929**	**581,841**	**26,541**	**33,922**	**49,253**	**5,702,253**	**6,452,422**
Transfer to investment property (Note 12)	**(283,860)**	**–**	**–**	**–**	**–**	**–**	**–**	**(283,860)**
Transfer from right-of-use assets (Note 14)	**–**	**12,685**	**–**	**–**	**–**	**–**	**12,142**	**24,827**
Transfer from development costs	**–**	**–**	**–**	**–**	**–**	**–**	**7,297**	**7,297**
Transfer from asset held for sale (Note 8)	**–**	**–**	**3,547**	**–**	**–**	**–**	**–**	**3,547**
Transfers from advances to contractors (Note 7)	**–**	**–**	**–**	**–**	**–**	**–**	**14,593**	**14,593**
Insurance claims	**–**	**–**	**–**	**–**	**–**	**–**	**(35,282)**	**(35,282)**
Disposals and retirement	**–**	**(20,719)**	**–**	**(8,412)**		**(2,384)**	**–**	**(31,515)**
Reclassification	**–**	**(172,578)**	**304,776**	**1,876**	**(74,814)**	**(12,790)**	**(46,227)**	**243**
Balance at end of year	**1,202,277**	**8,270,052**	**25,179,237**	**86,949**	**339,436**	**192,163**	**6,080,900**	**41,351,014**
Accumulated depreciation								
Balance at beginning of year	**4,703**	**1,574,440**	**5,647,718**	**40,505**	**118,634**	**117,979**	**–**	**7,503,979**
Depreciation (Note 24)	**12,070**	**332,392**	**1,102,321**	**15,091**	**21,266**	**33,421**	**–**	**1,516,561**
Disposals and retirement	**–**	**(14,453)**	**–**	**(8,412)**	**–**	**(1,743)**	**–**	**(24,608)**
Reclassifications	**–**	**(198,943)**	**295,891**	**552**	**(38,047)**	**(59,453)**	**–**	**–**
Balance at end of year	**16,773**	**1,693,436**	**7,045,930**	**47,736**	**101,853**	**90,204**	**–**	**8,995,932**
Accumulated impairment loss								
Balance at beginning of year	**–**	**933**	**81,536**	**–**	**–**	**–**	**53,569**	**136,038**
Allowance for impairment loss	**–**	**–**	**270,528**	**–**	**14,890**	**–**	**96,620**	**382,038**
Reversals	**–**	**(933)**	**–**	**–**	**–**	**–**	**–**	**(933)**
Balance at end of year	**–**	**–**	**352,064**	**–**	**14,890**	**–**	**150,189**	**517,143**
Net Book Value	**₱1,185,504**	**₱6,576,616**	**₱17,781,243**	**₱39,213**	**₱222,693**	**₱101,959**	**₱5,930,711**	**₱31,837,939**

	2019 (As restated)							
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	₱252,241	₱489,170	₱6,863,611	₱38,971	₱68,746	₱51,179	₱419	₱7,764,337
Acquisition through business combination (Note 32)	669,850	7,705,192	10,005,328	26,793	57,303	38,958	252,952	18,756,376
Effect of acquisition of ACEIC's subsidiaries through share swap (Note 31)	235,793	19,911	5,530,810	20,797	57,356	17,532	248,047	6,130,246
Additions	135,930	26,295	433,007	2,589	16,062	45,359	243,500	902,742
Transfer from asset held for sale (Note 8)	–	–	152,376	–	–	–	–	152,376
Transfer to right-of-use assets (Note 14)	(116,810)	–	–	–	–	–	–	(116,810)
Insurance claims	–	–	–	–	–	–	(222,789)	(222,789)
Disposals and retirement	–	(209,095)	(55,225)	(23,102)	(23)	(87)	–	(287,532)
Reclassification	–	1,538	94,467	–	–	–	(96,005)	–
Balance at end of year	1,177,004	8,033,011	23,024,374	66,048	199,444	152,941	426,124	33,078,946
Accumulated depreciation								
Balance at beginning of year	1,236	363,926	1,466,138	20,642	33,968	40,859	–	1,926,769
Acquisition through business combination (Note 32)	–	1,196,563	1,500,118	16,587	46,354	18,331	–	2,777,953
Effect of acquisition of ACEIC's subsidiaries through share swap (Note 31)	3,467	5,204	1,996,267	33,127	12,448	9,058	–	2,059,571
Depreciation (Note 24)	–	179,136	720,879	8,392	5,199	49,813	–	963,419
Disposals and retirement	–	(170,389)	(50,983)	(17,564)	(14)	(82)	–	(239,032)
Transfer from asset held for sale (Note 8)	–	–	15,299	–	–	–	–	15,299
Balance at end of year	4,703	1,574,440	5,647,718	61,184	97,955	117,979	–	7,503,979
Accumulated impairment loss								
Balance at beginning of year	–	933	75,672	–	–	–	–	76,605
Effect of acquisition of ACEIC's subsidiaries through share swap (Note 32)	–	–	5,864	–	–	–	53,569	59,433
Balance at end of year	–	933	81,536	–	–	–	53,569	136,038
Net Book Value	₱1,172,301	₱6,457,638	₱17,295,120	₱4,864	₱101,489	₱34,962	₱372,555	₱25,438,929

Significant Additions During the Year
In 2020, the Group invested significant capital expenditures related to the following projects:

- ₱3,321.33 million for its 120 MW solar farm project in Alaminos, Laguna through its subsidiary, Solarace1 Energy Corp.;
- ₱464.75 million for its 150 MW diesel-fired power facility in Pililia, Rizal through its subsidiary, Ingrid Power Holdings, Inc.
- ₱1,657.69 million for its 60 MW solar power project in Palauig, Zambales through its subsidiary, Gigasol 3, Inc;
- ₱105.18 million for its 5 MW Solar Plant Project in Mariveles Bataan through its subsidiary, BSEI.
- Capital expenditures for One Subic Power amounting to ₱269.24 million which consists of crankshaft engine, air cooler, major parts for diesel engines.
- Capitalized costs for ACEN amounting to ₱100.63 million which consists of drydocking costs of PB101, cylinder head cover and installation costs of engine bearing.

In 2020, the Group acquired assets with a total cost of ₱6,452.42 million (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 31).

Non-cash component in the total additions amounted to ₱192.96 million in 2020 (see Note 37).

Disposals
The Parent Company executed Deeds of Sale with PHINMA Inc. and Mariposa Properties, Inc. (MPI) on July 4, 2019 for the sale of the Group's share in the Mezzanine, 3rd and 11th floors of the PHINMA Plaza amounting to ₱316.97 million, resulting in a gain of ₱286.75 million.

Assets (other than those classified as held for sale) with a net book value of ₱6.91 million and ₱48.50 million were disposed by the Group during 2020 and 2019, respectively. This resulted in a net loss of ₱4.28 million and net gain of ₱294.73 million in 2020 and 2019, respectively (see Note 26).

Impairment Losses
ACEN's Power Barge ("PB") 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil on 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.

PB101 and 102 were commissioned in 1981 while PB 103 in 1985. These were acquired by ACEN from the Power Sector Assets and Liabilities Management Corporation (PSALM) in 2015. Each power barge is a barge-mounted bunker-fired diesel generating power station with Hitachi diesel generator units and a gross capacity of 32MW and providing dispatchable reserve services to the Visayas grid.

The Group assessed at reporting date and determined that the incident has raised impairment indication that the asset's carrying amount exceeded its estimated recoverable amount. The Group recognized full provision for impairment for PB 102 and PB103 amounting to ₱270.53 million. The loss provision is presented as part of "General and administrative expenses" account (see Note 22).

Other provisions in 2020 include ₱96.16 million and ₱14.89 million for BSEI's construction-in-progress and tools and miscellaneous assets, respectively (see Note 3), and ₱0.46 million for Guimaras Wind's construction-in-progress of its Sibunag Wind Project. These provisions for impairment loss are presented as part of "General and administrative expenses" account (see Note 22).

Land Held under Finance Leases
The Group entered into finance leases of land in Barangay Suclaran and Cabano in San Lorenzo, Guimaras and Barangay Zaldivar and Sawang in Buenavista, Guimaras to facilitate the construction of the San Lorenzo wind farm (see Note 33). The carrying amount of land held under finance leases, included under “Land and land improvements” amounting to ₱116.81 million were reclassified to right-of-use assets as at January 1, 2019 upon adoption of PFRS 16.

Mortgaged Property and Equipment
Guimaras Wind’s wind farm with carrying value of ₱3,909.77 million and ₱4,106.00 million as at December 31, 2020 and 2019, respectively included under “Machinery and Equipment” account is mortgaged as security for the long-term loan. (see Note 17).

Pledges of Shares, Assignment of Receivables and all Material Contracts
As security for the timely payment, discharge, observance and performance of the secured obligations, ACEIC, ACEN, and APHPC, to the extent of their ownership interests in SLTEC, pledged shares owned by it, whether now owned or existing or hereafter acquired to the Security Trustee for the benefit of the Lenders and the Security Trustee.

In addition, SLTEC, and ACEIC, ACEN and/or APHPC, as the relevant Sponsor under the New Omnibus Agreement, have 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 ACEIC, 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 oil 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.

Power Plant Rehabilitation
The Group has contractual commitments and obligations for the rehabilitation of One Subic Power amounting to ₱550.00 million as at December 31, 2019, which was subsequently completed in March 2020.

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.

For the year ended December 31, 2020, SLTEC recognized additional capital expenditure relating to the HIP rotor amounting to ₱102.12 million. SLTEC received the HIP rotor on June 17, 2020.

Insurance Claims
In 2020 and 2019, SLTEC recognized a claim amounting to ₱35.28 million and ₱222.79 million as compensation for the property damage covered by industrial all risk insurance. This was deducted from the construction-in progress.

In 2018, ACEN recognized a claim amounting to ₱90.15 million for the net insurance proceeds from third parties for the reimbursement of capital expenditures relating to the repair of Power Barge 103 as a result of damages due to typhoon.

Total depreciation charged to operations amounted to ₱1,475.02 million and ₱958.83 million in 2020 and 2019, respectively. The amount charged to "General and administrative expenses" account amounted to ₱41.54 million and ₱4.58 million in 2020 and 2019, respectively (see Note 24).

The Group has no significant property, plant and equipment which are temporarily idle as at December 31, 2020 and 2019.

10. Investments in Associates and a Joint Venture

Details of investments in associates and interest in joint venture as December 31 are as follows:

	Percentage of ownership		Carrying amount	
	2020	2019 (As restated)	**2020**	2019 (As restated)
Investments in associates:				
Maibarara Geothermal, Inc. ("MGI")	**25.00**	25.00	**₱739,076**	₱685,133
Negros Island Biomass Holdings, Inc. ("NIBHI")	**45.12**	45.12	**224**	186,540
Asia Coal Corporation ("Asia Coal")*	**28.18**	28.18	**631**	631
			739,931	872,304
Interest in joint venture:				
Philippine Wind Holdings Corporation ("PhilWind")	**69.81**	42.74	**5,853,561**	1,661,798
			₱6,593,492	₱2,534,102

**Shortened corporate life to October 31, 2009. As at March 8, 2021, Asia Coal is still in the process of securing a tax clearance with the BIR in connection with the filing with the SEC of its application for dissolution.*

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

	2020	2019 (As restated)
Investment in associates and interest in joint venture		
Acquisition costs:		
Balance at beginning of year	**₱2,041,340**	₱3,911,572
Additions	**2,573,300**	–
Effect of business combinations under common control (Note 32)	**1,579,595**	(1,645,232)
Sale of joint venture interest	–	(225,000)
Balance at end of year	**6,194,235**	2,041,340

(Forward)

	2020	2019 (As restated)
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**₱496,428**	₱397,633
Effect of business combinations under common control (Note 32)	**(516,877)**	(91,217)
Equity in net earnings	**898,513**	206,985
Dividends received	**(288,012)**	(25,000)
Sale of joint venture interest	**–**	8,027
Balance at end of year	**590,052**	496,428
Accumulated share in other comprehensive income:		
Balance at beginning of year	**(2,107)**	(2,193)
Share in other comprehensive income (loss)	**(616)**	86
Balance at end of year	**(2,723)**	(2,107)
Other equity transactions:		
Balance at beginning of year	**–**	17,231
Effect of business combinations under common control (Note 32)	**–**	(17,231)
Balance at end of year	**–**	–
Accumulated impairment losses		
Balance at beginning of year	**(1,559)**	(1,559)
Impairment loss	**(186,513)**	–
Accumulated impairment losses	**(188,072)**	(1,559)
Total investments	**₱6,593,492**	₱2,534,102

Investments in Associates

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.

The summarized financial information of MGI, a material associate of the Parent Company, and the reconciliation with the carrying amount of the investments and advances in the consolidated financial statements are shown below:

Summarized Statement of Financial Position as at December 31:

	2020	2019
Current assets	**₱1,201,592**	₱1,101,966
Noncurrent assets	**4,707,501**	4,796,719
Total assets	**5,909,093**	5,898,685
Current liabilities	**608,361**	496,559
Noncurrent liabilities	**2,344,428**	2,661,593
Net assets	**2,956,304**	2,740,533
Ownership interest in investee	**25%**	25%
Carrying amount of the investment	**₱739,076**	₱685,133

Summarized Statement of Income for the Years Ended December 31:

	2020	2019	2018
Revenue from sale of electricity	**₱1,044,250**	₱1,139,163	₱1,110,004
Cost of sale of electricity	**527,265**	574,002	507,587
Gross profit	**516,985**	565,161	602,417
Interest expense - net	**(182,365)**	(203,611)	(181,323)
General and administrative expenses	**(48,295)**	(59,978)	(55,341)
Other income - net	**1,591**	19,255	10,843
Income before income tax	**287,916**	320,827	376,596
Provision for (benefit from) income tax	**481**	154	(903)
Net income	**287,435**	320,673	377,499
Other comprehensive income	**–**	–	346
Total comprehensive income	**₱287,435**	₱320,673	₱377,845

On September 16, 2011, the Parent Company entered into an ESA with MGI under which the Parent Company will purchase the entire net electricity output of MGI's power plant for a period of 20 years at an agreed price, subject to certain adjustments (see Note 33). Commercial operations of MGI started in February 2014.

The Parent Company is also a Project Sponsor for MGI's ₱2.40 billion Term Loan Facility for the 20 MW Maibarara Geothermal Power Plant and ₱1.40 billion Project Loan Facility for its 12 MW Maibarara Expansion Project. In the event of a default of MGI, as a Project Sponsor, the Parent Company is obligated to:

- assign, mortgage or pledge all its right, title and/or interest in and its shares of stocks in MGI, including those that may be issued in the name of the Parent Company;
- assign its rights and/or interests in the Joint Venture Agreement executed on May 19, 2010 with PNOC Renewables Corporation;
- secure the debt service reserve account (DSRA) with a standby letter of credit, when reasonably required and pursuant to the terms of the facilities;
- guarantee the completion of the projects and for this purpose, the Parent Company undertakes to:
  i. contribute to MGI its pro-rata share of the funds necessary to enable MGI to complete the construction of its projects; and,
  ii. make cash advances or otherwise arrange to provide MGI with funds sufficient to complete construction, in the event that MGI does not have sufficient funds available to cover the full cost of constructing and completing the project due to costs overrun.

The loan covenants covering the outstanding debt of MGI include, among others, maintenance of debt-to-equity and debt-service ratios. As at December 31, 2020 and 2019, MGI is in compliance with the said loan covenants.

In 2015, the construction of Phase 2 of the project commenced. MGI successfully commissioned the 12-megawatt (MW) Maibarara Geothermal Power Plant-2 (MGPP-2) and successfully synchronized to the Luzon grid on March 9, 2018. On April 30, 2018, MGPP-2 commenced its commercial operations.

The Parent Company received dividend amounting to ₱17.50 million and ₱25.00 million in 2020 and 2019, respectively. It also invested additional capital of ₱12.50 million in 2018.

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 TLCTI Asia, currently has a portfolio totaling 63.44 MW in generation capacity from biomass.

Upon effectivity of ACEN's share swap with ACEIC, the Parent Company acquired a 45.12% voting ownership in NIBHI, through ACE Endevor, Inc. (see Note 32).

For the year ended December 31, 2020, the Group assessed at reporting date that there is an objective evidence that the investment in NIBHI was impaired. The Group provided ₱186.51 million provision for impairment for its investments in NIBHI calculated as the difference between the recoverable amount of the investment and its carrying amount. The provision for impairment loss is presented as part of general and administrative expenses (see Note 22).

The summarized financial information of NIBHI which is a material associate are shown below:

Summarized Statement of Financial Position as at December 31:

	2020	2019 (As restated)
Current assets	**₱78,832**	₱67,253
Noncurrent assets	**19,088**	42,437
Total assets	**97,920**	109,690
Current liabilities	**24,811**	34,444
Noncurrent liabilities	**12,401**	28,117
Net assets	**60,708**	47,129
Ownership interest in investee	**45.12%**	45.12%
Share in net assets of investee	**27,391**	21,265
Goodwill and other adjustments	**(27,167)**	165,275
Carrying amount of the investment	**₱224**	₱186,540

Summarized Statement of Comprehensive Income for the Years Ended December 31:

	2020	2019 (As restated)
Revenue from sale of electricity	**₱12,047**	₱140,159
Interest expense - net	**4**	117
General and administrative expenses	**(12,335)**	(131,930)
Income (loss) before income tax	**(284)**	8,346
Provision for (benefit from) income tax	**(1,182)**	1,935
Net income	**898**	6,411
Other comprehensive income	**–**	–
Total comprehensive income	**₱898**	₱6,411

Interest in Joint Venture

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 PhilWind, a holding company for North Luzon Renewable Energy Corp. ("NLR").

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

PINAI effectively has a 31.01% preferred equity and 15.00% common equity ownership in NLR. NLR is a joint venture of ACEIC, UPC Philippines Wind Holdco I B.V., Luzon Wind Energy Holdings B.V. (DGA) and the 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 66.69% of NLR, through its 38.00% direct interest and 28.69% 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 the shares of PINAI Investors in PhilWind for ₱2,573.30 million through its wholly-owned subsidiary Giga Ace 1, Inc.

The investment in PhilWind is accounted for as an investment 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 ACEIC, the Parent Company increased its ownership interest in PhilWind to 69.81% (see Note 32).

PhilWind was incorporated and registered with the SEC on November 12, 2009, primarily to engage in the business of a holding company for renewable energy and other corporations. The registered office address is at 15th Floor, Picadilly Star Bldg., 4th Avenue Cor. 27th St., Bonifacio Global City, Taguig, with principal place of business at 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

Dividends declared by PhilWind amounted to ₱270.51 million and ₱214.99 million in 2020 and 2019, respectively.

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

Summarized Statement of Financial Position as at December 31:

	2020	2019 (As restated)
Current assets*	**₱1,624,625**	₱1,499,224
Noncurrent assets	**7,542,675**	7,153,020
Total assets	**9,167,300**	8,652,244
Current liabilities**	**445,949**	772,650
Noncurrent liabilities***	**5,219,873**	5,217,044
Net assets	**3,501,478**	2,662,550
Ownership interest in investee	**69.81%**	42.74%
Share in net assets of investee	**2,444,382**	1,137,974
Goodwill and other adjustments	**3,409,179**	523,824
Carrying amount of investment	**₱5,853,561**	₱1,661,798

**including cash and cash equivalents amounting to ₱711.98 million and ₱544.08 million as at December 31, 2020 and 2019, respectively.*
***including financial liabilities amounting to ₱326.41 million and. ₱447.75 million as at December 31, 2020 and 2019, respectively.*
****including financial liabilities amounting to ₱5.12 billion for both years.*
Financial liabilities exclude trade and other payables and provisions.

Summarized Statement of Comprehensive Income for the Years Ended December 31:

	2020	2019 (As restated)
Revenue from sale of electricity	**₱2,826,099**	1,885,146
Costs of sale of electricity	**693,282**	663,804
Gross profit	**2,132,817**	1,221,342
Interest income	**8,052**	24,208
Interest expense and other financing charges	**(496,804)**	(374,687)
Depreciation expense	**(2,049)**	(5,093)
Other general and administrative expenses	**(35,145)**	(41,945)
Other expenses - net	**(68,950)**	(5,035)
Income before income tax	**1,537,921**	818,790
Provision for (benefit from) income tax	**5,094**	(4,948)
Net income	**1,532,827**	823,738
Other comprehensive income	**–**	(2,303)
Total comprehensive income	**₱1,532,827**	821,435

11. **Financial assets at FVOCI**

	2020	2019 (As restated)
Golf club shares	**₱1,190**	₱1,230
Listed shares of stock	**21**	21
Unlisted shares of stock	**–**	531,886
	₱1,211	₱533,137

Unlisted shares pertain to interests in ISLASOL and SACASOL held by VRC 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 31).

The movements in net unrealized gain on financial assets at FVOCI for the years ended December 31 are as follows:

	2020	2019 (As restated)
Balance at beginning of period	**(₱96,584)**	₱59,772
Effect of business combinations under common control (Note 32)	**88,455**	(88,455)
Unrealized gain recognized in other comprehensive income	**(40)**	(27,369)
Cumulative unrealized gain on disposal of equity instruments at FVOCI transferred to retained earnings	**–**	(40,532)
Balance at end of period	**(₱8,169)**	(₱96,584)

Dividend income earned from financial assets at FVOCI amounted to nil, ₱3.12 million and ₱9.12 million in 2020, 2019 and 2018, respectively.

12. Investment Properties

Investment properties include land stated at cost amounting to ₱341.55 million and ₱13.09 million as at December 31, 2020 and 2019 respectively.

In 2020, BCHC purchased a 1.79 hectare land in located in Binugao, Toril, Davao City amounting to ₱44.60 million. This was classified as an investment property since it will be held for the potential use of Special Purpose Vehicles in building and operating power plants.

Movement on the account during 2020 includes reclassification from Property, plant and equipment of a land owned by BCHC amounting to ₱283.86 million.

Bulacan Power 's investment property pertains to a land amounting to ₱13.09 million.

The aggregate fair value of investment properties amounted to ₱354.29 million which is composed of the acquisition costs of land acquired in 2020 and 2019, and the fair value of Bulacan Power's land which is based on the latest valuation as at August 20, 2019 by an independent firm of appraisers amounted to ₱25.83 million with Securities and Exchange Commission (SEC) Accreditation No. 028. Management expects no significant change in fair value as at December 31, 2020. The investment property is valued at ₱1,732/sqm.

The fair value of Bulacan Power's land was arrived using the Market Data Approach which estimates the value of the land based on sales and listings of comparable property registered within the vicinity. This technique requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the land. The comparison was premised on the factors of location, size and shape of lot, time element and bargaining allowance.

Revenue from investment properties amounted to nil both for 2020 and 2019 and ₱16.44 million in 2018 which was recognized in the consolidated statement of income, while related direct costs and expenses amounted to ₱0.01 million both for 2020 and 2019, and ₱15.68 million in 2018 which was included as part of Costs of purchased power under "Cost of sale of electricity" account in the consolidated statement of income.

13. Goodwill and Other Intangible Assets

Changes in goodwill and other intangible assets for the years ended December 31, 2020 and 2019 are as follows:

	2020				
	Goodwill	Deferred Exploration Costs	Leasehold and Water Rights	Other Intangible Assets	Total
Cost:					
Balance at beginning of year	**₱234,152**	**₱108,139**	**₱185,347**	**₱–**	**₱527,638**
Step acquisition of ISLASOL (Note 31)	**12,453**	–	–	–	**12,453**
Step acquisition of SACASOL (Note 31)	–	–	–	**2,191,814**	**2,191,814**
Reclassification	–	–	**(243)**	–	**(243)**
Additions/Cash calls	–	**13,836**	–	–	**13,836**
Balance at end of year	**246,605**	**121,975**	**185,104**	**2,191,814**	**2,745,498**

(Forward)

	2020				
	Goodwill	**Deferred Exploration Costs**	**Leasehold and Water Rights**	**Other Intangible Assets**	**Total**
Accumulated amortization:					
Balance at beginning of year	**₱–**	**₱–**	**₱24,463**	**₱–**	**₱24,463**
Amortization (Note 24)	**–**	**–**	**8,147**	**113,696**	**121,843**
Balance at end of year	**–**	**–**	**32,610**	**113,696**	**146,306**
Accumulated impairment:					
Balance at beginning and end of year	**–**	**62,098**	**–**	**–**	**62,098**
Net book value	**₱246,605**	**₱59,877**	**₱152,494**	**₱2,078,118**	**₱2,537,094**

	2019 (As restated)			
	Goodwill	Deferred Exploration Costs	Leasehold Rights	Total
Cost:				
Balance at beginning of year	₱234,152	₱136,976	₱99,839	₱470,967
Cash calls	–	19,426	–	19,426
Write-off	–	(48,263)	–	(48,263)
Acquisition through business combination (Note 32)	–	–	185,347	185,347
Reclassification to right-of-use assets (Note 14)	–	–	(99,839)	(99,839)
Balance at end of year	234,152	108,139	185,347	527,638
Accumulated amortization:				
Balance at beginning of year	–	–	74,880	74,880
Amortization (Note 24)	–	–	204	204
Acquisition through business combination (Note 32)			24,259	24,259
Reclassification to right-of-use assets (Note 14)	–	–	(74,880)	(74,880)
Balance at end of year	–	–	24,463	24,463
Accumulated impairment:				
Balance at beginning of year	–	75,868	–	75,868
Provisions for the year (Note 22)	–	34,493	–	34,493
Write-off	–	(48,263)	–	(48,263)
Balance at end of year	–	62,098	–	62,098
Net book value	₱234,152	₱46,041	₱160,844	₱441,077

Goodwill and Leasehold Rights

The leasehold rights and goodwill arose from Bulacan Power's 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. ("Solienda") holds a leasehold right on its contracts of lease with San Carlos Sun Power, Inc., San Carlos Biopower Inc. and SACASOL. As at December 31, 2020 and 2019, the carrying amount of the leasehold right amounted to ₱144.69 million and ₱152.34 million, respectively.

Goodwill recognized during the period came from the acquisition of ISLASOL amounting to ₱12.45 million (see Note 31).

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 amounts as at December 31, 2020 are nil and ₱7.81 million, respectively, and the carrying amounts as at December 31, 2019 amounted to ₱0.24 million and ₱8.30 million respectively (see Note 32).

Other Intangible Assets
Intangible assets amounting to ₱2,191.81 million arising from identifiable FIT contract was recognized from acquisition of SACASOL (see Note 31). The carrying amount as at December 31, 2020 is ₱2,078.12 million.

Impairment Testing of Goodwill
The Parent Company performs its impairment test annually and when circumstances indicate 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 December 31, 2020 and updated the potential impact of COVID-19.

Key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in Note 3 of consolidated financial statements. The recoverable amount of the CGU was determined using the value-in-use approach calculated using all cash flow projections related to CGU based on the financial budgets and forecasts approved by the BOD, to which management believes are reasonable and are management's best estimate of the ranges of economic conditions that will exist over the forecast period.

Based on management's assessment, recoverable amount exceeded the carrying amount of the CGU. No impairment loss was recognized on goodwill as at December 31, 2020 and 2019 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:

	2020	2019 (As restated)
Petroleum and gas:		
SC 55 (Southwest Palawan)	**₱36,639**	₱23,063
SC 6 (Northwest Palawan)		
Block A	**23,238**	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
	121,975	108,139
Allowance for impairment loss	**(62,098)**	(62,098)
Net book value	**₱59,877**	₱46,041

Below is the rollforward analysis of the deferred exploration costs:

	2020	2019 (As restated)
Cost:		
Balances at beginning of year	**₱108,139**	₱136,976
Additions - cash calls	**13,836**	19,426
Write-offs	–	(48,263)
Balance at end of period	**121,975**	108,139
Allowance for a probable loss:		
Balances at beginning of year	**62,098**	75,868
Provision for the year	–	34,493
Write-offs	–	(48,263)
Balance at end of period	**62,098**	62,098
Net book value	**₱59,877**	₱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:

ACEN

a. SC 52 (Cagayan Province)

   In 2016, the Parent Company assessed and fully provided for probable losses for deferred exploration costs pertaining to SC 52 amounting to ₱10.99 million due to the expiration of its terms and subsequent denial of the DOE of the request for Force Majeure.

   In December 2016, Frontier Oil, as instructed by the DOE, submitted certain documents in support of its request for Force Majeure. As at March 8, 2021, the requests for Moratorium and appeal for contract reinstatement are still pending DOE's approval.

b. SC 8 (Batangas - Mabini Geothermal Service Contract)

   In 2018, the Consortium held continuing Information and Electronic Campaigns (IEC) together with the DOE and PHIVOLCS to obtain support from the local government units towards lifting of the Cease-and-Desist Order.

   On July 3, 2018, the Parent Company formally notified Basic Energy, the Operator, of its withdrawal from the service contract and Joint Operating Agreement (JOA) for the block.

   In August 2018, Basic Energy proposed to conduct the forward drilling program on its own, "Operation by Fewer than all the Parties: under the JOA" and carry the Parent Company's share of attendant costs. The Parent Company expressed its willingness to consider the said proposal and requested Basic Energy's key terms for the Parent Company's consideration.

   In June 2019, the Parent Company decided to push through with the withdrawal from the SC and JOA. As at December 31, 2020, the Parent Company has recognized full provision for probable loss on SC 8 amounting to ₱34.49 million.

ACEX

c. SC 6 (Northwest Palawan)

<u>Block A</u>

On January 8, 2018, the consortium submitted to the DOE its proposed 2018 work program composed of seismic interpretation and mapping and integration of quantitative inversion results that would serve as input to preliminary well design and cost estimates. The Consortium completed its 2018 work program and said undertaking has improved the resource evaluation of the mapped leads and prospects in the area.

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.

ACEX holds 7.78% and 14.063% participating interests in Block A and Block B, respectively. SC 6 is valid until February 28, 2024 subject to fulfillment of work commitments for each of the three 5-year terms comprising the 15-year extension period of SC 6 in respect of Block A and B and payment of training assistance, development assistance and scholarship funds to the DOE.

As at December 31, 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.

On January 27, 2021, the Executive Committee approved the ACEX's withdrawal from the SC 6 Block A consortium. SC 6 does not have any commercial operations (see Note 40).

No provision for probable loss was recognized for SC 6A as at December 31, 2020 as the withdrawal from the SC 6 consortium was proposed and approved subsequent to December 31, 2020 and no indicator of impairment nor withdrawal was determined as at December 31, 2020.

<u>Block B</u>

On February 20, 2017, ACEX gave notice to the consortium of relinquishment of its 14.063% participating interest in SC 6 Block B (SC 6B) and the Operating Agreement but said relinquishment shall not include its 2.475% carried interest. The retained carried interest would entitle the Group to a share in the gross proceeds from any production in the block, once all exploration costs have been recovered. The carried interest will be revalued should the project obtain commercial viability.

In 2017, the ACEX recognized full provision for probable losses on deferred exploration costs pertaining to SC 6B amounting to ₱4.89 million due to ACEX's relinquishment of its participating interest, but not the carried interest to its partners.

SC 6 will expire in February 2024.

d. SC 50 (Northwest Palawan)

In 2013, ACEX negotiated with Frontier Energy Limited ("Frontier Energy"), the Operator, regarding a Farm-in Agreement that would provide for the Group's acquisition of 10% participating interest in SC 50.

Frontier Oil Corporation, the Operator, applied for a Force Majeure in view of the unilateral cancellation of its rig contract by the other partners in the consortium, which was subsequently denied by the DOE on October 5, 2015 and, consequently, ruled that the contract effectively expired in March 2015. On October 20, 2015, Frontier Oil contested DOE's position and engaged the DOE in discussions aimed at a mutually acceptable resolution of the issue.

In 2016, the Group recognized full provision for probable loss on SC 50 amounting to ₱11.72 million due to the expiration of the SC's term and denial by the DOE of the request for Force Majeure. The project is no longer valid and active with the DOE.

e. SC 51/GSEC 93 (East Visayas)

On May 15, 2018, ACEX notified the DOE of its withdrawal from SC 51. On July 4, 2018, the SC 51 Consortium notified the DOE of their decision to relinquish SC 51 block.

In 2018, ACEX recognized a full provision for probable loss on deferred exploration costs pertaining to SC 51 amounting to ₱32.66 million due to deemed expiration of the exploration period.

On July 1, 2019, ACEX received the DOE's approval of the relinquishment of SC 51. During the year, the deferred exploration costs and related allowance for probable losses of SC 51 amounting to ₱32.66 million were written off.

f. SC 69 (Camotes Sea)

On June 4, 2018, the SC 69 Consortium notified the DOE of its relinquishment of SC 69 block in view of the strong oppositions to the Project from various stakeholders, including several Local Government Units and Non-Government Organizations, making the conduct of petroleum exploration business in the area very challenging, if not impossible.

In 2018, the Group recognized a full provision for probable loss on deferred exploration costs pertaining to SC 69 amounting to ₱15.60 million due to vigorous opposition of stakeholders and recent issuances of concerned LGUs declaring the Visayan Sea as a protected area and marine reserve.

On July 29, 2019, the Group received DOE's approval of the relinquishment of SC 69. During the year, the deferred exploration costs and related allowance for probable losses of SC 69 amounting to ₱15.60 million were written off.

In 2020 and 2019, the Group neither incurred nor capitalized share in various expenses to deferred exploration costs due to its operatorship in SC69.

Palawan55

g. SC 55 (Southwest Palawan)

On June 14, 2016, the DOE extended the term of SC 55 until December 23, 2017.

On November 21, 2016, Otto Energy and Otto Energy Philippines notified the DOE of their withdrawal from SC 55.

On November 22, 2017, Palawan55 notified the DOE of its willingness to assume its pro-rata, post- adjustment share (37.50%) amounting to US$64,613 of Otto Energy's outstanding training fund obligation of US$172,300 in conjunction with the DOE's approval of the assignment of interests and favorable consideration for a reasonable extension of the moratorium period that would allow execution of the committed technical studies.

On March 26, 2018, the DOE approved the transfer of participating interests from Otto Energy to its partners, Palawan55, Century Red and Pryce Gases, Inc. Palawan55's 6.82% participating interest in SC 55 was adjusted to 37.50% upon the DOE's approval of the withdrawal of Otto Energy. The Moratorium Period until April 26, 2019 was also approved with a budget of US$478,750 for 3D seismic reprocessing and Quantitative Inversion Study.

On November 19, 2018, Palawan55 requested for an extension of the SC 55 Moratorium Period up to December 31, 2019 since the Quantitative Interpretation Study and Resource Assessment will only be completed after April 2019. The said request was approved by the DOE on April 22, 2019.

In December 2018, a third-party Partner in the consortium advanced its payment for its share in the 2019 work program amounting to US$69,669 or ₱3.66 million. This shall be applied to the third party's share in the subsequent expenditure of SC 55. Palawan55 also accrued its share in the training obligations for SC55 payable to the DOE amounting to ₱3.49 million.

On August 9, 2019, the SC 55 Consortium formally notified the DOE that is directly proceeding into the Appraisal Period effective August 26, 2019. The Consortium committed to drill one (1) deepwater well within the first two years of the Appraisal period and re-interpretation of legacy seismic data over the rest of the block which may lead to the conduct of new 3D seismic campaign to mature other identified prospects to drillable status.

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 July 2, 2020, SC 55 Consortium submitted to the DOE its 5-year Work Program and Budget for the Appraisal Period. Said program is divided into firm (CY 1 & 2) and contingent (CY 3-5). The firm commitment consists of Geological and Geophysical studies and drilling of a well within the next two years.

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.

On September 23, 2020, the Consortium requested for the declaration of a one-year Force Majeure in view of the far-reaching adverse effects of the COVID-19 pandemic and the induced low oil price, on the global upstream petroleum industry. The request is currently being evaluated by the Department of Energy.

Palawan55 interpreted reprocessed seismic data to mature two prospects to drillable status. Resource Assessment of these prospects has been completed. Well Planning and Drilling preparations are ongoing.

As at December 31, 2020 and 2019, Palawan 55 holds 75.00% and 37.50% participating interests in SC55, respectively, and has no pending violation with the DOE.

No impairment was recognized for SC 55 as at December 31, 2020 and December 31, 2019 as there are no indicators for impairment.

14. Right-of-Use Assets and Lease Liabilities

The rollforward analysis of these accounts follows:

	2020						
	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 (Note 31)	–	588,380	–	–	–	588,380	523,006
Acquired from ISLASOL (Note 31)	–	407,721	–	–	–	407,721	367,798
New lease agreements	191	658,495	46,441	8,530	–	713,657	251,478
Amortization expense (Note 24)	(18,887)	(121,264)	(22,386)	(997)	(8,769)	(172,303)	–
Transfers to Property, Plant, and Equipment (Note 9)	–	(12,142)	(12,685)	–	–	(24,827)	–
Lease termination	–	(4,864)	–	–	–	(4,864)	–
Remeasurement due to lease modification		(116,110)	–	–	–	(116,110)	(116,110)
Interest expense (Note 25)	–	–	–	–	–	–	171,097
Payments	–	–	–	–	–	–	(239,767)
Foreign exchange adjustments	–	–	–	–	–	–	(22,411)
As at December 31, 2020	**₱357,573**	**₱1,923,002**	**₱43,112**	**₱19,717**	**₱–**	**₱2,343,404**	**₱1,916,629**

	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	–	12,952	–	–	–	12,952	10,431
Acquired from Solarace1	215,846	–	–	–	–	215,846	215,846
Acquired from HDP	–	–	–	12,438	–	12,438	8,499
Amortization expense	(11,356)	(35,937)	(10,365)	(254)	(16,190)	(74,102)	–
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:

- ACEN - rental of office space in 22nd Floor of Ayala Tower together with 8 parking slots.
- One Subic Power - facilities and lease agreement with SBMA for the Land in Subic including the 116 MW Diesel Powerplant.
- Guimaras Wind - lease commitments from various landowners 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.
- LCC – lease of land as site for its water supply system.
- ISLASOL - lease of land for its solar power facility.
- BCHC - lease of land for its solar power facility
- Ingrid - lease of equipment for its powerplant facility.

In 2019, The Group elected to use the modified retrospective method to account for the transition provisions of PFRS 16. The assessment led to computing the PV unpaid cashflows as at January 1, 2019 up to the end of the lease term and then accounted any balance of prepaid rent or accrued rent to be closed out as an addition to or deduction from to the Right-of-Use Asset account respectively.

There were no land or lease improvements noted. Each entity did not exercise or avail any renewal, extension, or termination option. No practical expedient was elected such as short-term lease or lease of low-value assets except for Guimaras Wind which used the short-term lease practical expedient which impact amounted to ₱0.25 million.

In 2020, SACASOL and ISLASOL were consolidated to the Group. SACASOL entered into an amendatory agreement with its lessor, San Julio Realty, Inc., to adjust the annual rental payments based on the average of the available and published inflation rates of the CPI for the immediately preceding 12-month period. The Lease modification amounted to a reduction of ₱116.11 million to both the Right-of-Use asset and Lease Liability.

Mobilization fee for the leased equipment amounting to ₱378.49 million was paid by Ingrid.

The Group recognized rent expense from short-term leases amounting to nil and ₱0.13 million for the year ended December 31, 2020 and 2019, respectively.

There was no indication of impairment on the Right-of-Use Asset of the Group for the years ended December 31, 2020 and 2019.

15. **Other Noncurrent Assets**

	2020	2019 (As restated)
Trade receivables - net of allowance for credit losses (Note 20)	**₱1,916,726**	₱1,123,511
Advances to suppliers	**850,384**	305,913
Receivables from third parties (Note 5)	**349,673**	436,269
Development costs	**309,395**	233,509
Deposits	**105,337**	109,419
Derivative assets	**35,046**	–
Others	**3,599**	192,992
Balance at end of the period	**₱3,570,160**	₱2,401,613

Noncurrent trade receivables represent refundable amount from the Philippine Electricity Market Corporation (PEMC) arising from recalculation of November and December 2013 spot prices as directed by the ERC. 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 FIT system adjustments that are expected to be realized beyond 12 months after end of reporting period (see Notes 5 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**

	2020	2019 (As restated)
Nontrade (Note 18)	**₱2,728,641**	₱1,763,621
Trade	**1,183,743**	1,131,160
Output VAT - net	**946,529**	427,752
Accrued expenses	**610,361**	139,853
Due to related parties (Note 29)	**588,007**	190,062
Accrued interest expenses	**260,796**	159,090
Redemption payable	**95,000**	195,000
Retention payables	**74,974**	2,377
Accrued directors' and annual incentives (Note 29)	**30,574**	50
Contract liabilities	**4,132**	–
Derivative liability (Notes 34 and 35)	**3,300**	21,060
Others	**13,170**	169,551
	₱6,539,227	₱4,199,576

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 ACEIC to ACEN of the share purchase agreement executed by ACEIC 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 oil purchased by the Group.

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

Redemption payable pertain to subscription redemption of ACE International from Gigasol 2.

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

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 34).

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.

17. **Loans**

Long-term loans
This account consists of:

	2020	2019 (As restated)
SLTEC long-term loans	**₱10,587,500**	₱10,862,500
ACEN long-term loans	**8,128,347**	8,634,812
NorthWind loan	**2,233,530**	2,145,042
Guimaras Wind term-loan facility	**1,410,268**	1,531,734
BWPC long-term loans	**271,934**	279,183
	22,631,579	23,453,271
Add premium on long-term loans (embedded derivative)	**–**	2,429
Less unamortized debt issue costs	**240,873**	257,071
	22,390,706	23,198,629
Less current portion of long-term loans (net of unamortized debt issue costs)	**707,782**	905,931
Noncurrent portion	**₱21,682,924**	₱22,292,698

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	–	178,132
Acquired from NPDC	–	13,023
Additions	–	43,003
Amortization/accretion for the year* (Note 25)	(1,818)	(18,014)
As at December 31, 2019	2,429	257,071
Additions	–	28,500
Amortization/accretion for the year* (Note 25)	(2,429)	(44,698)
As at December 31, 2020	₱–	₱240,873

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

ACEN
The relevant terms of the long-term loans of the Parent Company are as follows:

Description	Interest Rate (per annum)	Terms	2020	2019
₱5.00 billion loan with Banco De Oro Unibank, Inc. (BDO)	5.0505% per annum for the first 5 years; repricing for the succeeding 5 years is the average of the 5-year BVAL, three (3) days prior to Repricing Date, plus a margin of ninety basis points per annum (0.90%), with the sum divided by 0.95	Availed on November 15, 2019, payable in semi-annual installment within 10 years with final repayment on November 14, 2029; contains negative pledge	**₱4,901,881**	₱4,957,717

Description	Interest Rate (per annum)	Terms	2020	2019
₱7.00 billion loan with China Banking Corporation (CBC)	Fixed at a rate of 5.00% per annum which shall be payable at the end of the interest period of six months	Availed on July 10,2020. First and second drawdown amounting to ₱500 million and ₱1,000 million 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 (18th) month from the initial drawdown date; contains negative pledge.	**₱1,489,118**	₱–
₱1.18 billion loan with SBC	Fixed at a rate of 6.50% per annum which shall be payable at the end of the interest period of six months	Availed on January 11, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 11, 2029; contains negative pledge	**837,640**	904,018
₱1.18 billion loan with DBP	Fixed at a rate of 6.00% for the first 7 years; repricing for the last 5.5 years, the higher of 5-year PDST-R2 plus a spread of 1.625% or 6.25%	Availed on January 10, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 10, 2029; contains negative pledge	**837,680**	904,004
₱1.50 billion loan with CBC	The higher of 7-year PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years, the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate.	Availed on April 14, 2014, payable in quarterly installment within 10 years to commence 1 year after the first interest payment date with final repayment on April 30, 2024; contains negative pledge	**–**	1,358,727
₱0.50 billion loan with BDO	The higher of 7Y PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.8146% for the first 7 years; repricing for the last 3 years), the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	Availed on July 30, 2014, payable in quarterly installments within 10 years to commence 1 year after the first interest payment date with final repayment on April 30, 2024; contains negative pledge	**–**	452,083
Carrying value (net of unamortized debt issue costs and embedded derivatives of ₱62.03 million and ₱58.26 million as of December 31, 2020 and 2019, respectively)			**₱8,066,319**	₱8,576,549

In 2020 and 2019, principal repayments made relative to Group's loans amounted to ₱2,006.47 million and ₱1,094.06 million, respectively. ACEN paid ₱11.25 million and ₱43.00 million debt issue costs for the additional loans availed in 2020 and 2019, respectively.

In accordance with the terms of the Fixed Rate Corporate Notes Facility Agreement, ACEN prepaid in full its ₱500 million corporate note with BDO on October 30, 2020 and its ₱1,500 million corporate note with CBC on December 14, 2020. ACEN was able to get consent from both lenders to allow prepayment before the 7th anniversary of each respective corporate note without premium or penalty. In 2019, ACEN prepaid ₱930 million of its long-term debt accordance with the terms of the Agreement with SBC.

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 (5^{th}) 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.

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.

In 2019, ACEN signed and availed of a ₱5.0 billion term loan facility with BDO. In 2020, ACEN signed a ₱7.0 billion facility with CBC where it drew ₱1.50 billion as at end 2020. Both loans are payable in semi-annual installments for 10 years. As compliance with the debt covenant, ACEN's Net Debt to Equity ratio should be no more than 3 times.

In 2020, ACEN was able to obtain waivers of compliance for the Debt Service Coverage Ratio, Debt-to-Equity ratio and Current ratio covenants on its legacy loans with SBC (₱1.18 billion) and DBP (₱1.18 billion) as required by the terms of each respective Lender's loan agreement. The waivers granted on the 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 2022, based on the 2021 consolidated audited financial statements. ACEN classified the loans amounting to ₱1.68 billion as noncurrent as at December 31, 2020.

Guimaras Wind
On December 18, 2013, Guimaras Wind entered into a ₱4.30 billion Term Loan Facility with Security Bank Corporation ("SBC") and Development Bank of the Philippines ("DBP"). The proceeds were used to partially finance the 54 MW San Lorenzo Wind Farm composed of 272 MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid. The loan facility is divided into two tranches amounting to ₱2.15 billion each - DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of 15 years with semi-annual interest payments starting on the date on which the loan is made. The Tranche A's interest is to be fixed at the higher of 10-year PDS Treasury Fixing ("PDST-F") plus a spread of 1.625% or a minimum interest rate of 6.25% for the first 10 years, to be repriced at higher of existing rate or 5-year PDST-F plus a spread of 1.25% for the last 5 years. The Tranche B will be fixed at higher of interpolated 15-year PDST-F plus a spread of 1.625% or a minimum interest rate of 6.5%. The interest rate floor on the loan is an embedded derivative that is required to be bifurcated. In 2013, the Group did not recognize any derivative liability arising from the bifurcated interest floor rate since the fair value is not significant.

On April 1, 2015, the publication of PDST-F rates ceased pursuant to the memo of the Bankers Association of the Philippines ("BAP") dated January 8, 2015. Subsequently, the parties agreed to adopt PDST-R2 and BVAL rates as benchmark rate in lieu of PDST-F rates. BVAL rates were adopted starting October 29, 2018 when the Bankers Association of the Philippines (BAP) launched its new set of reference rates to replace the current set of PDST Reference Rates, PDST-R1 and PDST-R2.

The loan facility also contains a prepayment provision which allows Guimaras Wind to make optional prepayment for both Tranche A and Tranche B in the amount calculated by the facility agent as accrued interest and other charges on the loan up to the prepayment date plus, the higher of (a) the principal amount of the loan being prepaid, or (b) the amount calculated as the present value of the remaining principal amortizations and interest payments on the loan being prepaid, discounted at the comparable benchmark tenor as shown in the Philippine Dealing and Exchange Corporation ("PDEx") Market Page, Reuters and the PDS website (www.pds.com.ph) at approximately 11:16 am on the business day immediately preceding the prepayment date. In addition, Guimaras Wind is allowed to prepay the Tranche A loan, without penalty or breakfunding cost, on the interest re-pricing date. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

On April 28, 2016, Guimaras Wind prepaid ₱150.50 million of its long-term debt in accordance with the terms of the Agreement as follows:

- Guimaras Wind shall effect a mandatory prepayment of the loan, without premium or penalty, within three (3) business days from receipt by Guimaras Wind of any transmission line proceeds;
- Prepay the loan to the extent of seventy percent (70%) of the transmission line proceeds;
- The remaining thirty percent (30%) shall be transferred directly into Guimaras Wind controlled distribution account for further distribution to the Project Sponsor.

On December 20, 2016, the BOD resolved to amend the Omnibus Loan and Security Agreement (OLSA) to allow Guimaras Wind to prepay a portion of the long-term debt to SBC and DBP without penalties. On January 11, 2017, PHINMA Renewable prepaid ₱2,350.00 million of its long-term debt.

Under the terms of the Agreement, ACEN, as the Project Sponsor, shall:

- Provide equity contributions equivalent to 30% of the project cost;
- Fund any cost overruns on the project and the required debt service reserve amount DSRA in the event of delays in obtaining FIT eligibility or Renewable Energy Payment Agreement; and,
- Redeem the loan in the event that Guimaras Wind defaults on the loan and titles to the project properties have not been issued to Guimaras Wind or notwithstanding such titles, lenders fail to acquire title to the project properties due to lack of annotation or third party claims.

The loan agreement provides loan disbursement schedule for the drawdown of the loan. Guimaras Wind made the following drawdowns during the years 2015 and 2014 with the corresponding carrying values as at December 31, 2020:

	Tranche A (DBP)		Tranche B (SBC)	
Drawdown date	Gross Amount[a]	Carrying Value[b]	Gross Amount[a]	Carrying Value[b]
February 14, 2014	₱101,670	₱103,036	₱101,670	₱101,142
May 27, 2014	180,383	181,145	180,383	179,601
August 5, 2014	180,383	183,367	180,383	179,650
September 2, 2014	163,985	165,488	163,985	163,370
July 30, 2015	78,713	75,974	78,713	75,930
	₱705,134	₱709,010	₱705,134	₱699,693

[a]*Net of prepayments made in 2016 and 2017*
[b]*Net of unamortized debt issue costs.*

In 2020, 2019 and 2018, Guimaras Wind made the following payments with their corresponding carrying values:

	Tranche A (DBP)		Tranche B (SBC)	
Payment date	Gross Amount	Carrying value	Gross Amount	Carrying value
February 14, 2018	₱16,735	₱15,047	₱16,735	₱15,786
August 14, 2018	27,172	25,491	27,172	26,231
February 14, 2019	27,173	25,466	27,173	26,225
August 14, 2019	29,332	27,784	29,332	28,479
February 14,2020	29,332	27,635	29,332	27,660
August 14,2020	31,401	30,497	31,401	30,498
	₱161,145	₱151,920	₱161,145	₱154,879

The loan's principal repayment is variable amount payable semi-annually; amount of principal repayment to be determined during the due diligence stage based on the required debt service coverage ratio ("DSCR") and financial projections using the Financial Model validated by an independent financial model auditor. Any incremental revenue resulting from a subsequent increase in the applicable FIT rate shall be applied to principal repayment of the loan in the inverse order of maturity. Incremental revenue is the difference in the revenue based on existing FIT rate of ₱7.40/kwh and a new base rate as defined by the relevant government agency excluding annual adjustments to account for inflation and foreign exchange movements.

Under the loan facility agreement, Guimaras Wind must maintain a debt service account into which will be paid the maximum interest forecasted to be due and payable for the next two following payment dates that will fall within the construction period and the amount of debt service after the construction period. The funds in the debt service reserves can be used by Guimaras Wind provided that thirty (30) days prior to payment, the fund is replenished. Debt service reserves are included in the consolidated statement of financial position under "Cash and cash equivalents" (see Note 4).

The loan facility is secured by Guimaras Wind's wind farm, included in "Machinery and equipment" account under "Property, plant and equipment" with carrying values amounting to ₱3,909.77 million and ₱4,106.00 million as at December 31, 2020 and 2019, respectively (see Note 9). 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.

Loan Covenants. Guimaras Wind was in compliance with the loan covenants as at December 31, 2020 and 2019. The compliance with the debt covenants is assessed annually by the lenders. The Company shall maintain a minimum DSCR of 1.2x, a maximum Debt to equity ratio of 70:30. Guimaras Wind continues to take necessary measures to ensure compliance with loan covenants.

SLTEC

On April 29, 2019, SLTEC entered into an Omnibus Loan and Security Agreement (the "New Omnibus Agreement") with the following:

a) BDO, SBC and Rizal Commercial Banking Corporation ("RCBC") as the Lenders;
b) AC Energy, ACEN, and APHC as the Sponsors;
c) BDO Capital & Investment Corporation as the Mandated Lead Arranger and Sole Bookrunner;
d) RCBC Capital Corporation and SB Capital Investment Corporation as the Lead Arrangers; and,
e) Banco de Oro Unibank, Inc. - Trust and Investments Group as the Facility Agent, Security Trustee and Paying Agent

The New Omnibus Agreement covering a ₱11,000.00 million syndicated loan facility was entered into for the purpose of re-leveraging and optimizing the capital structure of SLTEC as permitted by law and other agreements to which SLTEC is a party and to fund its general corporate requirements. Tenor of the loan in 12 years from initial drawdown date.

SLTEC incurred deferred financing costs amounting to ₱188.70 million in connection with the credit facility obtained from creditor banks.

On May 7, 2019, SLTEC paid-off the outstanding loans payable from the old Omnibus Agreement amounting to ₱10,950.00 million using the proceeds from the New Omnibus Agreement with principal amount of ₱11,000.00 million received on the same date. SLTEC accounted the transaction as extinguishment of financial liability. The difference between the carrying amount of the old loan and the total consideration paid amounting to ₱78.10 million was charged to interest expense.

Consequently, SLTEC also paid prepayment penalties amounting to ₱25.36 million which was charged as other financing charge. Furthermore, SLTEC paid additional gross receipts tax due to the pre-termination of the old loan of ₱161.18 million charged as other financing charge.

Details of the loan are as follows:

a) Interest

   SLTEC shall pay the interest at the applicable interest rate on the unpaid principal amount of each advance on each interest payment date for the interest period then ending. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period. Interest rates range from 4.44% to 7.11% for the New Omnibus Agreement and 4.49% to 6.60% for the old Omnibus Agreement.

b) Repayment

   The principal amount shall be paid in consecutive semi-annual installments on each of the repayment dates as specified in the New Omnibus Agreement, adjusted to coincide with the relevant interest payment date occurring in the same month (each, a "Repayment Date") with a final repayment date falling on the last day of the initial term. Provided it is not in default in the payment of any sum due, SLTEC may, at its option, prepay the loan in part or in full on any

Interest Payment Date together with accrued interest thereon up to and including the date immediately preceding the date of prepayment, subject to prepayment penalties ranging from nil to 1.25%.

Under the terms and conditions of the loan, the security trust indentures are the following: a) real estate mortgage and chattel mortgage on project assets; b) pledge on 66.67% of the voting shares of SLTEC; c) assignment of receivables; d) assignment of all material contracts, guarantees, insurance and; e) assignment of cash flow waterfall accounts.

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.

NPDC

Bank of the Philippines Islands (BPI)
On May 29, 2020, NorthWind entered into an Omnibus Loan and Security Agreement with BPI for a long-term loan facility amounting to ₱2.30 billion. The proceeds of the loan were used to fully repay its senior loans. The loan shall be repaid in twenty-four (24) sculpted semi-annual amortizations as 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 details of the contractual maturity of the principal and the interest rate of the loans follow:

	Principal Balance		Interest	Terms of	Start of	End of
Creditor	**2020**	2019	Rate	Payment	Repayment	Repayment
BPI	**₱2,233,530**	₱–	5.13%	Semi-annual	11/29/2020	5/29/2032
BPI	–	778,376	5.00%	Semi-annual	10/31/2015	4/30/2025
BPI	–	450,000	5.00%	Semi-annual	10/31/2012	10/31/2024
BPI	–	916,666	6.89%	Semi-annual	4/27/2019	4/27/2028
	₱2,233,530	₱2,145,042				

The loan facility contains a prepayment provision which allows 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, Wind Turbine Generator, Building and Machinery and Equipment account under "Property, plant and equipment" with a carrying amount of ₱2,279.57 million as at December 31, 2020 (see Note 9).

Debt issuance costs are incidental costs incurred in obtaining the loan, which include documentary stamp tax ("DST"), transfer tax, chattel mortgage and real estate mortgage registration, professional fees and other out of the pocket expenses. As of December 31, 2020 and 2019, ₱15.78 million and ₱11.52 million, respectively, are presented as deduction to the loans payable account and will be amortized over the life of the loan using EIR method.

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.

NorthWind is required to maintain a minimum historical DSCR of1.05 times. As at December 31, 2020 and 2019, NorthWind is compliant with its loan covenants.

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 ACEIC, 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.

BWPC

The outstanding loan balance to UPC Holdco amounting to ₱135.43 million and ₱135.21 million as at December 31, 2020 and 2019, respectively, was used for the funding of the Balaoi and Cauanayan Wind Energy Project. BWPC availed loans from UPC Holdco amounting to ₱7.61 million and ₱18.09 million in 2020 and 2019, respectively. These loans are unsecured, due in 5 years and bears interest at an annual rate of 8.00%. Interest is accrued daily and compounded annually and payable together with the principal amount. Accrued interest expense arising from the loans payable amounted to ₱15.31 million and ₱11.94 million in 2020 and 2019 respectively. The outstanding interest payable amounted 61.89 million and 46.03 million as of December 31, 2020 and 2019 respectively.

The outstanding loan balance to Presage Corp. (PC) amounting to ₱136.55 million and ₱143.98 million as at December 31, 2020 and 2019, respectively, was used as additional funding of the Balaoi and Cauanayan Wind Energy Project. BWPC availed loans from PC amounting to nil and ₱28.46 million in 2020 and 2019, respectively. These loans are unsecured, due in 5 years and bears interest at an annual rate of 8.00%. Interest is accrued daily and compounded annually and payable together with the principal amount. Accrued interest expense arising from the loans payable amounted to ₱12.83 million and ₱11.07 million in 2020 and 2019 respectively. The outstanding interest payable amounted 24.61 million and 11.42 million as of December 31, 2020 and 2019 respectively.

Total interest expense recognized on ACEN's, Guimaras Wind's, SLTEC's, NorthWind's and BWPC's long-term loans amounted to ₱1,456.38 million, ₱867.43 million and ₱396.90 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 25).

Principal payments made relative to the Group's long-term loans amounted to ₱4,602.92 million and ₱1,494.90 million in 2020 and 2019. 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
This account consists of:

	2020	2019 (As restated)
Beginning balance	**₱3,556**	₱400,000
Availments	**10,506,500**	–
Loans assumed through business combination	**395,388**	–
Reclassification	**–**	3,556
Payments	**(1,148,944)**	(400,000)
Foreign exchange adjustments	**(317,900)**	–
Ending balance	**₱9,438,600**	₱3,556

As at December 31, 2018, the Parent Company has outstanding short-term loan amounting to ₱400.00 million which was obtained thru a promissory note to BDO Unibank Inc. on August 14, 2018 with a maturity date of February 8, 2019. Interest on principal amount is 5.25% per annum fixed for 31 days to be repriced every 30 to 180 days as agreed by the parties. This was subsequently extended on February 8, 2019 for six (6) months. As at December 31, 2019, the Parent Company has paid out its short-term loan.

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 ACEIC, 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 December 31, 2020 amounted to ₱4,803.60 million.

The Parent Company has outstanding new short-term loans availed on various dates in September, October and December of 2020 from BDO, SBC, RCBC and CBC amounting to ₱2,000.00 million, ₱800.00 million, ₱500.00 million and ₱1,335.00 million, respectively.

Below are the pertinent details of the loans from BDO, SBC, RCBC and CBC.

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
RCBC	October 8, 2020	₱500,000,000	3.750%	April 6, 2021
BDO	October 23, 2020	₱550,000,000	4.000%	March 31, 2021
BDO	October 28, 2020	₱450,000,000	4.000%	March 31, 2021
CBC	December 14, 2020	₱1,335,000,000	4.210%	March 12, 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 subsequently paid in 2020.

Total interest expense recognized on ACEN's short-term loans amounted to ₱122.88 million, ₱11.20 million and ₱8.12 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 25).

Loans assumed 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 December 31, 2020. ISLASOL tendered full payment of the loan amount in 2020. Outstanding balance of the loan was nil and ₱2,140.73 million, as at December 31, 2020 and December 31, 2019, respectively.

18. Other Noncurrent Liabilities

	2020	2019 (As restated)
Trade payable (Note 15)	**₱1,123,511**	₱1,123,511
Deposit payable	**167,593**	169,773
Contract liabilities	**161,125**	107,627
Asset retirement obligation	**137,407**	26,559
Nontrade payable	**15,048**	1,849,625
Accrued expenses	**–**	12,807
Others	**4,439**	–
	₱1,609,123	₱3,289,902

Trade payable pertains to collections in relation to multilateral agreement (see Note 15).

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

Contract liabilities consists of the deferred connection fee related to ISLASOL and the deferred rental income from ISLASOL, SACASOL, MSPDC and Solienda.

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

Nontrade payable are payables from over remittance of business interruption claims and environmental laws compliance.

19. **Equity**

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

	Number of Shares	
	2020	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 December 31, 2020 and 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 ₱40.93 million and ₱27.70 million as at December 31, 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 ₱2,197.50 million and ₱1,449.03 million as at December 31, 2020 and December 31, 2019, respectively.

Dividends
ACEN
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 amounts declared was paid to the equity holders of the Parent Company.

There were no dividends declared in 2019 while on February 28, 2018, the BOD approved the declaration of cash dividends of four centavos (₱0.04) per share to the shareholders on record as at March 14, 2018.

Stock Options and Grants
On April 2, 2007, ACEN's BOD and Stockholders approved 100 million shares to be taken from unsubscribed portion of the Parent Company's authorized shares as (a) stock grants to officers and managers of ACEN; and (b) stock options for directors, officers, and employees of the Group and affiliates, under terms and conditions as may be determined by the Executive Committee of the Board. The Executive Stock Grants Plan and Stock Option Plan was approved by the SEC on January 8, 2008.

The executive stock grants are given to officers and managers of ACEN computed at a predetermined percentage of their variable compensation pay based on certain performance criteria. The last stock grant resulted in the issuance of 3,877,014 shares in 2016. No stock grants were issued for 2017, 2018, 2019 and 2020.

On July 22, 2013, ACEN awarded stock options under the same plan with an exercise price of ₱2.29 per share. The stock options expired on July 21, 2016. As at March 8, 2021, there are no outstanding stock options.

The remaining number of shares available for stock grants and stock options is 60,301,331 out of the 100,000,000 shares for both years ended December 31, 2020 and 2019.

Treasury Shares
As a result of Bulacan Power becoming a wholly owned subsidiary of the ACEN effective January 1, 2013, the Parent Company's shares of stock held by Bulacan Power amounting to ₱28.79 million were considered as treasury shares. Bulacan Power sold 16.70 million, nil and 1.15 million shares of the Parent Company in 2020, 2019 and 2018, respectively.

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. As at December 31, 2020, the cumulative number of shares repurchased is at 14.50 million for an aggregate repurchase price of ₱28.66 million.

Other Equity Reserves

	2020	2019 (As restated)
Effect of common control business combinations (a)	**(₱5,199,120)**	₱7,708,583
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
	(₱7,541,223)	₱5,366,480

(a) This represents the impact of the share swap transaction with ACEIC 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 32).

Thru the share swap transaction, the Parent Company gains control of the 35% NCI in SLTEC (see Note 32).

(b) This represents the impact of the step business acquisition where ACEIC assigned to ACEN the purchase of the 20% interest in SLTEC thereby increasing ACEN's ownership in SLTEC to 65% (see Note 32).

20. Revenue from Sale of Electricity

The table presents the Group's revenue from different revenue streams:

	2020	2019 (As restated)	2018
Revenue from power supply contracts	**₱13,612,505**	₱13,217,501	₱13,079,769
Revenue from power generation and trading	**6,670,798**	2,879,048	2,033,832
	₱20,283,303	₱16,096,549	₱15,113,601

Meralco Baseload PSA

On October 22, 2019, MERALCO and ACEN filed with the 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 5).

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 5).

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. The resolution was published in a newspaper of general circulation in the country on November 17, 2020.

The payment schedule which started in December 2020, follows a one billing month adjustment per payment date and billed sequentially starting for the January 2016 generation of 2015 entrants and onwards.

Renewable energy subsidiaries under the FIT system which include Guimaras Wind, 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 for the year ended December 31, 2020 include customer pre-termination fees of ₱289.08 million.

21. Costs of Sale of Electricity

	2020	2019 (As restated)	2018
Costs of purchased power	**₱6,344,612**	₱10,338,147	₱13,327,756
Fuel (Note 6)	**2,820,116**	2,568,330	766,480
Depreciation and amortization (Notes 9, 14 and 24)	**1,737,840**	981,824	379,901
Repairs and maintenance	**671,619**	538,944	185,872
Taxes and licenses	**458,701**	218,014	72,633
Salaries and directors' fees (Note 23)	**439,024**	171,918	96,682
Stations used	**301,288**	87,077	13,901
Insurance	**446,728**	192,775	71,749
Transmission costs	**38,879**	63,317	66,855
Rent	**23,334**	13,611	79,461
Filing fees	**17,398**	1,337	2,627
Pension and other employee benefits (Note 28)	**12,567**	48,984	25,498
Transportation and travel	**7,036**	18	–
Others	**101,397**	78,234	20,076
	₱13,420,539	₱15,302,530	₱15,109,491

22. General and Administrative Expenses

	2020	2019 (As restated)	2018
Salaries and directors' fees (Note 23)	**₱640,025**	₱181,828	₱149,127
Management and professional fees	**498,733**	144,146	103,240
Taxes and licenses	**441,698**	155,100	139,233
Provision for impairment of property, plant and equipment (Note 9)	**382,038**	–	2,066
Provision for impairment of investment in an associate (Note 10)	**186,513**	–	–
Incidental expenses	**105,479**	–	–
Depreciation and amortization (Note 24)	**72,867**	55,901	25,934
Provision for impairment of advances to contractors (Note 7)	**49,884**	–	–
Building maintenance and repairs	**33,554**	13,641	20,314
Corporate social responsibilities	**33,216**	2,300	640
Pension and other employee benefits (Note 23)	**23,145**	26,136	22,618
Insurance, dues and subscriptions	**20,639**	25,046	10,759
Rent	**14,443**	954	–
Contractor's fee	**14,201**	6,379	6,674
Transportation and travel	**13,665**	8,639	13,786
Advertisements	**4,932**	2,756	1,721
Communication	**4,614**	5,143	4,365
Office supplies	**4,369**	8,197	4,322
Meeting and conferences	**2,703**	4,082	2,979
Donation and contribution	–	2,652	592
Entertainment, amusement and recreation	–	777	180
Provision for inventory obsolescence (Note 6)	–	5,554	159
Provisions for claims and professional fees	–	5,000	600

(Forward)

	2020	2019 (As restated)	2018
Provision for probable losses on deferred exploration costs (Note 13)	**₱–**	₱34,493	₱48,263
Bank charges	**–**	57,922	11,874
Provision for credit losses (Note 5)	**–**	12,059	14,548
Plug and abandonment	**–**	318	38,776
Others	**38,572**	8,817	31,747
	₱2,585,290	₱767,840	₱654,517

23. Personnel Expenses

	2020	2019 (As restated)	2018
Salaries and directors' fees included under:			
Cost of sale of electricity (see Note 21)	**₱439,024**	₱171,918	₱96,682
General and administrative (see Note 22)	**640,025**	181,828	149,127
Pension and other employee benefits included under:			
Cost of sale of electricity (see Note 21)	**12,567**	48,984	25,498
General and administrative (see Note 22)	**23,145**	26,136	22,618
	₱1,114,761	₱428,866	₱293,925

24. Depreciation and Amortization

	2020	2019 (As restated)	2018
Property, plant and equipment (Note 9)	**₱1,516,561**	₱963,419	₱384,371
Right-of-use assets (Note 14)	**172,303**	74,102	–
Intangible assets (Note 13)	**121,843**	204	16,190
Investment property (Note 12)	**–**	–	5,274
	₱1,810,707	₱1,037,725	₱405,835
Cost of sale of electricity (Note 21)	**₱1,737,840**	₱981,824	₱379,901
General and administrative expenses (Note 22)	**72,867**	55,901	25,934
	₱1,810,707	₱1,037,725	₱405,835

25. Interest and other finance Charges

	2020	2019 (As restated)	2018
Interest expense on:			
Long-term loans* (Note 17)	**₱1,456,380**	₱867,429	₱396,901
Lease obligations (Note 14)	**171,097**	57,215	16,635
Short-term loans (Note 17)	**122,884**	11,196	8,115
Discount in accounts payable	**68,591**	–	–
Amortization of debt issue cost (Note 17)	**44,698**	18,014	11,530
Others	–	–	35
Asset retirement obligation	–	–	372
Other finance charges	**16,218**	22,175	61
	₱1,879,868	₱976,029	₱433,649

**Net of accretion of interest expense of ₱2.43 million, ₱1.82 million, ₱1.76 million for the years ended December 31, 2020, 2019 and 2018, respectively, as an effect of amortization of embedded derivatives (see Note 17)*

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

	2020	2019 (As restated)	2018
Foreign exchange gain - net	**₱328,643**	₱13,793	₱29,329
Claims on business interruptions	**260,385**	236,306	10,167
Fees for advisory services	**121,685**	–	–
Interest and other financial income	**121,512**	116,569	96,851
Gain on bargain purchase (Note 31)	**49,970**	–	–
Discount on long-term receivable (Note 15)	**(18,611)**	–	–
Gain on sale of by-product	**15,354**	13,226	–
Gain (loss) on sale of property and equipment	**(4,280)**	294,725	254
Loss on derivatives - net	**(3,414)**	(6,850)	(15,056)
Reversal of allowance for impairment of property, plant and equipment (Note 9)	**933**	–	–
Reversal of allowance for credit losses (Note 5)	**32**	–	–
Gain on sale of asset held for sale (Note 8)	–	14,289	–
Gain on sale of investment	–	1,375	5,834
Loss on sale of inventory	–	(461)	–
Recovery of costs from third party	–	–	28,626
Provision for unrecoverable input tax	–	–	(43,712)
Others	**35,819**	53,277	7,959
	₱908,028	₱736,249	₱120,252

Claims on business interruptions pertain to insurance claimed by SLTEC due to the temporary shutdown of its power plant.

Fees for advisory services pertain to Macquarie’s payment to the Parent Company when it availed a services agreement that facilitated the PINAI investment with ISLASOL, SACASOL, and PhilWind acquisitions.

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 One Subic Power.

Interest and Other Financial Income

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

	2020	2019 (As restated)	2018
Interest income on:			
Cash in banks and Short-term deposits (see Note 4)	**₱57,563**	₱70,793	₱34,041
Receivables and others*	**63,949**	14,934	37,983
Net gains on financial assets at FVTPL	–	30,842	24,827
	₱121,512	₱116,569	₱96,851

**Includes amortization of security deposit amounting to ₱0.32 million in 2018. The security deposit has been reclassed to Right of Use Asset*

27. **Income taxes**

a. Current income tax pertains to the following:

	2020	2019 (As restated)	2018
RCIT	**₱113,489**	₱98,913	₱20,496
MCIT	**84,177**	337	203
	₱197,666	₱99,250	₱20,699

b. The components of the Group's net deferred income tax assets (liabilities) as at December 31 are as follows:

Net deferred tax assets

	2020	2019 (As restated)
Deferred income tax assets:		
Lease liability	**₱579,598**	₱161,201
Accrued expenses	**72,845**	67,369
Allowance for impairment on property and equipment	**69,458**	7,022
NOLCO	**63,170**	459,737
Allowance for doubtful accounts and credit losses	**36,356**	35,952
Deferred revenue	**31,400**	13,799
Asset retirement obligation	**20,764**	5,920
Pension and other employee benefits	**20,046**	13,556
Allowance for probable losses on deferred exploration costs	**13,646**	13,646
MCIT	**13,102**	–
Unamortized past service cost	**6,273**	772
Unamortized discount on long-term receivable	**991**	2,251
Impairment of Input VAT	**536**	–
Unrealized forex loss	**157**	1,303
Allowance for inventory obsolescence	**146**	404
Derivative liabilities on long-term loans	**–**	729
Others	**97**	–
	928,585	783,661
Deferred income tax liabilities:		
Right-of-use assets	**352,842**	8,975
Unrealized foreign exchange gain	**97,799**	133
Unamortized interest cost on payable to APHPC	**21,822**	50,773
Unamortized debt issue costs	**18,608**	14,557
Accrual of bonus	**–**	848
Accrual of trading revenues	**848**	63,584
Unrealized fair value gains on FVTPL	**18**	303
Asset retirement obligation-asset	**–**	274
Others	**–**	10
	491,937	139,457
	436,648	644,204

(Forward)

	2020	2019 (As restated)
Presented in other comprehensive income		
Deferred tax asset:		
Remeasurement loss on defined benefit obligation	**₱3,242**	₱3,244
Derivative liability on forward contracts	**990**	–
Unrealized fair value losses on financial assets at FVOCI	**77**	187
Derivative liability on hedging	**–**	6,319
	4,309	9,750
Deferred tax liabilities:		
Derivative asset on hedging	**24,604**	–
Unrealized fair value gains on financial assets at FVOCI	**–**	31
	24,604	31
Total deferred income tax assets - net	**₱416,353**	₱653,923

Net deferred tax liabilities

	2020	2019 (As restated)
Deferred income tax assets:		
Fair value adjustments	**₱92,025**	₱–
Lease liability	**30,889**	–
Allowance for credit losses	**8,872**	–
Accrued expenses	**2,440**	–
Excess of cost over fair value of power plant	**2,421**	2,421
Pension and other employee benefits	**723**	–
Unrealized forex loss	**449**	–
Inventory obsolescence	**258**	–
Others	**631**	–
	138,708	2,421
Deferred income tax liabilities:		
Right-of-use asset	**133,690**	174,064
Excess of fair value over cost of power plant	**67,748**	76,902
Unamortized capitalized borrowing costs	**12,242**	12,148
Unearned revenues	**1,387**	–
Unrealized forex gain	**3,234**	400
Unrealized fair value gains on FVTPL	**–**	88,616
Others	**616**	778
	218,917	352,908
Presented in OCI		
Unrealized fair value gains on FVOCI	**47,484**	–
Total deferred income tax liabilities - net	**₱127,693**	₱350,487

The Group's temporary differences and unused NOLCO for which no deferred income tax assets were recognized in the consolidated statement of financial position are as follows:

	2020	2019
NOLCO	**₱664,145**	₱1,464,950
Accrued expenses	**138,568**	138,568
Allowance for impairment loss on property and equipment	**3,969,107**	165,573
Allowance for probable losses	**18,469**	64,874
Allowance for credit losses	**20,000**	20,000
Excess MCIT	**3,180**	9,936
Forex loss	**3,281**	916
Asset retirement cost	**(70,222)**	(4,726)
PFRS 16 adoption	**(73,198)**	(27,199)

During the period, aside from the recognition of ₱337.38 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.

Temporary differences on asset retirement cost and PFRS 16 adoption are expected to reverse during the income tax holiday period of ISLASOL, SACASOL, and MONTESOL.

As at December 31, 2020 and 2019, NOLCO totaling ₱664.15 million and ₱3,103.86 million, respectively, can be claimed as deduction from regular taxable income and MCIT amounting to ₱3.18 million and ₱9.94 million, respectively, can be credited against future RCIT. The movement in NOLCO and MCIT is shown in the tables below:

Year			NOLCO			Expiry
Incurred	Beginning	Additions	Application	Expiration	Ending	Date
2016[a]	₱129,030	₱116,549	(₱17,644)	(₱51,259)	₱176,676	2023
2017	176,676	470,941	–	(48,077)	599,540	2020
2018	599,540	1,449,379	–	(16,177)	2,032,742	2021
2019	2,032,742	1,080,806	–	(9,691)	3,103,857	2022
2020[b]	3,103,857	620,811	(2,589,582)	(470,941)	664,145	2025

(a)NOLCO from renewable entities which can be carried over for the next 7 consecutive taxable years per RE Act of 2008

(b)RR-15-20 Bayanihan Act 2: NOLCO incurred for the taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five(5) consecutive years

Year			MCIT			Expiry
Incurred	Beginning	Additions	Application	Expiration	Ending	Date
2018	₱9,559	₱–	(₱20)	₱–	₱9,539	2021
2019	9,539	748	–	(351)	9,936	2022
2020	9,936	2,648	(8,325)	(1,079)	3,180	2023

The reconciliation between the effective income tax rates and the statutory income tax rates follows:

	2020	2019 (As restated)	2018
Applicable statutory income tax rates	**30.00%**	30.00%	(30.00%)
Increase (decrease) in tax rate resulting from:			
Nondeductible expenses	**1.06**	61.00	(1.83)
Movement in temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized and others	**(14.43)**	(47.96)	115.11
Equity in net loss (income) of associates and joint ventures	**(3.97)**	(552.46)	(37.89)
Net loss (income) under tax holiday	**(0.78)**	(237.52)	(3.89)
Financial income subject to final tax	**(0.62)**	(295.89)	(3.80)
Dividend income exempt from tax	–	(39.35)	(0.65)
Effective income tax rates	**11.26%**	(1,082.18%)	(40.71%)

c. R.A. No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted.

   The TRAIN changes the existing tax law and includes several provisions that generally affected businesses on a prospective basis. In particular, management assessed that amendment of Section 148 - Excise tax on manufactured oil and other fuels - which increases the excise tax rates of lubricating oil, diesel fuel oil and bunker fuel oil, among others that are used for the power plants, may have material impact to the operations of the Group. Management has considered the impact of TRAIN in managing the operation hours of its power plants.

d. On April 8, 2019, SLTEC submitted to the Board of Investments (BOI) an Application for Extension of Income Tax Holiday of Unit 1. The period applied for extension is from April 24, 2019 to April 23, 2020. SLTEC used the cost of indigenous raw (local coal) criterion wherein the ratio of indigenous raw materials to total raw materials used should not be lower than fifty percent (50%).

   On August 13, 2019, the BOI approved the extension, subject to the following conditions:

   1. At the time of the actual availment of the ITH bonus year incentive, the derived ratio of the cost of indigenous raw materials shall be at least 50% of the raw materials cost wherein SLTEC complied with a ratio of 75:25; and

   2. SLTEC undertake Corporate Social Responsibilities (CSR) activities which shall be completed on the actual availment of the bonus year. The CSR activity shall be aligned with the priority programs/projects of the National Anti-Poverty Commission and/or other special laws such as R.A. 7942 or the Mining ACT and DOE Energy Regulation 1-94. Failure to complete the CSR activity shall mean forfeiture of the approved ITH bonus year. SLTEC undertook the required CSR activities in 2019.

e. Guimaras Wind is a duly registered renewable energy developer under Renewable Energy (RE) Act of 2008, Guimaras Wind is entitled to income tax holiday (ITH) for the first seven years of its commercial operations on all its registered activities starting 2015. Under the RE Act, PREC can avail a corporate tax rate of 10% after the ITH period. Since Guimaras Wind will avail the 10% after the ITH, the deferred tax asset expected to be reversed after the ITH period were set up at 10%.

f. ISLASOL is duly registered with the provisions of the Omnibus Investments Code of 1987 last March 29, 2017 which entitled the ISLASOL the incentive to avail ITH for seven years from March 2016, date of actual commercial operation under the administration of BOI. After 7 years of ITH, ISLASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.

g. SACASOL is duly registered in accordance with the provisions of the Omnibus Investments Code of 1987 last April 7, 2016 which entitled the SACASOL the incentive to avail ITH for seven years from May 2014, date of actual commercial operations under administration of BOI. After 7 years of ITH, SACASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.

h. MONTESOL is duly registered in accordance with the provisions of the Omnibus Investments Code of 1987 last October 15, 2015 which entitled the MONTESOL the incentive to avail ITH for seven years from March 2016, date of actual commercial operations under administration of BOI. After 7 years of ITH, SACASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.

28. Pension and Other Employee Benefits

The Group has a funded, noncontributory defined benefit retirement plan covering all of its regular and full time employees. The fund is administered by a trustee bank under the supervision of the Retirement Committee of the plan. The Retirement Committee is responsible for investment strategy of the plan. The Retirement Plan meets the minimum retirement benefit specified under Republic Act 7641.

Pension and other employee benefits consist of:

	2020	2019 (As restated)
Pension liability	**₱38,587**	₱55,204
Vacation and sick leave accrual	**14,183**	22,734
	52,770	77,938
Less: current portion of vacation and sick leave accrual*	**1,841**	6,904
	₱50,929	₱71,034

**Included in "Accrued expenses" under "Accounts payable and other current liabilities".*

Pension and vacation and sick leave accrual included as part of pension and other employee benefits under "Cost of sale of electricity" and "General and administrative expenses" accounts in the consolidated statement of income, consist of the following:

	2020	2019 (As restated)	2018
Pension expense	**₱21,360**	₱19,160	₱14,571
Vacation and sick leave accrual (reversal)	**1,809**	(7,393)	(5,488)
	₱23,169	₱11,767	₱9,083

Net Defined Benefit Liability

Changes in net defined benefit liability of funded plan in 2020 are as follows:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Net Defined Benefit Liability**
At January 1, 2020	**₱161,226**	**₱106,022**	**₱55,204**
Net acquired/(transferred) obligation	**3,677**	**–**	**3,677**
Effect of business combination	–	–	–
Pension expense in consolidated statement of income:			
Current service cost	**18,947**	**–**	**18,947**
Net interest	**2,340**	**3,260**	**(920)**
Past service cost	**–**	**–**	**–**
Settlement gain (loss)	**3,333**	**–**	**3,333**
Effect of curtailment	**–**	**–**	**–**
	24,620	**3,260**	**21,360**
Remeasurements in OCI:			
Experience adjustments	**2,373**	**–**	**2,373**
Changes in demographic assumption	**(617)**	**–**	**(617)**
Actuarial changes arising from changes in financial assumptions	**(11,125)**	**–**	**(11,125)**
Return on plan assets (excluding amount included in net interest)	**–**	**(9,419)**	**9,419**
	(9,369)	**(9,419)**	**50**
Benefits paid	**(39,649)**	**(18,886)**	**(20,763)**
Contributions	**–**	**17,264**	**(17,264)**
At December 31, 2020	**₱136,828**	**₱98,241**	**₱38,587**

**Includes the current service cost of new hires amounting to ₱403,965, ₱77,572, and ₱52,403 from Bulacan Power, One Subic Power, and CIPP, respectively, as at December 31, 2020.*

Changes in net defined benefit liability of funded plan in 2019, as restated are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1, 2019	₱166,279	₱142,498	₱23,781
Effect of business combination	31,138	26,140	4,998
Pension expense in consolidated statement of income:			
Current service cost	22,592	–	22,592
Net interest	11,796	10,394	1,402

(Forward)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Past service cost	₱8,759	₱–	₱8,759
Effect of curtailment	(2,994)	–	(2,994)
Net acquired/(transferred) obligation	(5,302)	(4,303)	(999)
	34,851	6,091	28,760
Remeasurements in OCI:			
Return on plan assets (excluding amount included in net interest)	–	(2,461)	2,461
Experience adjustments	(13,577)	–	(13,577)
Changes in demographic assumption	7,179	–	7,179
Actuarial changes arising from changes in financial assumptions	14,751	–	14,751
	8,353	(2,461)	10,814
Benefits paid	(79,395)	(76,980)	(2,415)
Contributions	–	10,734	(10,734)
At December 31, 2019	₱161,226	₱106,022	₱55,204

The fair value of plan assets by each class as at December 31 follows:

	2020	2019 (As restated)	2018
Investments in:			
Government securities	**₱51,126**	₱5,000	₱4,461
UITFs	**47,194**	50,888	48,607
Equity instruments	**–**	47,248	89,409
Cash and cash equivalents	**81**	3,151	226
Liabilities	**(160)**	(265)	(205)
	₱98,241	₱106,022	₱142,498

Investments in government securities, mutual funds and UITFs can be readily sold or redeemed.

The plan assets include shares of stock of the Parent Company with fair value of nil as at December 31, 2020 and 2019, respectively. The shares were acquired at a cost of ₱0.03 million in 2018. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the years ended December 31, 2020 and 2019. The voting rights over the shares are exercised through the trustee by the retirement committee, the members of which are directors or officers of the Parent Company.

The plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans are shown below:

	2020	2019 (As restated)
Discount rate	**4.63%**	4.96%
Salary increase rate	**5.14%**	5.14%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

		2020		2019, as restated	
		Increase (Decrease) in Pension Liability		Increase (Decrease) in Pension Liability	
Discount rate	(Actual + 1.00%)	**5.63%**	**(₱16,158)**	5.96%	(₱11,613)
	(Actual – 1.00%)	**3.63%**	**19,401**	3.96%	13,806
Salary increase rate	(Actual + 1.00%)	**6.14%**	**₱19,664**	6.14%	₱14,335
	(Actual – 1.00%)	**4.14%**	**(16,712)**	4.14%	(12,291)

Management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy consists of 54% of equity instruments, 43% fixed income instruments and 3% cash and cash equivalents.

The Group expects to contribute ₱25.14 million to the defined benefit pension plan in 2021.

There are no minimum funding standards in the Philippines.

The following table sets forth the expected future settlements by Plan of maturing defined benefit obligation as at December 31:

	2020	2019 (As restated)
Less than one year	**₱15,578**	₱38,774
More than one year to five years	**63,575**	61,935
More than five years to 10 years	**64,341**	87,052
More than 10 years to 15 years	**96,482**	93,852
More than 15 years to 20 years	**127,815**	112,052
More than 20 years	**442,407**	553,334

As at December 31, 2020 and 2019, the average duration of the expected benefit payments at the end of the reporting period ranges from 16.30 to 25.08 years and 9.53 to 23.25 years, respectively.

Vacation and Sick Leave
The following tables summarize the components of vacation and sick leave expense (income) recognized in the consolidated statement of income and the amounts recognized in the consolidated statement of financial position.

	2020	2019	2018
Current service costs	**₱4,114**	₱4,445	₱2,041
Interest costs	**485**	1,696	1,937
Actuarial loss (gain)	**(2,790)**	(13,534)	1,510
	₱1,809	(₱7,393)	₱5,488

Changes in present value of the vacation and sick leave obligation are as follows:

	2020	2019
Balance at the beginning of year	**₱22,734**	₱30,370
Current service cost	**4,114**	4,445
Net interest	**485**	1,696
Actuarial gain	**(2,790)**	(13,534)
Benefits paid	**(2,368)**	(243)
Balance at the end of year	**₱22,175**	₱22,734

29. Related Party Transactions

Parties are 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. Provision for credit losses recognized for receivables from related parties amounted to nil in 2020 and 2019 and ₱10.26 million in 2018. 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 transactions and balances of accounts as at and for the years ended December 31 with related parties are as follows:

	As at and for the Year Ended December 31, 2020					
	Amount/		Outstanding Balance			
Company	Volume	Nature	Receivable	Payable	Terms	Conditions
Parent						
AC Energy and Infrastructure Corporation						
Due from related parties/Management fees income	**₱387,138**	Management fees	**₱34,018**	**₱–**	30-day, non-interest bearing	Unsecured; no impairment
Due to related parties / General and administrative expenses	**462,602**	Management fees	–	**(305,350)**	30-day, non-interest bearing	Unsecured
Due to related parties	**50,767**	Lease assignment	–	**(50,666)**	30-day, non-interest bearing	Unsecured
Due to related parties / General and administrative expenses	**8,744**	SAP IT Support Services	–	**(7,530)**	30-day, non-interest bearing	Unsecured
Due to related parties / General and administrative expenses	**6,809**	Various expenses	–	**(6,809)**	30-day, non-interest bearing	Unsecured;
Associates and Joint Venture						
MGI						
Due to related parties / Cost of sale of electricity	**116,378**	Purchase of electricity	–	**(128,447)**	30-day, non-interest bearing	Unsecured;
Asia Coal						
Due to related parties	–	Advances	–	**(254)**	Non-interest bearing	Unsecured
Entities Under Common Control of Ultimate Parent Company						
Various Entities under ACEI						
Due from related parties	**3,980**	Management fees	**3,155**	–	30-day, non-interest bearing	Unsecured; no impairment
Due from related parties	**810**	Rental income	**563**	–	Subsequently on demand	Unsecured; no impairment
North Luzon Renewable Energy Corp.						
Due from related parties	**31,310**	Management fees	**11,344**	–	30-day, non-interest bearing	Unsecured; no impairment
Due to related parties	–	Due to related Parties	–	**(1,286)**	30-day, non-interest bearing	Unsecured
ACE Renewables Philippines, Inc. (Moorland)						
Due from related parties	–	Dividend Income	**11,521**	–	Due and demandable	Unsecured; no impairment
Viage Corporation						
Due from related parties	–	Advances	**110,373**	–	Due and demandable	Unsecured; no impairment
AC Renewables International Pte. Ltd.						
Short-term loans	**4,803,600**	Short-term loan	–	**(4,803,600)**	180-day, interest bearing	Unsecured
Short-term loans	**58,838**	Interest on short-term loan	–	**(58,838)**	30 days	Unsecured
Presage Corporation						
Loans Payable	**136,551**	Long-term loan	–	**(136,551)**	5 years	Unsecured
Due to related parties	**24,612**	Interest on long-term loan	–	**(24,612)**	30 days	Unsecured
Due to related parties	**1,712**	Due to related Parties	–	**(1,712)**	30-day, non-interest bearing	Unsecured
Due from related Parties	**48,991**	Due from related Parties	**48,991**	–	30-day, non-interest bearing	Unsecured; no impairment

	As at and for the Year Ended December 31, 2020					
	Amount/		**Outstanding Balance**			
Company	**Volume**	**Nature**	**Receivable**	**Payable**	**Terms**	**Conditions**
Bank of the Philippine Islands						
Long-term loans	**₱2,145,042**	Long-term loan	**₱–**	**(₱2,233,530)**	12 years	Unsecured
Long-term loans	**–**	Interest on long-term loan	**–**	**(146,196)**	30 days	Unsecured
Long-term loans	**15,784**	Due from related Parties	**–**	**(15,784)**	12 years	Unsecured
UPC Holdco II						
Long-term loans	**135,383**	Long-term loan	**–**	**(135,383)**	5 years	Unsecured
Due to related parties	**15,308**	Interest on long-term loan	**–**	**(61,341)**	30 days	Unsecured
Other related parties						
Directors						
General and administrative expenses	**30,574**	Directors' fee and annual incentives		**(30,574)**	On demand	Unsecured
Stockholders						
Due to stockholders	**₱18,272**	Cash Dividends		**(₱18,272)**	On demand	Unsecured
Due from related parties (see Note 5)			**₱219,965**	**₱–**		
Due to related parties (see Note 16)			**–**	**(588,007)**		
Short-term loans (see Notes 17)				**(4,862,438)**		
Long-term loans (see Note 17)				**(2,667,444)**		
Accrued director's and annual incentives (see Note 16)			**–**	**(30,574)**		
Due to stockholders (see Note 34)			**–**	**(18,272)**		

	As at and for the Year Ended December 31, 2019 (As restated)					
	Amount/		Outstanding Balance			
Company	Volume	Nature	Receivable	Payable	Terms	Conditions
Parent						
AC Energy and Infrastructure Corporation						
Due from related parties / General and administrative expenses	₱9	Transportation and travel expense	₱9	₱–	30-day, non-interest bearing	Unsecured; not impaired
Due to related parties / General and administrative expenses	38,664	Management fee and bonus	–	(31,489)	30-day, non-interest bearing	Unsecured
Due to related parties / General and administrative expenses	638	Miscellaneous guarantee fee	–	(354)	30-day, non-interest bearing	Unsecured
Due to related parties / Acquisition of a subsidiary under a common control	340,000	Reimbursement of down payment to Axia	–	–	Non-interest bearing	Unsecured
Associate						
MGI						
Due to related parties /Cost of sale of electricity	758,974	Purchase of electricity	–	(157,965)	30-day, non-interest bearing	Unsecured
Asia Coal						
Due to related parties	–	Advances	–	(254)	Non-interest bearing	Unsecured
Entities Under Common Control of Ultimate Parent Company						
Direct Power Services, Inc.						
Revenue from sale of electricity	193,644	Sale of electricity	–	–	30-day, non-interest bearing	Unsecured;
Other Related Parties						
Directors						
Accrued director's and annual incentives /General and administrative expenses	8,993	Directors' fee and annual incentives	–	(50)	On demand	Unsecured

	As at and for the Year Ended December 31, 2019 (As restated)					
	Amount/		Outstanding Balance			
Company	Volume	Nature	Receivable	Payable	Terms	Conditions
Stockholders						
Due to stockholders	₱89,718	Cash Dividends	₱–	(₱16,594)	On demand	Unsecured
Due from related parties (see Note 5)			₱9	₱–		
Due to related parties (see Note 16)			–	(190,062)		
Accrued director's and annual incentives (see Note 16)			–	(50)		
Due to stockholders (see Note 34)			–	(16,594)		

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

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

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

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.

Compensation of Key Management Personnel
Compensation of key management personnel of the Group are as follows:

	2020	2019 (As restated)	2018
Short-term employee benefits	**₱46,195**	₱47,943	₱57,702
Post-employment benefits	**2,532**	4,405	4,643
	₱48,727	₱52,348	₱62,345

30. **Earnings (Loss) Per Share**

Basic and diluted EPS are computed as follows:

	2020	2019 (As restated)	2018
	(In Thousands, Except for Number of Shares and Per Share Amounts)		
(a) Net income (loss) attributable to equity holders of Parent Company	**₱3,753,813**	₱57,654	(₱560,496)
Common shares outstanding at beginning of period (Note 19)	**7,521,774,922**	4,889,774,922	4,889,774,922
Weighted average number of:			
Shares issued during the period	**3,244,685,790**	1,316,000,000	–
Shares buyback during the period	**(10,428,664)**	–	–
(b) Weighted average common shares outstanding	**10,756,032,048**	6,205,774,922	4,889,774,922
Basic/Diluted earnings (loss) per share (a/b)	**₱0.35**	₱0.01	(₱0.11)

On June 22, 2020, upon the SEC's approval of increase in capital stock, 6,185,182,288 shares of ACEN were issued to ACEIC through the share swap transaction (see Notes 19 and 32).

On June 25, 2019, ACEIC subscribed to 2,632,000,000 shares at par value of ₱1.00 per share on closing date.

In 2020, 2019 and 2018, 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 in 2020, 2019 and 2018.

Further to the approval of the SRO by the BOD of ACEN (see Note 2), the Rights Offer will compensate current shareholders for the future dilution of their existing share's value. The Offering will also rally for the incoming investment of GIC Private Limited (GIC) (see Note 33).

31. **Business Combinations and Asset Acquisitions**

2020 Acquisitions

Step acquisition of SACASOL
On December 2, 2019, ACEN signed a share purchase agreement with the PINAI Investors, 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. ("Giga Ace 2") were completed. Giga Ace 2 is ACEN's wholly-owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in SACASOL.

Subsequently, the purchase price was adjusted to ₱3,088.11 million based on the provisions of the share purchase agreement. ACEN now owns 100% of equity interest in SACASOL.

The transaction was accounted for using the acquisition method under PFRS 3. The fair values of the identifiable feed-in-tariff ("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.

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

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 ("RE") platform.

Following are the 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 (Note 9)	618,938
Right-of-use assets (Note 14)	588,380
Intangible assets (Note 13)	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*

The fair value of the receivables approximates their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The acquisition resulted in a gain on bargain purchase which is recognized under "Other income" account in the consolidated statement of income (see Note 26). SACASOL was sold at a discount since PINAI investors are keen to divest its investment in Solar Renewable Entities.

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 year ended December 31, 2020 would have been ₱842.07 million. Since this is a step acquisition, the incremental contribution to the net income attributable to ACEN for the nine-month period ended December 31, 2020 amounted to ₱365.07 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 ₱450.63 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 for them 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 by ACEN or its designee, as the case may be, of ISLASOL, in accordance with the terms and conditions of the share purchase agreement between the 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 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 amount 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. This was settled in 2020.
- ACEN signed a share purchase agreement with the PINAI Investors for the acquisition of PINAI's 98% ownership interest in ISLASOL.

TLCTI Asia and ISLASOL amended the original loan agreement 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.

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. ("Giga Ace 3") were completed. Giga Ace 3 is ACEN's wholly-owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in ISLASOL. Subsequently, the purchase price was adjusted to ₱1,632.32 million, pursuant to the provisions of the share purchase agreement.

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.

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.

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.

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-MW solar farm in Negros Occidental. The Group's acquisition is in line with its strategy to expand its business operations in RE platform.

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

Assets	
Cash and cash equivalents	₱461,012
Receivables [(a)]	1,106,301
Fuel and spare parts	10,558
Input value added tax	44,339
Other current assets	33,023
Property, plant and equipment (Note 9)	1,500,858
Right-of-use assets (Note 14)	407,721
Deferred income tax assets – net	117,512
Other noncurrent assets	2,627
	₱3,683,951

(Forward)

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
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 (Note 13)	₱12,453

[a] *Gross contractual accounts receivable*

The non-controlling interest was measured at the proportionate share in ISLASOL's net assets measured as at acquisition date. Goodwill comprises the fair value of expected synergies arising from the acquisition. This is presented under Goodwill and other intangible assets in the consolidated 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 year ended December 31, 2020 would have been ₱280.38 million. Since this is a step acquisition, the decremental contribution to the net income attributable to ACEN for the nine-month period ended December 31, 2020 amounted to ₱87.24 million from the date of acquisition. Moreover, had the transaction taken place at the beginning of 2020, the decremental contribution to the net income attributable to ACEN would have amounted to ₱92.83 million.

2019 Acquisitions

Acquisition of BCHC
ACEN acquired BCHC through the execution of a subscription agreement on December 12, 2019 to subscribe to the increase of BCHC's authorized capital stock, as follows: i) 325,000,000 common shares with a par value of ₱0.10 per share, or for a total subscription price of ₱32.50 million; and ii) 2,925,000 redeemable preferred shares B with a par value of ₱100.00 per share, or for a total subscription price of ₱292.50 million. BCHC was incorporated and registered with the SEC on May 10, 2019. BCHC is engaged in the activities of a holding company and is still non-operating. BCHC has an existing land located in the province of Zambales amounting to ₱273.50 million The registered office address of BCHC is Room 412 Executive Building Center, Makati Avenue cor. Gil Puyat Avenue, Bel-air, Makati City.

As discussed in Note 3, the transaction was concluded as a purchase of asset since BCHC does not currently have any substantive process that, together with its inputs, significantly contribute to the ability to create outputs.

The carrying values of the identifiable assets and assumed liabilities arising as at December 12, 2019, the date the business combination was accounted for, follow:

Assets	
Cash and cash equivalents	₱168
Other current assets	88,116
Land (Note 9)	138,427
	226,711
Liabilities	
Accounts payable and other current liabilities	224,252
Total identifiable net assets	2,459
Cost of acquisition	₱2,500

32. Business Combinations of Entities under Common Control

Acquisition of ACEIC's subsidiaries through share swap

On October 9, 2019, the Parent Company and ACEIC executed a Deed of Assignment whereby ACEIC 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 ACEIC.

On November 13, 2019, the Parent Company and ACEIC 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 ACEIC in SLTEC, ACTA Power, and 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 MSEI.

On May 14, 2020, ACEN and ACEIC agreed to further amend and restate the Amended Agreement to update Schedule 1 thereof, with the effectivity of said amendment to retract to the execution of the Original Deed on October 9, 2019 following the approval of the SEC of increases in the capital stocks of ACE Endevor 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 of ACEN was approved by the SEC.

Effective July 1, 2019 (date when ACEN and the Onshore Companies became related parties under the common control of ACEIC), ACEN acquired the entities listed below through the share swap transaction with ACEIC. Shares involve common, founders and preferred shares. As the transaction is outside the scope of PFRS 3 (see Note 2), the acquisition was accounted for using the pooling-of-interests method. In applying the pooling-of-interests method, the 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 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 has also obtained the Certificates Authorizing Registration ("CARs") covering the shares of the assets transferred. The Parent Company submitted to the SEC the corresponding stock certificates as proof of transfer following the issuance by the BIR of the CARs covering such shares, in compliance with SEC Memorandum Circular No. 14-2013. In compliance with the standard post-transaction submission of proof that the transfer values of the shares have been attained, the Parent Company also submitted a special audit report to the SEC.

The following are details of the entities transferred to the Parent Company through share swap:

	Ownership of ACEIC		ACEN's existing interest before share swap	ACEN's interest after share swap
Name of Entities 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 Corporation	–	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
Ingrid2 Power Corp.	–	100.00	–	100.00
Ingrid3 Power Corp.	–	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
Gigawind1 Inc.	–	100.00	–	100.00
Gigawind2 Inc.	–	100.00	–	100.00
Solarace1 Energy Corp.	–	100.00	–	100.00
Solarace2 Energy Corp.	–	100.00	–	100.00
Solarace3 Energy Corp.	–	100.00	–	100.00
Solarace4 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 Corporation	–	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.	–	4.51	–	4.51
South Negros Biopower, Inc.	–	4.51	–	4.51
North Negros Biopower, Inc.	–	3.95	–	3.95
ACE Renewables Philippines, Inc.	100.00	–	–	100.00
Manapla Sun Power Development Corporation	36.37	29.63	–	66.00
NorthWind Power Development Corporation	19.52	48.27	–	67.79

Name of Entities Transferred	Ownership of ACEIC Direct	Indirect	ACEN's existing interest before share swap	ACEN's interest after share swap
Viage Corporation	100.00	–	–	100.00
Ingrid Power Holdings, Inc.	100.00	–	–	100.00
South Luzon Thermal Energy Corporation	35.00	–	65.00	100.00
ACTA Power Corporation[(b)]	50.00	–	50.00	100.00
Philippine Wind Holdings Corporation[(c)]	42.74	–	–	42.74
Ilocos Wind Energy Holding Co. Inc.	–	100.00	–	100.00
North Luzon Renewable Energy Corp.	–	66.70	–	66.70

[(a)] *NIBHI is accounted for as an investment in an associate*
[(b)] *ACTA is consolidated as a subsidiary*
[(c)] *PhilWind is accounted for as an investment in a joint venture*

Details of ACEN's 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 (As previously reported)	Effect of the Onshore Companies' balances as at December 31, 2019	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

(Forward)

	ACEN consolidated balances as at December 31, 2019 (As previously reported)	Effect of the Onshore Companies' balances as at December 31, 2019	ACEN consolidated balances as at December 31, 2019 (As restated)
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	₱3,787,713	₱411,863	₱4,199,576
Short-term loans	–	3,556	3,556
Current portion of long-term loans	593,847	312,084	905,931
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
	4,472,904	822,757	5,295,661
Noncurrent Liabilities			
Long-term loans - net of current portion	20,192,081	2,100,617	22,292,698
Lease liability - net of current portion	526,029	326,713	852,742
Pension and other employee benefits	60,503	10,531	71,034
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	2,713,780	26,856,863
Total Liabilities	28,615,987	3,536,537	32,152,524
Equity			
Capital stock	7,521,775	–	7,521,775
Additional paid-in capital	83,768	–	83,768
Other equity reserves	(2,342,103)	7,708,583	5,366,480
Unrealized fair value 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	8,010,197	16,136,435
Non-controlling interests	2,978,580	(2,729,996)	248,584
Total Equity	11,104,818	5,280,201	16,385,019
TOTAL LIABILITIES AND EQUITY	₱39,720,805	₱8,816,738	₱48,537,543

Below is the consolidated statement of income for the year ended December 31, 2019, after considering the retroactive impact of the share swap transaction with ACEIC.

	Year Ended December 31, 2019	
	(As previously reported)	(As restated)
REVENUES		
Revenue from sale of electricity	₱15,297,719	₱16,096,549
Dividend income	7,585	14,741
Rental income	1,359	3,115
	15,306,663	16,114,405

(Forward)

	Year Ended December 31, 2019 (As previously reported)	(As restated)
COSTS AND EXPENSES		
Costs of sale of electricity	₱15,014,799	₱15,302,530
General and administrative expenses	667,215	767,840
	15,682,014	16,070,370
INTEREST AND OTHER FINANCE CHARGES	(881,963)	(976,029)
EQUITY IN NET INCOME (LOSS) OF ASSOCIATES AND A JOINT VENTURE	(24,461)	206,985
OTHER INCOME – NET	716,053	736,249
INCOME (LOSS) BEFORE INCOME TAX	(565,722)	11,240
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	68,673	99,250
Deferred	(217,492)	(220,883)
	(148,819)	(121,633)
NET INCOME (LOSS)	(₱416,903)	₱132,873
Net Income (Loss) Attributable To:		
Equity holders of the Parent Company	(₱331,011)	₱57,654
Non-controlling interests	(85,892)	75,219
	(₱416,903)	₱132,873

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 ACEIC'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	14,658,882,023
Gross additional paid-in capital	8,473,699,735
Transaction costs	(94,782,260)
Additional paid-in capital	₱8,378,917,475

Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance amounting to ₱94.78 million were charged to additional paid-in capital account.

As a result of the issuance of ACEN's shares, recognition of additional paid-in capital and updating of the transferred entities' assets and liabilities carrying values in June 2020, the other equity reserve initially recognized of ₱7,708.58 million credit decreased by ₱12,907.70 million resulting in ₱5,199.12 million debit (see Note 19).

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 NCI as it gained control of the 35% interest from the share swap transaction with ACEIC. 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 December 31, 2020, the other equity reserves attributable to the transfer of 35% interest in SLTEC amounted to ₱2,106.61 million.

Acquisition of SLTEC
As discussed in Note 1, the Parent Company gained control of SLTEC through purchase of APHPC's 20% interest in SLTEC. Pooling of interests was adopted for business combination involving entities under common control.

The carrying values of the identifiable assets and assumed liabilities arising as at July 1, 2019 (earliest period when the parties were under common control), the date the business combination was accounted for, follow:

Assets	
Cash and cash equivalents	₱1,967,463
Receivables - current portion	254,907
Inventories	611,090
Other current assets	526,920
Property, plant and equipment (Note 9)	15,839,996
Receivables - net of current portion	91,453
Other noncurrent assets	304,977
	19,596,806
Liabilities	
Accounts payable and other current liabilities	798,933
Loans payable - current portion (Note 17)	254,047
Loans payable - net of current portion (Note 17)	10,560,408
Other noncurrent liabilities	635,424
	12,248,812
Total identifiable net assets	7,347,994
Less non-controlling interests	3,041,805
Net assets acquired	4,306,189
Cost of acquisition	(6,535,776)
Other equity reserves (Note 19)	(₱2,229,587)

From July 1 to December 31, 2019, SLTEC's contribution to revenue and net loss amounted to ₱2,420.99 million and ₱225.72 million, respectively, where the revenue is fully eliminated since the sale was made solely to the Parent Company. If the business combination had taken place at the beginning of 2019, SLTEC's contribution to revenue and net loss would have been ₱4,735.04 million and ₱458.24 million, respectively.

As discussed above, the Parent Company acquired SLTEC's remaining NCI as it gained control of the 35% interest from the share swap transaction with ACEIC in June 2020. SLTEC became a wholly-owned subsidiary of ACEN.

33. Significant Laws, Commitments and Contracts

Electric Power Industry Reform Act ("EPIRA")
R.A. No. 9136, the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector which include, among others, the following:
(1) The unbundling of the generation, transmission, distribution and supply, and other disposable assets of the Group, including its contracts with independent power producers, and electricity rates;
(2) Creation of the WESM;
(3) Open and non-discriminatory access to transmission and distribution systems;
(4) Public listing of generation and distribution companies; and,
(5) Cross-ownership restrictions and concentrations of ownership.

The Group has assessed that it is in compliance with the applicable provisions of the EPIRA and its IRR.

Retail Competition and Open Access ("RCOA")
Upon meeting all conditions set forth in the EPIRA, the ERC promulgated the Transitory Rules for the RCOA, by virtue of ERC Resolution No. 16 Series of 2012.

Through RCOA, licensed Electricity Suppliers, such as the Group, are empowered to directly contract with Contestable Customers (bulk electricity users with an average demand of at least 1 MW). This major development in the Power Industry enabled the Group to grow.

Secondary Price Cap
Significant events in November and December 2013 resulted in a surge of electricity prices that affected the end-consumers, which led the ERC to impose a supplemental regulatory cap under the ERC Resolution 20, Series of 2014. The said resolution established a preemptive mitigating measure in the WESM meant to limit significant increases in the WESM prices.

This regulatory cap was made permanent and requires all trading participants in the WESM to comply. ACEN and its subsidiaries that sell to the WESM are subject to this cap.

Power Purchase Agreement / Contract to Purchase Generated Electricity
ACEN entered into contracts with MGI and third parties where the Parent Company will purchase the entire or a portion of the net electricity output of the power plants for a period ranging from three (3) to twenty (20) years at an agreed price, subject to certain adjustments.

Administration and Management Agreement ("AMA")
ACEN entered into contract with SLTEC where the Parent Company will purchase the entire net electricity output of SLTEC from April 24, 2015 to April 23, 2040 for Unit 1 and from February 21, 2016 to February 20, 2041 for Unit 2. The contract was amended effective August 26, 2019 to include the supply of the necessary coal to generate electricity at an agreed price, subject to certain adjustments.

Wind Energy Service Contracts
Guimaras Wind was awarded 12 wind service contract areas with an aggregate capacity estimated at 400 MW. This includes the 54 MW San Lorenzo Wind Project ("SLWP") which started delivering power to the grid on October 7, 2014 and declared commercial operations on December 27, 2014. Guimaras Wind sells its generated electricity to the WESM under the FIT System.

Power Administration and Management Agreement ("PAMA")
ACEN entered into PAMAs with its subsidiaries Bulacan Power, CIPP and One Subic Power. Under the terms of the PAMA, ACEN will administer and manage the entire generation output of the foregoing entities' power plants and will pay for all electricity delivered by the power plant based on a formula as set forth in the PAMA and shall be payable monthly. The PAMAs with Bulacan Power and CIPP are valid for ten (10) years and are subject to regular review, while the PAMA with One Subic Power is valid throughout the life of the related Facilities Lease Agreement with SBMA (see Note 1).

On January 12, 2018, the PAMAs of the Group with CIPP and Bulacan Power were amended, providing for certain capacity rates based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMAs became effective starting March 26, 2018 and are valid for ten (10) years subject to regular review.

Ancillary Services Procurement Agreements ("ASPA") with NGCP
ACEN and certain subsidiaries executed ASPAs with the NGCP. Under the ASPA, the power plants will provide contingency and dispatchable reserves to NGCP to ensure reliability in the operation of the transmission system and the electricity supply in the Luzon Grid for five (5) years upon the effectivity of the provisional approval or final approval issued by the ERC. Pending ERC's issuance of a final approval, the provisional approval is extended every year.

Power Supply Agreement with MERALCO

Baseload Demand
On September 9, 2019, the bid submitted by ACEN was declared as one of the best bids of MERALCO's 1200 MW competitive selection process ("CSP"). The Parent Company will supply MERALCO a baseload demand of 200MW from December 26, 2019 until December 25, 2029 subject to the approval of the ERC. The Parent Company received a copy of the provisional ERC approval for the contract on January 31, 2020 and the final approval on May 13, 2020 for the baseload.

Mid-merit Supply
On September 11, 2019, the bid submitted by ACEN was declared as one of the best bids of MERALCO's 500 MW CSP. Under the contract, the Parent Company will supply MERALCO a baseload demand of 110MW from December 26, 2019 until December 25, 2024 subject to the approval of the ERC. The Parent Company received copies of the provisional and final ERC approvals for the contract on January 31, 2020 and June 1, 2020, respectively.

Other ESAs / CSEs with customers
ACEN signed contracts to supply the energy requirements of various bilateral and RES contestable customers with a duration ranging from one (1) to fifteen (15) years.

Feed-in-Tariff ("FIT")

San Lorenzo Wind
On June 10, 2015, the San Lorenzo Wind project under Guimaras Wind was issued a Certificate of Endorsement ('COE") for FIT 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 ₱336.63 million and ₱190.89 million as at December 31, 2020 and 2019, respectively.

On July 6, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the SLWP's FIT Rate starting 2020 shall be ₱8.59/kWh.

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.

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. The Company accrued the retroactive net revenue adjustment based on the adjusted FIT rates for the years 2016 (₱8.69/kWh), 2017 (₱8.71/kWh), 2018 (₱9.04/kWh), 2019 (₱9.41/kWh) and 2020 (₱9.82/kWh).

ISLASOL
On October 3, 2014, the Board of Investments ("BOI") approved ISLASOL's registration as an RE developer of an 18 MW solar power plant (Phase2A) under 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 "RE Act").

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

The 14MW and 48MW solar power plants have been completed in 2016 and started commercial operations in March 2016.

SACASOL
On January 7, 2014, the BOI approved the SACASOL's registration as an RE 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 SACASOL's registration as an RE developer of 23MW solar power plants (Phases 1C & 1D) under the Act.

Pursuant to Section 7 of the RE Act and Section 5 of its IRR, the ERC adopts and promulgates the FIT Rules. All RE plants shall be deemed eligible upon issuance by the 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 RE 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 RE 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.

On May 26, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the SACASOL's FIT Rate starting 2020 shall be ₱11.28/kWh for Phase 1A and 1B and ₱10.12/kWh for Phase 1C and 1D solar power plants.

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 a 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 income tax holiday ("ITH") incentive of seven (7) years starting September 2014.

On October 10, 2014, the DOE granted NorthWind a COE 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 rate specific to NorthWind is lower than the national FIT rate 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.

On July 6, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the NPDC's rate starting 2020 shall be ₱6.52/kWh and ₱8.90/kWh for Phase I & 11 and Phase III, respectively.

<u>The RE Act and FIT rules</u>

On January 30, 2009, the RE 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) 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 from 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 NIRC, 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 Value-Added Tax ("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 RE 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 RE Act.

In addition, to accelerate the development of emerging RE 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 RE resources;
(b) The priority purchase and transmission of, and payment for, such electricity by the grid system operators; and
(c) The determination of the fixed tariff to be paid to electricity produced from each type of emerging RE resources 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 RE resource to be used in compliance with the renewable portfolio standard as provided for in the RE 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 RE 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.

Renewable Portfolio Standards

On December 22, 2017, the DOE issued a Department Circular Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas (the "RPS Rules"), which mandates electric power industry participants to source or produce a specified portion of their electricity requirements from eligible Renewable Energy ("RE") resources in order to develop indigenous and environmentally friendly energy sources, and establish a minimum annual RPS requirement. Under the RPS Rules, the mandated participants include:
a) Distribution Utilities for the captive customers;
b) Retail Electricity Suppliers for contestable customers;
c) Generating Companies to the extent of the demand of their directly-connected customers;
d) Other entities as may be recommended by the National Renewable Energy Board ("NREB") and approved by the DOE.

The RPS Rules include the establishment of a minimum annual RPS requirement which entails that the RE share of electricity coming from RE resources in the energy mix shall be based on an aspirational target of 35% in the generation mix expressed in MWh by 2030, subject to regular review and assessment by the DOE. The RPS Rules also include a minimum annual incremental RE percentage required to be sourced from eligible RE resources shall be no less than 1% of its annual energy demand over the next 10 years.

For the purpose of compliance with the RPS Rules for On-Grid Areas, the eligible RE facilities utilizing the following technologies and resources, provided that these were commissioned after the effectivity of the RE Act in 2008, shall be allowed to attribute the Renewable Energy Certificates ("REC")'s for the energy generated by the RE plant:
a) Biomass;
b) Waste-to-energy technology;
c) Wind energy;
d) Solar energy;
e) Run-of-river hydroelectric power systems;
f) Impounding hydroelectric power systems;
g) Ocean energy;
h) Hybrid systems as defined in the RE Act with respect to the RE component;
i) Geothermal energy;
j) Other RE technologies that may be later identified by the DOE.

The RPS Rules enable the creation of a RE Market where mandated participants comply with the minimum annual RPS requirement through the allocation, generation, purchase, or acquisition, generation from net metering arrangements, of REC's, where one certificate represents one MWh of generation produced from a registered eligible RE facility.

Solar Energy Service Contract of MSEI
On October 9, 2013, MSEI entered into Solar Energy Service Contract with DOE. Under the RE Act, the exclusive right to explore and develop a particular renewable energy area thereunder shall be through a Renewable Energy Service Contract. MSEI was 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.

Lease Commitments

One Subic Power's Facilities Lease Agreement ("FLA") 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 year ended December 31, 2020 and 2019, One Subic Power recognized finance charges on the lease liabilities amounting to ₱34.47 million and ₱37.85, respectively. "Finance charges" are part of "Interest and Other Finance Charges" account. One Subic Power also recognized variable rent expense amounting to ₱16.82 million and ₱8.60 million for the year ended December 31, 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. Guimaras Wind has also entered into various easements and right of way agreements with the Guimaras Wind Farm to the grid. These agreements convey to Guimaras Wind the right to use the item control over the utility of the asset. Guimaras Wind's San Lorenzo Wind Power Project, with a carrying value of ₱3.91 billion and included under the "Machinery and equipment" account is mortgaged as security for its term loan as at December 31, 2020.

For the years ended December 31, 2020 and 2019, Guimaras Wind recognized finance charges on the lease liabilities amounting to ₱17.76 million and ₱30.83 million, respectively, included under "Interest and Other Finance Charges" account.

Easements and Right of Way Agreements
In 2014, Guimaras Wind also entered into various easements and right of way agreements with landowners in Guimaras for the erection of transmission lines that will connect the SLWP to the grid. One-off payments made by Guimaras Wind to various landowners 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 ₱0.25 million for the year ended December 31, 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, ACEIC, Ayala Land, Inc. (ALI) and Ayalaland Offices, Inc. entered an agreement on assignment of contract of lease. ACEIC assigned a portion of its office unit and parking slots effective September 1, 2019 to the Parent Company. 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 year ended December 31, 2020, ACEN recognized finance charges on the lease liabilities amounting to ₱1.27 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 the 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 SACASOL.

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
As part of ISLASOL's acquisition of certain solar power plant projects from SACASOL is the lease agreement between SACASOL and Roberto J. Cuenca, Sr. (the Lessor) for the La Carlota A Project

The lease of 24.4258 hectares of land located at La Carlota City, Negros Occidental was executed on June 5, 2014 as site for the construction and operations of Phases 2A and 2B solar power plant projects of ISLASOL. Upon issuance of the NTP to the contractor, ISLASOL shall hold the land area delineated for a period of 25 years therefrom.

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 the National Economic Development Authority or an 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 Energy Corp. ("Solarace1") entered into a lease agreement with ALI, 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 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 ACEN.

IPHI's Contract of Lease for Land
In July 23, 2020 a Sublease Agreement was signed between Ingrid Power Holdings, Inc and AC Energy Inc. to sublease a land with Tabangao Realty Inc (TRI) for an approximately 41,781.86 square meters of land located in in Brgy. Malaya, Pililla, Rizal as a site to develop, operate and maintain a 150MW modular diesel engine power plant primarily intended for the provision of ancillary services to the National Grid Corporation of the Philippines. The term of the sublease shall be for a period of 6 years, with a monthly rental payment of ₱25.00 per square meter, exclusive of VAT, subject to 3% annual escalation rate. The period of lease may be extended, under the same terms and conditions to another 5 years.

BCHC's Contract of Lease for Land
In April 22, 2020 BCHC entered into a lease agreement with ACD Incorporated Inc. for 13.95 hectares of land located in Batangas II, Mariveles, Bataan as a site for the construction and operation of the Power Generating Facilities and its allied purposes. The term of the sublease shall be for a period of 25 years, with a monthly rental payment of ₱2.00 per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BCHC for up to another 25 years.

On September 2, 2020, the property was subleased by BCHC to BSEI to develop, operate and maintain a 5MW RE Laboratory facility. The term of the sublease shall be for a period of 7 years, with a monthly rental payment of ₱2.10 per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BSEI for up to another 25 years.

On November 20, 2020, an Agreement on the Deed of Assignment of Lease was signed between BCHC and AC Energy Inc. ACEI agreed to assign its rights and obligations for the land leased with Tabangao Realty Inc (TRI) entered in March 23, 2018 for an approximately 177,774 square meters situated in Brgy. Malaya, Pililla, Rizal.

Investment Agreements

GIC Private Limited (GIC) to invest 20,000.00 million in ACEN
On November 11, 2020, ACEN's BOD approved the potential investment of Arran in ACEN, in a deal valued at approximately ₱20,000.00 million. Arran is a private limited company incorporated in Singapore that is affiliated with GIC, the private equity and infrastructure investment arm of the Singapore Government.

The BOD approved Arran's proposal to acquire a 17.5% ownership stake is on the basis that ACEN's SRO and follow-on-offering, and the infusion by ACEIC, of its international business into ACEN, have been completed.

The Investment, which will be implemented through a combination of subscription to four billion primary shares (via a private placement) and purchase of secondary shares from ACEIC, will be at a price of ₱2.97 per share on a post-SRO basis and is subject to agreed price adjustments. The price represents a 25% premium to the BOD-approved SRO price of ₱2.37 per share, which is subject to regulatory approval.

The completion of Arran's subscription to primary shares is subject to definitive documentation being signed by the parties and satisfaction of agreed conditions precedent, which includes among others, the completion by ACEN of the SRO, which is expected to occur in the first quarter of 2021, and applicable regulatory approvals. On the other hand, the completion Arran's purchase of secondary shares from the Parent Company is subject to definitive documentation being signed by the parties, the completion of the infusion by ACEIC of its international business into ACEN by way of a property for shares swap, which is expected to occur in the third quarter of 2021, and applicable regulatory approvals.

To implement the Investment, ACEN and ACEIC signed an Investment Agreement with Arran on December 30, 2020.

ACEN Stock Rights Offering
On November 11, 2020, the Board of ACEN approved the pricing for, and volume of, the shares that will be issued pursuant to ACEN's stock rights offering (the "Rights Offer" or the "SRO"). ACEN will issue 2,267,580,434 shares at ₱2.37 per share subject to the requisite approval by the SEC of the details of the offer, including the offer price.

ACEIC will not participate in the rights offer to provide maximum availability of rights shares to the minority stockholders, but ACEIC will have the option to participate in the institutional offer.

On December 16, 2020, the PSE approved ACEN's application for the listing of additional shares of up to 2,267,580,434 common shares subject of the Rights Offer to all stockholders as of the Record Date of January 13, 2021 (the "Record Date"), at ₱2.37 per share, comprised of two rounds and a domestic institutional offer, as follows:

1. The First Round of the Offer consisting of a total of 2,267,580,434 Offer Shares, offered on a pre-emptive rights basis to eligible shareholders of ACEN as of a determined Record Date where holders of Common Shares as of the Record Date who are eligible to participate in the Rights Offer are: (i) holders located inside the Philippines and (ii) holders located outside the Philippines where it is legal to participate in the Rights Offer under the securities laws of such jurisdiction without requiring registration or the need to obtain regulatory approvals under such laws ("Eligible Shareholder"), and where each Eligible Shareholder may subscribe to one (1) Share for every 1.11 Common Shares held, as of the Record Date.;
2. The Second Round of the Offer consisting of the unsubscribed Rights Shares from the First Round of the Rights Offer ("Additional Rights Shares"), which shall be offered to those shareholders that exercised their rights in the prior round and had simultaneously signified their intention to subscribe to any unsubscribed Rights Shares by tendering payment of the total Offer Price of all Rights Shares subscribed to, including all Rights Shares in excess of their entitlements.; and
3. The Domestic Institutional Offer, where the Joint Lead Underwriters BPI Capital Corporation and China Bank Capital Corporation will firmly underwrite the Rights Offer in accordance with an underwriting agreement to ensure that any Offer Shares that, after the mandatory Second Round of

the Rights Offer are either not taken up or subscribed to by Eligible Shareholders or not paid for by Eligible Shareholders will be fully subscribed, and that in case there are Rights Shares remaining after the mandatory Second Round of the Rights Offer, the remaining Rights Shares shall be sold by the Joint Lead Underwriters to qualified buyers, as defined in the 2015 Implementing Rules and Regulations of the Code ("SRC IRR") ("Institutional Investors"), at the same Offer Price as the Rights Shares (the "Institutional Offer"), and any shares herein not taken up by Institutional Investors shall be taken up by the Joint Lead Underwriters,

On December 11, 2020, ACEN received the confirmation letter from the SEC that the SRO is exempt from registration requirements under Section 8 of the Code pursuant to Section 10.1 thereof. On December 16, 2020, the PSE approved the application of the Parent Company for the listing of additional shares of up to 2,267,580,434 common shares covering its SRO to all stockholders as of the proposed record date of January 13, 2021, with an offer period of January 18 to 22, 2021.

34. 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 ACEIC'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
- Equity price risk
- Commodity price 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 December 31, 2020 and 2019 are as follows:

	December 31, 2020			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	**$10,593**	**€–**	**S$–**	$15,051	€–	S$–
Short-term investments	**–**	**–**	**–**	2,776	–	–
Other receivables	**–**	**–**	**–**	441	–	31
	$10,593	**€–**	**S$–**	$18,268	€–	S$31
Financial Liabilities						
Accounts payable and other current liabilities	**(4,860)**	**–**	**(24)**	(1,416)	(615)	(43)
Short-term loans	**(114,263)**	**–**	**–**	–	–	–
Long-term loans	**(5,662)**	**–**	**–**	(5,501)	–	–
	($124,785)	**€–**	**(S$24)**	($6,917)	(€615)	(S$43)
Net foreign currency-denominated assets (liabilities)	**($114,192)**	**€–**	**(S$24)**	$11,351	(€615)	(S$12)
Peso equivalent	**(₱5,485,784)**	**₱–**	**(₱867)**	₱575,950	(₱34,655)	(₱450)

In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rates used were ₱48.04 to US$1.00, ₱58.69 to €1.00 and ₱36.12 to S$1.00 as at December 31, 2020 and ₱50.74 to US$1.00, ₱56.35 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)**	**₱57,512**	**₱–**	**₱11**
	(1.00)	**114,609**	–	**23**
	0.50	**(56,681)**	–	**(13)**
	1.00	**(113,777)**	–	**25**
2019	(₱0.50)	(₱5,676)	₱307	₱6
	(1.00)	(11,351)	614	12
	0.50	5,675	(308)	(6)
	1.00	11,351	(615)	(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.

	December 31, 2020					
	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	**₱3,896,805**	**₱–**	**₱–**	**₱685,056**	**₱80,991**	**₱4,662,852**
Due from related parties	**–**	**2,158**	**–**	**217,807**	**–**	**219,965**
Others	**42,111**	**146,875**	**235,454**	**868,752**	**85,985**	**1,379,177**
Noncurrent						
Trade receivables	**810,021**	–	–	**1,106,705**	**13,752**	**1,930,478**
Receivables from third parties	**349,673**	–	–	–	**–**	**349,673**
	₱5,098,610	**₱149,033**	**₱235,454**	**₱2,878,320**	**₱180,728**	**₱8,542,145**

	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 ₱1.21 million and ₱533.14 million as at December 31, 2020 and 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:

	2020	2019 (As restated)
Financial Assets at Amortized Cost (Portfolio 1)		
Cash and cash equivalents	**₱5,133,784**	₱9,592,576
Short-term investments	–	100,000
Under "Receivables" account		
Trade receivables	**4,662,852**	2,644,921

(Forward)

	2020	2019 (As restated)
Due from related parties	**₱219,965**	₱9
Others	**1,379,177**	644,463
Under "Other Noncurrent Assets" account		
Trade receivables	**1,930,478**	1,123,511
Receivables from third parties	**349,673**	436,269
Deposits	**105,337**	109,419
	₱13,781,266	₱14,651,168

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

	December 31, 2020				
		Lifetime ECL			
Grade	**12-month Stage 1**	**Stage 2**	**Stage 3**	**Simplified Approach**	**Total**
High	**₱5,133,784**	**₱–**	**₱–**	**₱6,593,330**	**₱11,727,114**
Standard	–	–	–	–	–
Substandard	–	–	–	–	–
Default	–	–	–	**13,752**	**13,752**
Gross carrying amount	**5,133,784**	–	–	**6,607,082**	**11,740,866**
Less loss allowance	–	–	–	**166,975**	**166,975**
Carrying amount	**₱5,133,784**	**₱–**	**₱–**	**₱6,440,107**	**₱11,573,891**

	December 31, 2019 (As restated)				
		Lifetime ECL			
Grade	12-month Stage 1	Stage 2	Stage 3	Simplified Approach	Total
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.

	December 31, 2020					
	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	**₱504,520**	**₱956,567**	**₱2,451,297**	**₱–**	**₱–**	**₱3,912,384**
Accrued expenses [a]	**20,441**	**287,762**	**302,158**	**–**	**–**	**610,361**
Accrued interest	**–**	**250,025**	**10,771**	**–**	**–**	**260,796**
Due to related parties	**–**	**131,265**	**458,207**	**–**	**–**	**589,472**
Retention payable	**–**	**–**	**74,974**	**–**	**–**	**74,974**
Derivative liability	**–**	**3,300**	**–**	**–**	**–**	**3,300**
Others	**–**	**800**	**10,905**	**–**	**–**	**11,705**
Short-term loans	**–**	**8,306,239**	**1,085,630**	**–**	**–**	**9,391,869**
Due to stockholders	**–**	**18,272**	**–**	**–**	**–**	**18,272**
Lease liabilities [b]	**–**	**62,605**	**174,583**	**903,641**	**3,154,948**	**4,295,777**
Long-term loans [c]	**–**	**266,765**	**1,720,907**	**8,811,500**	**80,163,617**	**90,962,789**
Other noncurrent liabilities[d]	**–**	**–**	**–**	**324,486**	**1,123,511**	**1,447,997**
	₱524,961	**₱10,283,600**	**₱6,289,432**	**₱10,039,627**	**₱84,442,076**	**₱111,579,696**

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

	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
Short-term loans	–	–	3,556	–	–	3,556
Due to stockholders	16,594	–	–	–	–	16,594
Lease liabilities [c]	–	8,386	25,157	105,206	842,789	981,538
Long-term loans [d]	–	233,287	1,877,757	8,607,589	20,038,943	30,757,576
Other noncurrent liabilities [e]	–	–	–	2,263,287	918,988	3,182,275
	₱54,488	₱1,619,397	₱4,319,757	₱10,997,554	₱21,800,720	₱38,791,916

[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.*
[e] *Excluding contract liabilities.*

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

	December 31, 2020				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Loans and receivables:					
Current:					
Cash and cash equivalents	**₱5,135,474**	**₱–**	**₱–**	**₱–**	**₱5,135,474**
Receivables:					
Trade	**313**	**3,892,086**	**689,463**	**–**	**4,581,862**
Due from related parties	**–**	**2,158**	**217,807**	**–**	**219,965**
Others	**–**	**163,139**	**1,130,053**	**–**	**1,293,192**

(Forward)

	December 31, 2020				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Noncurrent:					
Trade receivables	**₱–**	**₱–**	**₱–**	**₱1,916,726**	**₱1,916,726**
Receivable from third parties	**–**	**–**	**–**	**349,673**	**349,673**
Deposit receivables	**–**	**–**	**–**	**105,337**	**105,337**
Derivative assets	**–**	**46,968**	**–**	**–**	**46,968**
Financial assets at FVOCI:					
Quoted	**–**	**–**	**–**	**21**	**21**
Unquoted	**–**	**–**	**–**	**1,190**	**1,190**
	₱5,135,787	**₱4,104,351**	**₱2,037,323**	**₱2,372,947**	**₱13,650,408**

	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 December 31, 2020 and 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:

<u>ACEN</u>

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 December 31, 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.

Guimaras Wind
Guimaras Wind entered into a ₱4.30 billion peso-denominated Term Loan Facility that will be used to partially finance the 54MW San Lorenzo Wind Farm. The loan facility is divided into two tranches amounting to ₱2.15 billion each - DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of fifteen (15) years with semi-annual interest payments starting on the date on which the loan is made. The interest of Tranche A bears a fixed rate for the first ten (10) years and is subject to an interest rate repricing on the last five (5) years.

On April 28, 2016, the Group prepaid a portion of its long-term debt in accordance with the terms of the Agreement as follows:

- the Group shall effect a mandatory prepayment of the loan, without premium or penalty, within three (3) business days from receipt by the Group of any transmission line proceeds;
- prepay the loan to the extent of seventy percent (70%) of the transmission line proceeds;
- the remaining thirty percent (30%) shall be transferred directly into the Group controlled distribution account for further distribution to the Project Sponsor.

SLTEC
On April 29, 2019 SLTEC entered into an Omnibus Loan and Security Agreement (the "New Omnibus Agreement") with the following:

- Banco de Oro Unibank, Inc. (BDO), Security Bank Corporation (SBC) and Rizal Commercial Banking Corporation (RCBC) as the Lenders;
- ACEI, ACEN, and APHC as the Sponsors;
- BDO Capital & Investment Corporation as the Mandated Lead Arranger and Sole Bookrunner;
- RCBC Capital Corporation and SB Capital Investment Corporation as the Lead Arrangers; and,
- Banco de Oro Unibank, Inc. - Trust and Investments Group as the Facility Agent, Security Trustee and Paying Agent

The New Omnibus Agreement covering a ₱11,000.00 million syndicated loan facility was entered into for the purpose of re-leveraging and optimizing the capital structure of the Company as permitted by law and other agreements to which the Company is a party and to fund its general corporate requirements. Tenor of the loan is 12 years from initial drawdown date and is subject to interest rates ranging from 4.44% to 7.11%. The Company shall pay the interest at the applicable interest rate on the unpaid principal amount of each advance on each interest payment date for the interest period then ending. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period.

NPDC
On May 29, 2020, NorthWind entered into an Omnibus Loan and Security Agreement with BPI for a long-term loan facility amounting to ₱2.30 billion. The proceeds of the loan were used to fully repay its senior loans. The loan shall be repaid in twenty-four (24) sculpted semi-annual amortizations as 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.

BWPC
The outstanding loan balance to UPC Holdco amounting to ₱135.43 million and ₱135.21 million as at December 31, 2020 and 2019, respectively, was used for the funding of the Balaoi and Cauanayan Wind Energy Project. BWPC availed loans from UPC Holdco amounting to ₱7.61 million and ₱18.09 million in 2020 and 2019, respectively. These loans are unsecured, due in 5 years and bears interest at an annual rate of 8.00%. Interest is accrued daily and compounded annually and payable together with the principal amount.

The outstanding loan balance to Presage Corp. (PC) amounting to ₱136.55 million and ₱143.98 million as at December 31, 2020 and 2019, respectively, was used as additional funding of the Balaoi and Cauanayan Wind Energy Project. BWPC availed loans from PC amounting to nil and ₱28.46 million in 2020 and 2019, respectively. These loans are unsecured, due in 5 years and bears interest at an annual rate of 8.00%. Interest is accrued daily and compounded annually and payable together with the principal amount.

The following table sets out the carrying amount, by maturity of the Group's financial assets that are exposed to interest rate risk:

				2020			
	Interest Rates	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	Beyond 4 years	Total
Long-term loans							
ACEN							
CBC	**5.10%**	**₱25,347**	**₱31,272**	**₱30,968**	**₱30,731**	**₱623,657**	**₱741,975**
CBC	**5.10%**	**45,139**	**62,544**	**61,935**	**61,462**	**1,247,315**	**1,478,395**
BDO	**5.17%**	**301,828**	**299,170**	**296,512**	**294,517**	**5,903,715**	**7,095,742**
DBP	**6.09%**	**121,381**	**121,381**	**121,381**	**130,745**	**602,341**	**1,097,229**
SBC	**6.59%**	**125,142**	**125,130**	**124,812**	**133,782**	**609,353**	**1,118,219**
Guimaras Wind							
DBP	**6.25 - 8.36%**	**61,559**	**65,766**	**74,225**	**84,497**	**421,697**	**707,744**
SBC	**6.57 - 6.74%**	**63,112**	**67,333**	**75,802**	**82,874**	**409,895**	**699,016**
SLTEC							
BDO	**5.69 - 5.84%**	**543,125**	**565,278**	**682,175**	**663,774**	**6,861,682**	**9,316,034**
RCBC	**5.69 - 5.84%**	**271,487**	**282,563**	**341,055**	**331,849**	**3,431,838**	**4,658,792**
SBC	**6.98 - 7.24%**	**93,915**	**95,133**	**113,818**	**110,429**	**1,079,251**	**1,492,546**
NPDC							
Bank 1-Loan A	**5.13%**	**146,196**	**–**	**–**	**–**	**–**	**146,196**
BWPC							
UPC	**8%**	**906**	**2,810**	**10,321**	**10,177**	**23,812**	**48,026**
Presage	**8%**	**–**	**–**	**3,811**	**20,801**	**–**	**24,612**

	2019						
	Interest Rates	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	Beyond 4 years	Total
Long-term loans							
Guimaras Wind							
DBP	6.25 - 8.36%	₱64,595	₱69,268	₱73,953	₱82,413	₱476,161	₱766,390
SBC	6.57 - 6.74%	58,904	63,112	67,333	75,802	493,468	758,619
ACEN							
BDO	5.81 - 6.55%	9,363	9,338	9,318	9,297	412,321	449,637
CBC	5.68 - 7.13%	29,949	28,550	27,958	27,906	1,243,933	1,358,296
DBP	6.00 - 6.09%	66,332	71,194	75,879	80,569	609,767	903,741
SBC	6.50 - 6.59%	66,385	71,122	75,875	80,634	609,740	903,756
BDO	4.98 - 5.05%	47,144	47,573	47,858	48,116	4,742,648	4,933,339
Special savings account (SSA) – Peso	0.50 – 4.25%	5,129,285	–	–	–	–	5,129,285
Special savings account (SSA) – Dollar	1.425 – 1.75%	13,550	–	–	–	–	13,550
Short-term investments	–	30	–	–	–	–	30

The other financial instruments of the Group that are not included in the preceding table are not subject to interest rate repricing and are therefore not subject to interest rate volatility.

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.

Cash flow hedges
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 and fuel 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 bunker fuel oil 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 BOD for approval.

The Group purchases coal and bunker fuel oil on an ongoing basis for its operating activities in the thermal energy power generators, composed of SLTEC and other diesel power plants (CIPP, One Subic Power, Bulacan Power). The increased volatility in coal and fuel oil price over time led to entering in commodity swap contracts. The forecasted volumes are determined based on each plant's projected operating capacity, plant availability, required monthly consumption and storage capacity.

These contracts are expected to reduce the volatility attributable to price fluctuations. Hedging the price volatility of forecast coal and bunker fuel oil purchases is in accordance with the risk management strategy outlined by the Board.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity swap contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Group is holding the following foreign exchange and commodity swap contracts:

	Maturity						
	< 1 month	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**>12 months**	**Total**
As at December 31, 2020							
Foreign exchange forward contracts							
Notional amount ($000)	**$–**	**$100,000**	**$–**	**$–**	**$–**	**$–**	**$100,000**
Average forward rate ($/₱)	**–**	**48.24**	**–**	**–**	**–**	**–**	
Commodity swap contracts - Coal							
Notional amount (in Metric Tons)	**27,500**	**–**	**49,500**	**49,500**	**49,500**	**145,500**	**321,500**
Notional amount (in $000)	**$144**	**–**	**$272**	**$291**	**$258**	**$742**	**$1,707**
Average hedged rate ($ per Metric ton)	**$74.45**	**–**	**$75.41**	**$74.73**	**$75.28**	**$73.29**	**–**
As at December 31, 2019							
Foreign exchange forward contracts							
Notional amount ($000)	–	970	–	–	–	–	970
Average forward rate ($/₱)	–	50.84	–	–	–	–	–
Commodity swap contracts - Coal							
Notional amount (in Metric Tons)	–	–	–	30,000	90,000	15,000	135,000
Notional amount (in $000)	–	–	–	$74	$303	$37	$414
Average hedged rate ($ per Metric ton)		–	–	$73.50	$74.50	$76.00	–

The Group had fuel oil hedges entered in 2020 but were all settled during the year.

The impact of the hedging instruments on the consolidated statements of financial position is, as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the year
As at December 31, 2020				
Foreign exchange forward contracts	**$100,000**	**(₱3,300)**	Accounts payable and other current liabilities	**(₱3,300)**
Commodity swap contracts - Coal	**1,707**	**82,014**	Other current and noncurrent assets	**72,150**
As at December 31, 2019				
Foreign exchange forward contracts	$970	₱33	Other current assets	₱33
Commodity swap contracts - Coal	414	(21,060)	Accounts payable and other current liabilities	(14,742)

The impact of hedged items on the consolidated statements of financial position is as follows:

	Change in fair value used for measuring ineffectiveness	Cash flow hedge reserve	Cost of hedging reserve
As at December 31, 2020			
Coal purchases	**₱72,152**	**₱57,409**	**₱–**
Highly probable forecast purchases	**(3,300)**	**–**	**–**
As at December 31, 2019			
Coal purchases	(14,742)	(14,742)	–
Highly probable forecast purchases	33	–	–

The effect of the cash flow hedge in the consolidated statements of comprehensive income is as follows:

	Total hedging gain/(loss) recognized in OCI	Ineffectiveness recognized in profit or loss	Line item in consolidated statements of comprehensive income	Cost of hedging recognized in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
As at December 31, 2020						
Foreign exchange forward contracts	**₱–**	**(₱3,300)**	**Other income (expense)**	**₱–**	**₱–**	**₱–**
Commodity swap contracts - Coal	**72,151**	**–**	**–**	**–**	**–**	**–**
As at December 31, 2019						
Foreign exchange forward contracts	–	33	Other income (expense)	–	–	–
Commodity swap contracts - Coal	(14,742)	–	–	–	–	–

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.

The Group monitors capital using a gearing ratio of debt to equity and net debt to equity.

Debt consists of short-term and long-term debts of the Group. Net debt includes short-term and long-term debts less cash and cash equivalents, short-term investments and restricted cash. The Group considers its total equity as capital.

	2020	2019 (As restated)
Short-term debt (Note 17)	**₱9,438,600**	₱3,556
Long-term debt (Note 17)	**22,390,706**	23,198,629
Total debt	**31,829,306**	23,202,185
Less:		
Cash and cash equivalent (Note 4)	**4,923,232**	9,427,262
Short-term investments	**–**	100,000
Restricted cash (Note 4)	**212,242**	165,986
Net debt	**26,693,832**	13,508,937
Total equity	**21,355,069**	16,385,019
Debt to equity	**149.05%**	141.61%
Net debt to equity	**125.00%**	82.45%

The Group closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keep the compliance of these covenants into consideration. The Group is not subject to externally imposed capital requirements.

35. 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 December 31, 2020 and 2019:

	December 31, 2020			
		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	**₱1,211**	**₱21**	**₱1,190**	**₱–**
Derivative asset*	**46,968**	**–**	**46,968**	**–**
Refundable deposits**	**105,337**	**–**	**105,337**	**–**
Trade Receivables***	**2,008,697**	**–**	**1,942,804**	**–**
Receivables from third parties****	**1,577,522**	**–**	**1,577,522**	**–**
	₱3,739,735	**₱21**	**₱3,673,821**	**₱–**
Liabilities				
Long-term debt	**₱22,390,706**	**₱–**	**₱24,674,467**	**₱–**
Deposit payables and other liabilities*****	**172,768**	**–**	**172,768**	**–**
Derivative liability	**3,300**	**–**	**3,300**	**–**
Lease liabilities	**1,916,630**	**–**	**2,714,990**	**–**
	₱24,483,404	**₱–**	**₱27,565,525**	**₱–**

** Included under "Other current assets" account.*
*** Included under "Other noncurrent assets" account.*
**** Included under "Receivables" and "Other noncurrent assets" accounts and pertain to FIT adjustments and multilateral agreement with PEMC*
***** 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	–
Trade Receivables***	1,123,511	–	1,123,511	–
Receivables from third parties****	840,219	–	840,219	–
	₱2,606,319	₱21	₱2,606,298	₱–
Liabilities				
Long-term debt	₱22,919,446	₱–	₱23,766,962	₱–
Deposit payables and other liabilities*****	169,773	–	169,773	–
Derivative liability	21,060	–	21,060	–
Lease liabilities	981,538	–	742,267	–
	₱24,091,817	₱–	₱24,700,062	₱–

** Included under "Other current assets" account.*
*** Included under "Other noncurrent assets" account.*
**** Included under "Receivables" and "Other noncurrent assets" accounts and pertains to multilateral agreement with PEMC.*
***** Included under "Receivables" and "Other noncurrent assets" accounts.*
****** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

Noncurrent trade receivables, Receivables from third parties, Refundable Deposits, Deposits Payable and Other Liabilities
Estimated fair value is based on present value of future cash flows discounted using the prevailing BVAL 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 3.11% to 6.25% and 4.16% to 7.84% as at December 31, 2020 and 2019, respectively.

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 1.77% to 5.85% and 3.78% to 6.78% as at December 31, 2020 and 2019, respectively.

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.

36. **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 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, 31 and 32).

- Petroleum has been aggregated with a new segment "Parent and Others". This segment now includes ACEN parent, ACEX parent, Palawan55 Exploration and Production Corporation and ACE Shared Services Inc.
- Power segment has been renamed to "Philippines" and now includes the Retail Electricity Supply (RES) or Commercial Operations, Renewables and Thermal and Diesel entities.

2019 comparative segment information has been restated.

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 chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Group's internal reports in order to assess performance of the Group.

For the years ended December 31, 2020 and 2019, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment results include transfers between operating segments. Those transfers are eliminated in consolidation.

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

The following tables regarding operating segments present revenue and income information for the years ended December 31, 2020 and 2019 and assets and liabilities as at December 31, 2020 and 2019:

	For the year ended December 31, 2020			
	Parent and Others	**Philippines**	**Intersegment Eliminations**	**Consolidated**
Revenues				
Revenue from sale of electricity				
External customers	**₱–**	**₱20,283,316**	**(₱13)**	**₱20,283,303**
Inter-segment	**–**	**5,913,483**	**(5,913,483)**	**–**
Rental income				
External customers	**–**	**53,517**	**33,106**	**86,623**
Inter-segment	**–**	**141,170**	**(141,170)**	**–**
Other revenues				
External customers	**480**	**10,325**	**58,720**	**69,525**
Inter-segment	**238,100**	**77,444**	**(315,544)**	**–**
	238,580	**26,479,255**	**(6,278,384)**	**20,439,451**
Costs and expenses				
Cost of sale of electricity	**₱–**	**₱19,350,529**	**(₱5,929,990)**	**₱13,420,539**
General & administrative expenses	**1,623,388**	**1,159,522**	**(197,620)**	**2,585,290**
	1,623,388	**20,510,051**	**(6,127,610)**	**16,005,829**

(Forward)

	For the year ended December 31, 2020			
	Parent and Others	**Philippines**	**Intersegment Eliminations**	**Consolidated**
Equity in net income of associates and a joint venture	**₱–**	**₱898,513**	**₱–**	**₱ 898,513**
Interest and other finance charges	**(743,302)**	**(1,233,802)**	**97,236**	**(1,879,868)**
Other income (expense)	**337,338**	**595,943**	**(25,253)**	**908,028**
Net (loss) income before income tax	**(1,790,772)**	**6,229,858**	**(78,791)**	**4,360,295**
Provision for (benefit from) income tax	**91,977**	**411,511**	**(12,706)**	**490,782**
Segment net income (loss)	**(₱1,882,749)**	**₱5,818,347**	**(₱66,085)**	**₱3,869,513**
	As at December 31, 2020			
Operating assets	**₱46,060,798**	**₱68,053,659**	**(₱50,539,138)**	**₱63,575,319**
Operating liabilities	**₱20,782,118**	**₱35,816,229**	**(₱14,378,096)**	**₱42,220,251**
Other disclosures:				
Depreciation and amortization	**₱29,697**	**₱1,804,367**	**(₱23,357)**	**₱1,810,707**
Investments and advances	**34,807,481**	**12,131,243**	**(40,345,232)**	**6,593,492**
Capital expenditures	**43,105**	**6,409,317**	**–**	**6,452,422**
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	**–**	**618,435**	**–**	**618,435**
Pension & other employment benefits	**19,312**	**31,617**	**–**	**50,929**

	For the year ended December 31, 2019 (As restated)			
	Parent and Others	Philippines	Intersegment Eliminations	Consolidated
Revenues				
Revenue from sale of electricity				
External customers	₱–	₱16,488,272	(₱391,723)	₱16,096,549
Inter-segment	–	2,498,562	(2,498,562)	–
Rental income				
External customers	1,359	1,756	–	3,115
Inter-segment	108	–	(108)	–
Dividend income				
External customers	5,539	9,202	–	14,741
Inter-segment	–	18,601	(18,601)	–
	7,006	19,016,393	(2,908,994)	16,114,405
Costs and expenses				
Cost of sale of electricity	–	18,146,505	(2,843,975)	15,302,530
General & administrative expenses	469,983	300,897	(3,040)	767,840
	469,983	18,447,402	(2,847,015)	16,070,370
Equity in net income (loss) of associates and a joint venture	(24,460)	231,445	–	206,985
Interest and other finance charges	(331,473)	(644,556)	–	(976,029)
Other income	391,476	347,704	(2,931)	736,249
	35,543	(65,407)	(2,931)	(32,795)
Net income (loss) before income tax	(427,434)	503,584	(64,910)	11,240
Provision for (benefit from) income tax	(202,958)	97,107	(15,782)	(121,633)
Segment net income (loss)	(₱224,476)	₱406,477	(₱49,128)	₱132,873
	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	(₱1,351,262)	₱31,957,524
Other disclosure:				
Depreciation and amortization	₱13,037	₱829,474	₱195,214	₱1,037,725
Investments and advances	12,068,976	2,539,590	(12,074,465)	2,534,101
Capital expenditures	74,243	855,822	–	930,065
Pension & other employment benefits	29,992	41,042	–	71,034

(Forward)

	For the year ended December 31, 2018			
	Parent and Others	Philippines	Intersegment Eliminations	Consolidated
Revenues				
Revenue from sale of electricity				
External customers	₱–	₱15,113,601	₱–	₱15,113,601
Inter-segment	–	1,639,533	(1,639,533)	–
Rental income				
External customers	–	674	–	674
Dividend income				
External customers	9,117	–	–	9,117
	9,117	16,753,808	(1,639,533)	15,123,392
Costs and expenses				
Cost of sale of electricity	112,998	14,783,192	213,301	15,109,491
General & administrative expenses	3,350	644,843	6,324	654,517
	116,348	15,428,035	219,625	15,764,008
Equity in net income (loss) of associates and a joint venture	–	532,460	–	532,460
Interest and other finance charges	(132,377)	–	(301,272)	(433,649)
Other income (expense)	–	(37,266)	157,518	120,252
Net income (loss) before income tax	(239,608)	1,820,967	(2,002,912)	(421,553)
Provision for (benefit from) income tax	7,146	140,151	24,306	171,603
Segment net income (loss)	(₱246,754)	₱1,680,816	(₱2,027,218)	(₱593,156)
	As at December 31, 2018			
Operating assets	₱13,041,939	₱3,113,446	₱2,769,310	₱18,924,695
Operating liabilities	₱3,062,733	₱2,115,027	₱5,375,487	₱10,553,247
Other disclosure:				
Depreciation and amortization	(₱385,341)	₱458	₱20,036	(₱364,847)
Investments and advances	4,322,053	–	631	4,322,684
Capital expenditures	4,343	113,008	2,329	119,680
Provision for impairment of property, plant and equipment	–	2,066	–	2,066
Pension & other employment benefits	15,039	33,077	–	48,116

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 Group’s associates and joint venture.

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.

37. Supplemental Cash Flows Information

The non-cash investing activities of the Group for the years ended December 31, 2020, 2019 and 2018 are as follow:

	2020	2019 (As restated)	2018
Acquired through business combinations (Notes 31 and 32):			
Property, plant and equipment	**₱2,119,796**	₱19,997,795	₱–
Right-of-use assets	**996,101**	442,947	–
Other noncurrent assets	**8,383**	396,431	–
Financial assets at FVOCI	**–**	531,887	–
Non-cash additions to property, plant and equipment	**192,961**	406,271	–
Reclassifications to (from):			
Creditable withholding taxes	**388,502**	–	704,726
Property, plant and equipment	**(283,860)**	178,989	1,844
Right-of-use assets	**(24,827)**	590,556	–
Other current assets	**(14,593)**	–	–
Other noncurrent assets	**(7,297)**	(152,376)	507,261
Assets held for sale	**(3,547)**	–	34,328
Financial assets at FVOCI	**–**	39,560	–
Goodwill and other intangible assets	**–**	(24,959)	–

Movements in the Group's liabilities from financing activities for the years ended December 31, 2020 and 2019 are as follows:

	January 1, 2020	**Availments/ Proceeds**	**Payments**	**Others**	**December 31, 2020**
Current portion of:					
Short-term loans	**₱3,556**	**₱10,506,500**	**(₱1,148,944)**	**₱77,488**	**₱9,438,600**
Long-term loans	**905,931**	**–**	**(4,602,920)**	**4,404,771**	**707,782**
Lease liabilities	**128,796**	**–**	**(239,767)**	**395,972**	**285,001**
Interest payable	**159,090**	**–**	**(1,505,299)**	**1,607,005**	**260,796**
Dividends payable	**–**	**–**	**(679,872)**	**679,872**	**–**
Due to stockholders	**16,594**	**–**	**–**	**1,678**	**18,272**
Noncurrent portion of:					
Long-term loans	**22,292,698**	**3,807,614**	**–**	**(4,417,388)**	**21,682,924**
Lease liabilities	**852,742**	**–**	**–**	**778,886**	**1,631,628**
Other noncurrent liabilities	**3,289,902**	**27,263**	**–**	**(1,708,043)**	**1,609,123**
Total liabilities from financing activities	**₱27,649,310**	**₱14,341,377**	**(₱8,176,802)**	**₱1,820,241**	**₱35,634,126**

	January 1,2019	Availments/ Proceeds	Payments	Others	December 31, 2019 (As restated)
Current portion of:					
Short-term loans	₱400,000	–	(₱400,000)	₱3,556	₱3,556
Long-term loans	265,460	–	(1,494,900)	2,135,371	905,931
Lease liabilities	35,426	–	(118,806)	212,176	128,796
Interest payable	79,297	–	(958,249)	1,038,042	159,090
Due from stockholders	16,651	–	(5,404)	5,347	16,594
Noncurrent portion of:					
Long-term loans	6,071,473	5,000,000	–	11,221,225	22,292,698
Lease liabilities	536,889	–	–	315,853	852,742
Other noncurrent liabilities	1,383,077	334,009	–	1,572,816	3,289,902
Total liabilities from financing activities	₱8,788,273	5,334,009	(₱2,977,359)	₱16,504,386	₱27,649,309

Short-term loans include loan assumed through the business combination of ISLASOL, with a carrying amount of nil and ₱2,140.73 million as at December 31, 2020 and 2019, respectively.

Others include foreign exchange and reclass of current and noncurrent.

38. Provisions and Contingencies

Tax assessments:

a. On August 20, 2014, ACEN distributed cash and property dividends in the form of shares in ACEX after securing SEC's approval of the registration and receipt of 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, ACEN filed with the Court of Tax Appeals ("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 Third Division granted ACEN's petition and ordered the cancellation and withdrawal of the FLD (the "CTA Third Division Decision"). On January 18, 2019, the CTA denied the Commissioner of Internal Revenue's ("CIR") motion for reconsideration ("CTA Resolution"). 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 and CTA Resolution. On July 21, 2020, the CTA *en banc* upheld the CTA Third Division Decision 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 March 8, 2021, 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 ("RPT") 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 RPT at a rate of 2% or an aggregate amount of ₱411.01 million for years 2015 to 2019. NLR paid under protest the RPT thereon and filed a protest questioning the imposition of 2% tax rate on its RE facilities, and the penalty assessed for the RPT for the year 2015. Under the RE Act, 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 RPT paid in year 2015 to 2016 and the penalty paid 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 December 31, 2020, the 2017 to 2020 RPT protest, regarding an aggregate amount of ₱369.37 million, is still pending decision with the Local Board Assessment Appeals of Ilocos Norte.

c. On September 5, 2017, CIPP received a Final Decision on Disputed Assessment from the BIR 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 December 18, 2020, CIPP paid the tax amnesty amount equivalent to forty percent (40%) of the Basic Tax or ₱80.19 million and received the Notice of Issuance of Authority to Cancel Assessment (ATCA) dated January 14, 2021 from the BIR.

d. On December 9, 2020, CIPP received from the BIR a preliminary assessment notice ("PAN"), assessing CIPP for a total deficiency income tax, VAT, expanded withholding tax ("EWT"), final withholding tax ("FWT"), withholding tax on compensation ("WTC"), DST and administrative penalties (including interest and compromise penalty) of ₱496.04 million. CIPP filed its reply to the PAN with the BIR on December 23, 2020. As at March 8, 2021, CIPP is yet to receive a response from the BIR.

e. On January 12, 2021, Bulacan Power received from the BIR a PAN, assessing Bulacan Power for a total deficiency income tax, VAT, EWT, WTC, fringe benefits tax ("FBT") and administrative penalties (including interest and compromise penalty) of ₱169.64 million. Bulacan Power filed its reply to the PAN with the BIR on January 18, 2021. As at March 8, 2021, Bulacan Power is yet to receive a response from the BIR.

Claims for tax refund

a. On August 15, 2016, Guimaras Wind filed with the BIR a letter and application for tax credits or refund for 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. 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), RE Act 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 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. 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 the NIRC and RE Act and that the COC issued by the ERC merely confirms the status of Guimaras Wind as a Generation Company. Nowhere in Section 108(B)(7), Tax Code, Section 15(g) Renewable Energy Act of 2008, and its Implementing Rules and Regulations (IRR) can the requirement be found that a VAT-registered person must secure a COC, or any document for that matter, before its sale can be considered subject to zero percent VAT. Rather, this provision requires that: (a) there is a sale of power or fuel; (b) the power or fuel is generated through renewable sources of energy; (c) the sale is done by a VAT-registered person; and (d) the sale was done in the Philippines. For as long as it is sufficiently established that all of the above-mentioned requirements are complied with, then there should be no question that the sale of power is subject to zero percent VAT.

On January 29, 2020, the BIR also filed a motion for reconsideration praying that the Court reconsider its January 3, 2020 Decision 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 Guimaras Wind's motion for reconsideration for lack of merit. Guimaras Wind filed its appeal on August 20, 2020 with the CTA Third Division.

On September 23, 2020, the CTA Third Division denied CIR's Motion for Partial Reconsideration and affirmed its earlier decision partially granting Guimaras Wind's claim for refund in the amount of ₱16.15 million. On October 30, 2020, the CIR filed 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 Renewable to Guimaras Wind Corporation which motion was granted by the CTA *en banc* on September 18, 2020.

Pursuant to a Resolution promulgated by the CTA en banc on February 23, 2021, the consolidated cases are now submitted for decision.

b. In 2018, SACASOL file a petition for review with the CTA regarding 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 has been received from the CTA as at report date.

c. In March 2018, NLR filed a claim with the BIR for the conversion of its unutilized Input VAT for the taxable period from 1st quarter to 4th quarter of 2016 amounting to ₱9.28 million into tax credit certificates , of which, ₱8.32 million 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 BIR's denial of the conversion. A Memorandum was filed by both parties and has been submitted for decision.

   NLR's allowance for input VAT impairment amounted to ₱19.31 million for both years ended December 31, 2020 and 2019.

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 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, 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 Bulacan Power, 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 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 March 8, 2021, the Group has incurred ₱50.20 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 the 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, are 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. The claims undergo validation before they are paid.

Compliance with Must Offer Rule

On October 4, 2018, CIPP, One Subic Power, Bulacan Power and the Parent Company received a letter from PEMC for pending investigation of trading intervals covering periods from 2014 to 2018. The scope of the investigation covers possible non-compliance with the Must Offer Rule (MOR) and with the Real-Time Dispatch (RTD) or System Operator Instructions. As at March 8, 2021, the investigation is still ongoing.

Refund of Market Transaction Fee from PEMC

On July 9, 2020, the ERC issued its Decision on ERC Case 2015-160 RC ordering PEMC to refund the over collection in the Market Transaction Fee (MTF) in 2016 and 2017. The ERC 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 has directed PEMC to implement the refund over twelve (12) months beginning the next billing month upon receipt of the relevant Decision.

The PEMC filed a motion for reconsideration with the ERC, which motion remains pending.

39. **Impact of the Coronavirus Disease 2019 (COVID-19) Outbreak**

In December 2019, an outbreak of the novel coronavirus ("COVID-19") occurred in China and spread to other countries, including the Philippines. On March 10, 2020 the World Health Organization characterized COVID-19 as a pandemic. As of March 8, 2021, the Philippine Department of Health ("DOH") reported 597,763 cases of COVID-19 nationwide with 12,521 deaths attributed to COVID-19.

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers ("OFWs") globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact on ACEN's suppliers' ability to deliver, which could delay the construction of ACEN's projects.

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. On March 24, 2020. Congress passed Republic Act No. 11469, the Bayanihan to Heal as One Act (the "Bayanihan Act") into law, which confers emergency powers on the President of the Philippines. On June 25, 2020, the Bayanihan Act measures implemented to address the pandemic in the Philippines expired without extension or replacement. On September 11, 2020, Republic Act No. 11494, the Bayanihan to Recover as One Act (the "Bayanihan 2 Act") was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the government's implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte was in effect until December 19, 2020. Such powers include the authority to adopt measures to “conserve and regulate the distribution and use of power, fuel, energy and water, and ensure adequate supply of the same.” The Bayanihan 2 Act also imposes a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly installments. On November 17, 2020, House Bill No. 8031 or the Bayanihan to Arise as One Act, was filed which proposes to extend the effectivity of Bayanihan 2 Act until June 4, 2021 to ensure its full implementation. On December 29, 2020, the Congress passed Republic Act No. 11519, extending the availability of appropriations under Bayanihan 2 until June 30, 2021.

Due to numerous uncertainties and factors beyond its control, the Group is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:
- the severity and duration of the pandemic, including whether there is a “second wave” or “third wave” or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Group operates;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures as well as measures taken by the Group’s regulators;
- restrictions on operations up to and including complete or partial closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;
- the health of, and effect of the pandemic on, the Group’s personnel and the Group’s ability to maintain staffing needs to effectively operate its power generation portfolio;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- impacts - financial, operational or otherwise - on the Group’s supply chain, including manufacturers, suppliers and third party contractors, particularly for ongoing maintenance and construction of certain plants and facilities;
- volatility in the credit and financial markets during and after the pandemic;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Group’s actions in response thereto;
- the pace of recovery when the pandemic subsides; and
- the long-term impact of the pandemic on the Group’s businesses.

These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. In particular, the enhance community quarantine and various degrees of community quarantine imposed across the Philippines have affected and could adversely impact (a) the completion of ACEN’s projects as construction is not an activity given priority under the government guidelines, (b) demand for ACEN’s product, as industries, offices, and shopping malls account for bulk of energy consumption, (c) WESM prices as demand for electricity is lower, and (d) ability to collect from its customers, which could negatively impact its cash flows. The outbreak of COVID-19 and the measures to contain this increase in severity, have had an adverse effect on economic activity in the Philippines and could materially and adversely affect ACEN’s business, financial condition and results of operations.

Even as quarantine measures continue at the current time, with various levels of restrictions applicable to certain areas, DOE recognized that energy utilization is a basic necessity and is vital to the society. To this end, DOE allows the movement of energy related goods and the movement of energy related personnel subject to adherence to necessary public health precautions prescribed by the DOH. As such, the Group's operating plants continues to produce power.

40. **Events After the Reporting Period**

Below are the events after the reporting period which are treated as non-adjusting events as at December 31, 2020.

Acquisition by the Parent Company of Shares in Solar Philippines Central Luzon Corporation
On January 22, 2021, ACEN signed a Deed of Absolute Sale of Shares with Solar Philippines Power Project Holdings, Inc. ("SP") for the acquisition by ACEN of SP's 0.24 million common shares in Solar Philippines Central Luzon Corporation ("SPCLC") with a par value of ₱1.00 per share or a total par value of ₱0.24 million.

On the same date, ACEN signed a Subscription Agreement with SPCLC for the subscription by ACEN to 0.38 million common shares with a par value of ₱1.00 per share or a total par value for a total subscription price of ₱0.38 million, to be issued out of the unissued authorized capital stock of SPCLC.

The acquisition will allow ACEN to have a significant ownership interest in SPCLC and is meant to implement the joint venture between ACEN and SP for the development of solar power projects in the Philippines.

SPCLC is a special purpose vehicle for the development and operation of solar power projects.

Withdrawal from SC 6 consortium by ACEX
On January 27, 2021, ACEX's Executive Committee approved ACEX's withdrawal from the SC 6 consortium. ACEX holds 7.78% participating interests in SC 6 Block A, located in offshore North Palawan. SC 6 does not have any commercial operations (see Note 13).

The Group has determined that such subsequent event is not considered as an adjusting event since withdrawal from the SC 6 consortium was proposed and approved subsequent to December 31, 2020. Accordingly, its impact was not reflected in the Group's consolidated financial statements as at and for the year ended December 31, 2020 as there was no indicator of impairment nor withdrawal determined as at December 31, 2020.

Completion of SRO
During the Rights Offer Period from January 18, 2021 to January 22, 2021, ACEN sold, by way of SRO, a total of 2,267,580,434 Common Shares at an Offer Price of ₱2.37 per share to eligible stockholders of record as at January 13, 2021.

There were 2,094,898,876 shares and 172,681,558 shares sold in first round and second round allocation, respectively. The Rights Shares was listed with the PSE on January 29, 2021.

The resulting total outstanding shares after the SRO is 15,960,037,644.

Shareholders' Agreement among ACEN, ACE Endevor, and Citicore Solar Energy Corporation
On February 4, 2021, ACEN and ACE Endevor signed a Shareholders' Agreement with Citicore Solar Energy Corporation ("CSEC"), and Greencore Power Solutions 3, Inc. ("Greencore"), for the development, construction, and operation of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc) (the "Project"). The Project is scheduled to start operations in November 2021.Under the Shareholders' Agreement, CSEC will have 50% of the shares in Greencore, the special purpose vehicle of the Project, while ACEN and ACE Endevor will hold a 45% and 5% interest, respectively. ACEN has agreed to provide a term loan facility to Greencore to finance the construction of the Project. Greencore and its shareholders agreed to execute the necessary loan and security agreement for this purpose.

Subscription by ACEN to shares of Greencore
On February 4, 2021, ACEN signed a subscription agreement with Greencore for the subscription by ACEN to 2,250,000 common shares (the "Subscription Shares") with a par value of P 1.00 per share or a total par value of P 2,250,000.00 (the "Subscription Price"), to be issued out of the unissued authorized capital stock of Greencore. The subscription will be used by Greencore to partially fund the development and construction of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc). ACEN has fully paid the Subscription Price.

Term Loan Facility with Greencore
On February 4, 2021, ACEN signed an Omnibus Agreement with Greencore, ACE Endevor and CSEC for the financing of Greencore's 50MWac (72MWdc) PV Solar Power Plant in Arayat and Mexico, Pampanga, and associated facilities.

Under the Omnibus Agreement, ACEN will be extending a term loan facility to Greencore in the amount of up to ₱2.675 billion to finance the design, engineering, financing, construction, procurement and supply, manufacturing, commissioning, start up, testing, delivery, ownership, operation and maintenance of the power plant, which is expected to be operational in November 2021. The loan will be secured by (1) a real estate mortgage over Greencore's real assets in favor of ACEN, (2) a mortgage and pledge over the shareholding of the shareholders of Greencore in favor of ACEN, and (3) the cashflows of the project.

House of Representatives ratifies Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act
The House of Representatives on February 3, 2021 ratified the bicameral conference committee report on the proposed CREATE Act. The bicameral had settled the disagreeing provisions of House Bill No. 4157 and Senate Bill No. 1357 or the two chambers' respective versions of CREATE Act, previously called the Corporate Income Tax and Incentives Reform Act (CITIRA) bill. The measure seeks to reform corporate income taxes and incentives in the country.

The chamber approved the final version of the CREATE bill, which seeks to lower corporate income tax from 30% to 25% for large corporations and 20% for small and medium corporations, to bring it closer to the ASEAN region's average and keep up with other neighboring countries.

As at report date, the Group is assessing the possible impact of the Act, should it pass into Law, subsequently.

ACEN's planned Follow-On Offering ("FOO")
On December 17, 2020, the Board approved the conduct of an FOO and delegated authority to the Executive Committee to determine the final issue price and pricing for the shares to be issued. On February 4, 2021, acting on the authority delegated by the Board, ACEN's Executive Committee approved an FOO price range of 6.00-8.20 per share for up to 2,000,000,000 common shares (primary). On February 16, 2021, ACEN submitted a registration statement for up to 2,430,248,617 common shares (primary and secondary shares with over-allotment) with the SEC.

The FOO is planned to be conducted by the middle of 2021.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

COMPANY NAME

PHINMA ENERGY CORPORATION AND SUBSIDIARIES

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

Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	870-0100	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,191	04/11	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
Yolanda D. Añonuevo	ydanonuevo@phinma.com.ph	870-0100	–

CONTACT PERSON's ADDRESS

Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, 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.*

SGV
Building a better
working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
PHINMA Energy Corporation
Level 11, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

Opinion

We have audited the consolidated financial statements of PHINMA Energy Corporation and its Subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Company is required to annually test for impairment the goodwill amounting to ₱234.15 million as at December 31, 2018 which arose from the Company's acquisition of One Subic Power Generation Corporation in 2014. This annual impairment test is significant to our audit because the amount of goodwill is material to the consolidated financial statements and management's assessment process in the determination of the recoverable amount of the cash-generating unit (CGU) to which the goodwill belongs requires significant judgments and is based on significant assumptions, specifically prices in the energy spot market, fuel prices and discount rates.

The Company's disclosures about goodwill are included in Notes 4 and 17 to the consolidated financial statements.

Audit response

We obtained an understanding of the Company's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate and gross margins. We compared the revenue growth and gross margins to the historical data of the CGU and inquired about the rationale for the changes from prior years. Likewise, we compared the Company's key market-related assumptions with external industry data. These assumptions include energy spot market prices, energy generated and fuel prices. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Provisions and Contingencies

As discussed in Note 40 to the consolidated financial statements, the Company is involved in legal proceedings and assessments for local and national taxes. This matter is significant to our audit because the estimation of the potential liability resulting from these tax assessments requires significant judgments by management. The inherent uncertainty over the outcome of these tax matters is brought about by the differences in the interpretation and application of the laws and tax rulings.

Audit response

We involved our internal specialist in the evaluation of management's assessment on whether or not any provision for tax contingencies should be recognized, and the estimation of such amount. We discussed with management the status of the tax assessments and obtained the Company's correspondences with the relevant tax authorities and opinions of the external tax counsel. We evaluated the tax position of the Company by considering the relevant tax laws, rulings and jurisprudence.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
[redacted]

March 21, 2019

PHINMA ENERGY CORPORATIONAND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 35)	**₱1,022,366**	₱1,300,999
Short-term investments (Note 35)	**35,326**	478,362
Investments held for trading (Notes 6, 35 and 36)	–	1,483,519
Financial assets at fair value through profit or loss (FVTPL; Notes 7, 35 and 36)	**743,739**	–
Receivables (Notes 8, 31 and 35)	**2,627,291**	2,738,287
Fuel and spare parts (Note 9)	**413,673**	321,525
Current portion of:		
Input VAT	**26,332**	20,127
Creditable withholding taxes	**79,443**	598,526
Other current assets (Notes 10 and 35)	**182,766**	281,593
	5,130,936	7,222,938
Assets held for sale (Note 11)	**34,328**	–
Total Current Assets	**5,165,264**	7,222,938
Noncurrent Assets		
Property, plant and equipment (Note 12)	**5,760,963**	6,130,201
Investments and advances (Note 13)	**4,322,684**	4,057,602
Financial assets at:		
Fair value through other comprehensive income (FVOCI; Notes 15, 35 and 36)	**257,995**	–
FVTPL (Notes 7, 35 and 36)	**5,452**	–
Available-for-sale (AFS) investments (Notes 14, 35 and 36)	–	293,127
Investment properties (Note 16)	**13,085**	50,915
Goodwill and other intangible assets (Note 17)	**320,219**	380,146
Deferred income tax assets - net (Note 29)	**261,346**	430,280
Net of current portion:		
Input VAT (Note 40)	**335,759**	335,759
Creditable withholding taxes	**704,726**	–
Other noncurrent assets (Notes 18 and 35)	**1,777,202**	1,857,565
Total Noncurrent Assets	**13,759,431**	13,535,595
TOTAL ASSETS	**₱18,924,695**	₱20,758,533

(Forward)

	December 31	
	2018	2017
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loan (Note 20)	**₱400,000**	₱–
Accounts payable and other current liabilities (Notes 19, 30, 31 and 35)	**2,269,398**	2,758,982
Income and withholding taxes payable	**11,762**	42,308
Due to stockholders (Notes 22, 31 and 35)	**16,651**	15,300
Current portion of long-term loans (Notes 20, 35 and 36)	**265,460**	226,949
Total Current Liabilities	**2,963,271**	3,043,539
Noncurrent Liabilities		
Long-term loans - net of current portion (Notes 20, 35 and 36)	**6,071,473**	6,622,427
Pension and other employee benefits (Note 30)	**40,246**	36,110
Deferred income tax liabilities - net (Note 29)	**95,180**	111,387
Other noncurrent liabilities (Notes 18 and 21)	**1,383,077**	1,805,511
Total Noncurrent Liabilities	**7,589,976**	8,575,435
Total Liabilities	**10,553,247**	11,618,974
Equity		
Capital stock (Note 22)	**4,889,775**	4,889,775
Additional paid-in capital	**83,768**	83,768
Other equity reserves (Note 22)	**18,338**	18,338
Unrealized fair value gains on equity instruments at FVOCI (Note 15)	**59,772**	–
Unrealized fair value gains on AFS investments - net of tax (Note 14)	**–**	85,924
Remeasurement gains (losses) on defined benefit plan (Note 30)	**536**	(3,130)
Accumulated share in other comprehensive loss of a joint venture and associates (Note 13)	**(2,193)**	(3,413)
Retained earnings (Note 22)	**3,303,708**	4,018,980
Treasury shares (Note 22)	**(27,706)**	(28,793)
Total equity attributable to equity holders of Parent Company	**8,325,998**	9,061,449
Non-controlling interests (Note 33)	**45,450**	78,110
Total Equity	**8,371,448**	9,139,559
TOTAL LIABILITIES AND EQUITY	**₱18,924,695**	₱20,758,533

See accompanying Notes to Consolidated Financial Statements.

PHINMA ENERGY CORPORATIONAND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31		
	2018	2017	2016
REVENUES			
Revenue from sale of electricity (Note 34)	**₱15,113,601**	₱17,011,044	₱15,465,866
Dividend income (Notes 14 and 15)	**9,117**	8,483	7,433
Rental income	**674**	706	4,574
	15,123,392	17,020,233	15,477,873
COSTS AND EXPENSES			
Cost of sale of electricity (Notes 24, 26 and 27)	**15,109,491**	16,929,239	14,105,874
General and administrative expenses (Notes 25, 26 and 27)	**654,517**	664,550	899,635
	15,764,008	17,593,789	15,005,509
INTEREST AND OTHER FINANCE CHARGES (Note 28)	**(433,649)**	(513,566)	(468,485)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES (Note 13)	**532,460**	1,024,995	886,224
OTHER INCOME - Net (Note 28)	**120,252**	105,617	552,879
INCOME (LOSS) BEFORE INCOME TAX	**(421,553)**	43,490	1,442,982
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**20,699**	72,722	114,623
Deferred	**150,904**	(376,400)	(54,172)
	171,603	(303,678)	60,451
NET INCOME (LOSS)	**(₱593,156)**	₱347,168	₱1,382,531
Net Income (Loss) Attributable To:			
Equity holders of the Company (Note 32)	**(₱560,496)**	₱353,764	₱1,402,228
Non-controlling interests (Note 33)	**(32,660)**	(6,596)	(19,697)
	(₱593,156)	₱347,168	₱1,382,531
Basic/Diluted Earnings (Loss) Per Share (Note 32)	**(₱0.11)**	₱0.07	₱0.29

See accompanying Notes to Consolidated Financial Statements.

PHINMA ENERGY CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
NET INCOME (LOSS)	**(₱593,156)**	₱347,168	₱1,382,531
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Net changes in the fair market value of AFS investments (Note 14)	–	(23,049)	8,313
Income tax effect (Note 14)	–	(393)	(425)
	–	(23,442)	7,888
Other comprehensive income (loss) not to be reclassified directly to profit or loss in subsequent periods			
Remeasurement gains (losses) on defined benefit plan (Note 30)	**5,237**	7,760	(8,261)
Net changes in the fair market value of equity instruments at FVOCI	**1,475**	–	–
Income tax effect	**(940)**	(2,328)	2,434
	5,772	5,432	(5,827)
Share in other comprehensive income (loss) of a joint venture and an associate - net of deferred income tax (Note 13)			
Remeasurement gains (losses) on defined benefit plan	**1,220**	(3,136)	49
Disposal during the year	–	–	31
	1,220	(3,136)	80
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**6,992**	(21,146)	2,141
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱586,164)**	₱326,022	₱1,384,672
Total Comprehensive Income (Loss) Attributable To:			
Equity holders of the Parent Company	**(₱553,504)**	₱332,618	₱1,404,369
Non-controlling interests (Note 33)	**(32,660)**	(6,596)	(19,697)
	(₱586,164)	₱326,022	₱1,384,672

See accompanying Notes to Consolidated Financial Statements.

PHINMA ENERGY CORPORATIONAND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 22)	Additional Paid-in Capital	Other Equity Reserve (Note 22)	Unrealized Fair Value Gains on AFS Investments (Note 14)	Unrealized Fair Value Gains (Losses) on Equity Instruments at FVOCI (Note 15)	Remeasurement Gains (Losses) on Defined Benefit Plan (Note 30)	Accumulated Share in Other Comprehensive Gains (Losses) of a Joint Venture (Note 13)	Retained Earnings (Note 22)	Treasury Shares (Note 22)	Total	Non-controlling Interests (Note 33)	Total Equity
BALANCES AT JANUARY 1, 2018, AS PREVIOUSLY REPORTED	**₱4,889,775**	**₱83,768**	**₱18,338**	**₱85,924**	**₱–**	**(₱3,130)**	**(₱3,413)**	**₱4,018,980**	**(₱28,793)**	**₱9,061,449**	**₱78,110**	**₱9,139,559**
Changes on initial application of PFRS 9 (Notes 3 and 15)	–	–	-	(85,924)	99,513	–	–	(9,614)	–	3,975	–	3,975
BALANCES AT JANUARY 1, 2018, AS ADJUSTED	**4,889,775**	**83,768**	**18,338**	**–**	**99,513**	**(3,130)**	**(3,413)**	**4,009,366**	**(28,793)**	**9,065,424**	**78,110**	**9,143,534**
Net loss	–	–	-	–	–	–	–	(560,496)	–	(560,496)	(32,660)	(593,156)
Other comprehensive income	–	–	-	–	2,106	3,666	1,220	–	–	6,992	–	6,992
Total comprehensive income (loss)	–	–	-	–	2,106	3,666	1,220	(560,496)	–	(553,504)	(32,660)	(586,164)
Sale of equity investments at FVOCI (Note 15)	–	–	-	–	(41,847)	–	–	49,436	–	7,589	–	7,589
Dividends declared (Note 22)	–	–	-	–	–	–	–	(194,598)	–	(194,598)	–	(194,598)
Disposal of treasury shares (Note 22)	–	–	-	–	–	–	–	–	1,087	1,087	–	1,087
	–	–	-	–	(41,847)	–	–	(145,162)	1,087	(185,922)	–	(185,922)
BALANCES AT DECEMBER 31, 2018	**₱4,889,775**	**₱83,768**	**₱18,338**	**₱–**	**₱59,772**	**₱536**	**(₱2,193)**	**₱3,303,708**	**(₱27,706)**	**₱8,325,998**	**₱45,450**	**₱8,371,448**
BALANCES AT DECEMBER 31, 2016	₱4,885,898	₱81,209	₱18,338	₱109,366	₱–	(₱8,562)	(₱277)	₱3,859,659	(₱28,793)	₱8,916,838	₱84,706	₱9,001,544
Net income	–	–	-	–	–	–	–	353,764	–	353,764	(6,596)	347,168
Other comprehensive income (loss)	–	–	-	(23,442)	–	5,432	(3,136)	–	–	(21,146)	–	(21,146)
Total comprehensive income (loss)	–	–	-	(23,442)	–	5,432	(3,136)	353,764	–	332,618	(6,596)	326,022
Dividends declared (Note 22)	–	–	-	–	–	–	–	(194,443)	–	(194,443)	–	(194,443)
Issuance of stocks - stock grants (Note 23)	3,877	2,559	-	–	–	–	–	–	–	6,436	–	6,436
	3,877	2,559	-	–	–	–	–	(194,443)	–	(188,007)	–	(188,007)
BALANCES AT DECEMBER 31, 2017	₱4,889,775	₱83,768	₱18,338	₱85,924	₱–	(₱3,130)	(₱3,413)	₱4,018,980	(₱28,793)	₱9,061,449	₱78,110	₱9,139,559

	Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 22)	Additional Paid-in Capital	Other Equity Reserve (Note 22)	Unrealized Fair Value Gains on AFS Investments (Note 14)	Remeasurement Losses on Defined Benefit Plan (Note 30)	Accumulated Share in Other Comprehensive Loss of a Joint Venture (Note 13)	Retained Earnings (Note 22)	Treasury Shares (Note 22)	Total	Non-controlling Interests (Note 33)	Total Equity
BALANCES AT DECEMBER 31, 2015	₱4,865,146	₱40,783	₱34,913	₱101,478	(₱2,735)	(₱357)	₱2,845,559	(₱28,793)	₱7,855,994	₱104,403	₱7,960,397
Net income	–	–	–	–	–	–	1,402,228	–	1,402,228	(19,697)	1,382,531
Other comprehensive income (loss)	–	–	–	7,888	(5,827)	80	–	–	2,141	–	2,141
Total comprehensive income (loss)	–	–	–	7,888	(5,827)	80	1,402,228	–	1,404,369	(19,697)	1,384,672
Dividends declared (Note 22)	–	–	–	–	–	–	(388,128)	–	(388,128)	–	(388,128)
Issuance of stocks - stock options (Note 23)	20,752	25,765	–	–	–	–	–	–	46,517	–	46,517
Reversal of other equity reserve on a joint venture	–	–	(1,914)	–	–	–	–	–	(1,914)	–	(1,914)
Forfeiture of stock options (Note 23)	–	14,661	(14,661)	–	–	–	–	–	–	–	–
	20,752	40,426	(16,575)	–	–	–	(388,128)	–	(343,525)	–	(343,525)
BALANCES AT DECEMBER 31, 2016	₱4,885,898	₱81,209	₱18,338	₱109,366	(₱8,562)	(₱277)	₱3,859,659	(₱28,793)	₱8,916,838	₱84,706	₱9,001,544

See accompanying Notes to Consolidated Financial Statements.

PHINMA ENERGY CORPORATIONAND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (losses) before income tax	**(₱421,553)**	₱43,490	₱1,442,982
Adjustments for:			
Equity in net earnings of associates and joint ventures (Notes 13 and 37)	**(532,460)**	(1,024,995)	(886,224)
Interest and other finance charges (Note 28)	**433,649**	513,566	468,485
Depreciation and amortization (Note 27)	**405,835**	399,384	413,091
Provisions for (reversals of):			–
Probable losses on deferred exploration costs (Note 17)	**48,263**	4,892	22,713
Unrecoverable input VAT	**43,712**	–	2,568
Plug-in and abandonment	**38,776**	11,384	–
Credit losses (Note 8)	**14,548**	4,542	53,195
PPE impairment (Note 12)	**2,066**	–	–
Inventory obsolescence	**159**	–	–
Accrued liabilities	–	(2,236)	(5,800)
Interest and other financial income (Note 28)	**(96,851)**	(87,185)	(46,077)
Loss (gain) on derivatives - net (Notes 28 and 36)	**15,056**	(9,399)	(8,741)
Movement of pension and other employee benefits (Note 30)	**9,373**	3,327	5,816
Dividend income (Notes 14, 15 and 31)	**(9,117)**	(8,483)	(7,433)
Loss (gain) on sale of:			
Gain on sale of investments (Note 28)	**(5,834)**	17	(7)
Property, plant and equipment (Note 28)	**(254)**	–	(27,863)
Investment in joint venture (Note 28)	**–**	–	(444,207)
Foreign exchange loss (gain) - net	**(3,471)**	6,851	(151)
Changes in fair value of long-term receivable	**–**	165	–
Deferred exploration costs written off	**–**	–	1,192
Operating income (loss) before working capital changes	**(58,103)**	(144,680)	983,539
Decrease (increase) in:			
Receivables	**(121,909)**	(17,365)	(406,796)
Fuel and spare parts - at cost	**(92,307)**	(90,379)	79,783
Other current assets	**(487,086)**	(104,787)	(181,498)
Increase (decrease) in accounts payable and other current liabilities	**(223,804)**	(318,681)	1,069,746
Cash generated from (used in) operations	**(983,209)**	(675,892)	1,544,774
Income and withholding taxes paid	**(20,699)**	(63,011)	(113,077)
Net cash from (used in) operating activities	**(1,003,908)**	(738,903)	1,431,697

(Forward)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Financial assets at FVTPL/ Investments held for trading	**(₱15,741,377)**	(₱21,604,487)	(₱2,106,124)
Investments in a joint venture (Note 13)	**(236,315)**	(18,073)	(5,639)
Property, plant and equipment (Note 12)	**(119,680)**	(125,138)	(229,617)
Short-term investment (Note 35)	**(35,326)**	(485,653)	(2,498)
Deferred exploration costs (Note 17)	**(4,526)**	(10,209)	(15,888)
Available-for-sale investments	**–**	(7,215)	–
Advances to associates (Note 13)	**–**	(80,250)	–
Proceeds from:			
Sale and redemption of investments held for trading	**16,505,872**	23,219,212	–
Termination of short-term investments	**478,932**	2,498	
Insurance claim	**90,146**	–	–
Sale of financial assets at FVOCI	**53,328**		
Sale of property, plant and equipment	**261**	511	411,923
Sale of available-for-sale investments	**–**	92	291
Sale of investment in joint venture	**–**	–	841,771
Cash dividends received (Notes 13 and 14)	**514,030**	1,090,225	651,384
Decrease (increase) in other noncurrent assets	**118,346**	(1,399)	(124,541)
Interest received	**33,471**	33,723	13,953
Settlement of derivatives from fuel purchases (Note 36)	**–**	–	8,767
Net cash from (used in) investing activities	**1,657,162**	2,013,837	(556,218)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of long-term loans (Note 20)	**930,000**	2,350,000	–
Availment of short-term debt	**400,000**	–	–
Sale of investment (Note 13)	**225,000**	–	–
Sale of treasury (Note 22)	**1,415**	–	–
Issuance of capital stock (Note 22)	–	6,436	46,516
Payments of:			
Long-term loans (Note 20)	**(1,445,235)**	(2,520,651)	(210,500)
Interest on long-term loans	**(406,779)**	(443,216)	(504,147)
Cash dividends	**(193,247)**	(270,347)	(182,491)
Finance leases	**(8,153)**	(7,331)	(3,134)
Debt issuance costs (Note 20)	**(6,975)**	(11,750)	–
Mortgage loan	**–**	–	(461)
Increase (decrease) in other noncurrent liabilities	**(431,384)**	527,115	18,517
Net cash used in financing activities	**(935,358)**	(369,744)	(835,700)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,471**	227	60
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(278,633)**	905,417	39,839
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 5)	**1,300,999**	395,582	355,743
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 5 and 35)	**₱1,022,366**	₱1,300,999	₱395,582

1. **Corporate Information and Status of Operations**

PHINMA Energy Corporation ("PHINMA Energy 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 EPIRA. Other activities of the Parent Company include investing in various operating companies and financial instruments. The direct and ultimate parent company of PHINMA Energy is Philippine Investment-Management (PHINMA), Inc., also incorporated in the Philippines. PHINMA Energy is managed by PHINMA, Inc. under an existing management agreement (see Note 31). The Company and PHINMA, Inc. are both domiciled in the Philippines. PHINMA Energy and its subsidiaries below are collectively referred to as "the Company".

The registered office address of the Parent Company is Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The Subsidiaries

PHINMA Power Generation Corporation (PHINMA Power)
PHINMA Power, formerly Trans-Asia Power Generation Corporation, was incorporated and registered with the SEC on March 18, 1996. PHINMA Power is engaged in power generation. In October 2006, the Philippine Electricity Market Corporation (PEMC) approved PHINMA Power's application for registration as trading participant for both generation and customer categories in the Wholesale Electricity Spot Market (WESM). Both the Parent Company and PHINMA Power obtained membership in the WESM which allows them to participate in electricity trading managed by PEMC, including selling of excess generation to the WESM. Effective December 26, 2013, PHINMA Power entered into a Power Administration and Management Agreement (PAMA) valid for ten (10) years with PHINMA Energy for the administration and management by PHINMA Energy of the entire capacity and net output of PHINMA Power starting 2014. In addition to the capacity fee, PHINMA Energy is billed by PHINMA Power for transmission and fuel costs. On January 12, 2018, PHINMA Power and the Parent Company amended the PAMA, providing for a higher capacity rate based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMA became effective on March 26, 2018.

On January 23, 2017, PHINMA Power's Board of Directors (BOD) approved the amendment of the Articles of Incorporation to change the corporate name to PHINMA Power Generation Corporation. The amended Articles of Incorporation were issued by the SEC on June 2, 2017 while the Certificate of Registration was issued by the BIR on June 8, 2017.

One Subic Power Generation Corporation (One Subic Power)
One Subic Power was incorporated and registered with the SEC on August 4, 2010 to engage in the business of owning, constructing, operating, developing and maintaining all types of power generation plants. On November 18, 2010, PHINMA Energy and One Subic Power entered into a PAMA wherein PHINMA Energy administers and manages the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. The PAMA became effective on February 17, 2011 and shall be valid throughout the term of the lease agreement with Subic Bay Metropolitan Authority (SBMA). On May 12, 2014, PHINMA Power purchased from Udenna Energy Corporation (UDEC) the entire outstanding shares of stock of One Subic Power. Prior to the acquisition, One

Subic Power was a wholly owned subsidiary of UDEC, a company incorporated and domiciled in the Philippines.

On January 23, 2017, One Subic Power's BOD approved the amendment of the Articles of Incorporation for the change in the primary purpose to include exploration, discovery, development, processing, and disposal of any and all kind of petroleum products. The amended Articles of Incorporation were approved by the SEC on June 19, 2017.

CIP II Power Corporation (CIPP)
CIPP was incorporated and registered with the SEC on June 2, 1998. CIPP is a utilities enterprise, the primary purpose of which was to develop and operate a power supply and distribution system at Carmelray Industrial Park II Special Economic Zone in Calamba, Laguna. In April 2009, CIPP sold its distribution assets resulting in the cessation of CIPP's operations and separation of substantially all of its employees effective January 31, 2010. On February 22, 2010 and March 24, 2010, the Parent Company's BOD and stockholders, respectively, approved the proposed merger of the Parent Company and CIPP subject to the approval by the SEC. In December 2010, CIPP's BOD approved the transfer of its 21 MW bunker C-fired power plant from Laguna to Barangay Quirino, Bacnotan, La Union which was completed in 2012. In 2013, CIPP and PHINMA Energy entered into a PAMA valid for ten (10) years for the latter's administration and management of the entire capacity and net output of CIPP. On January 12, 2018, CIPP and the Parent Company amended the PAMA, providing for the same capacity rate based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMA became effective on March 26, 2018 and valid for ten (10) years and is subject to regular review. As at March 21, 2019, the Parent Company and CIPP have not filed their application for merger with the SEC and have deferred their plan for merger.

PHINMA Renewable Energy Corporation (PHINMA Renewable)
PHINMA Renewable, formerly Trans-Asia Renewable Energy Corporation, was incorporated and registered with the SEC on September 2, 1994. It was established with the primary purpose of developing and utilizing renewable energy and pursuing clean and energy-efficient projects. On May 20, 2013, the Department of Energy (DOE) confirmed the Declaration of Commerciality of PHINMA Renewable's 54 MW San Lorenzo Wind Power project (SLWP) in Guimaras. On October 7, 2014, the SLWP started delivering power to the grid and on February 16, 2015, PHINMA Renewable received from the DOE the confirmation of start of Commercial Operations declared on December 27, 2014. On December 1, 2015, PHINMA Renewable received its Certificate of Compliance from the Energy Regulatory Commission (ERC). On December 8, 2015, PHINMA Renewable's BOD approved to increase its authorized capital stock from ₱2,000.00 million divided into 2 billion shares with par value of ₱1.00 per share to ₱5,000.00 million composed of ₱2,000.00 million common shares with par value of ₱1.00 per share and ₱3,000.00 million preferred shares with a par value of ₱1.00 per share. The increase in authorized capital stock was approved by the SEC on March 31, 2017. On January 30, 2017, PHINMA Renewable's BOD approved the amendment of the Articles of Incorporation to change the corporate name to PHINMA Renewable Energy Corporation. The amended Articles of Incorporation were issued by the SEC on June 13, 2017 while the Certificate of Registration was issued by the BIR on June 21, 2017.

One Subic Oil Distribution Corporation (One Subic Oil)
One Subic Oil, formerly Trans-Asia Gold and Minerals Development Corporation, was incorporated and registered with the SEC on July 2, 2007 to primarily engage in the business of mining and mineral exploration within the Philippines and other countries. On February 16, 2009, the BOD approved the suspension of exploration activities of One Subic Oil effective March 31, 2009. On August 9, 2017, One Subic Oil's BOD approved the amendment of the Articles of Incorporation to change the corporate name to One Subic Oil Distribution Corporation, to change its primary purpose to importation, storage, transportation, distribution and disposal of any and all kinds of fuel and

petroleum products, and to change the principal office of the corporation to Causeway Extension, Subic Gateway District, Subic Bay Freeport Zone, Subic. The amended Articles of Incorporation were issued by the SEC on September 20, 2017 while the Certificate of Registration was issued by BIR on June 27, 2018. As at March 21, 2019, One Subic Oil has not started commercial operations for its petroleum distribution business.

PHINMA Petroleum and Geothermal, Inc. (PHINMA Petroleum)
PHINMA Petroleum, formerly Trans-Asia Petroleum Corporation, was incorporated and registered with the SEC on September 28, 1994. PHINMA Petroleum is engaged in oil exploration and well development. On November 28, 2012, the SEC approved the increase in authorized capital stock of PHINMA Petroleum from ₱40 million divided into 4 billion shares with a par value of ₱0.01 per share to ₱1 billion divided into 100 billion shares with a par value of ₱0.01 per share. It also approved the change in its name to Trans-Asia Petroleum Corporation and the primary purpose from power generation to oil and gas exploration and production.

On April 22, 2013, PHINMA Petroleum's BOD and stockholders voted to increase the par value of capital stock from ₱0.01 to ₱1.00 per share, which reduced the number of authorized capital stock from 100 billion to 1 billion and the issued and outstanding shares from 25 billion to 250 million. The increase in par value per share was approved by the SEC on June 3, 2013.

PHINMA Petroleum listed its shares with the Philippine Stock Exchange (PSE) by way of introduction on August 28, 2014. On April 10, 2017, PHINMA Petroleum's BOD approved the amendment of its Articles of Incorporation to change PHINMA Petroleum's corporate name to PHINMA Petroleum and Geothermal, Inc. and to include in its primary and secondary purposes the exploration and development of geothermal resources. The amended Articles of Incorporation were issued by the SEC on May 31, 2017 while the Certificate of Registration was issued by the BIR on June 14, 2017. As at March 21, 2019, PHINMA Petroleum has not started commercial operations. The registered office address of PHINMA Petroleum is Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

Palawan55 Exploration & Production Corporation (Palawan55)
Palawan55 was incorporated and registered with the SEC on November 16, 2012. Palawan55 is engaged in the development and utilization of crude oil, natural gas, natural gas liquids and other forms of petroleum. As at March 21, 2019, Palawan55 has not started its commercial operations. The registered office address of Palawan55 is 11th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

<u>Material Interest in Joint Ventures</u>
PHINMA Solar Energy Corporation (PHINMA Solar)
PHINMA Solar, formerly Trans-Asia Wind Power Corporation and a wholly owned subsidiary of the Parent Company, was incorporated and registered with the SEC on July 26, 2013. Its primary purpose is to construct, develop, own, operate, manage, repair and maintain wind power generation plants, to generate electricity from such power plants and to market and sell the electricity produced thereby. On January 30, 2017, PHINMA Solar's BOD approved the amendment of the Articles of Incorporation to change the corporate name to PHINMA Solar Energy Corporation, to include in its primary and secondary purposes the development, operation and maintenance of solar power generation plants and the development of solar products, and to increase the number of directors to nine (9). The amended Articles of Incorporation were issued by the SEC on June 27, 2017 while the Certificate of Registration was issued by the BIR on June 30, 2017.

On December 11, 2018, the Parent Company and Union Galvasteel Corporation (UGC), a company under common control of PHINMA Inc., entered into a Deed of Sale for the sale of the Parent

Company's 50% interest in PHINMA Solar to UGC amounting to ₱225,000.00 million. As a result of the sale transaction, PHINMA Solar ceased to be a subsidiary of the Parent Company (see Note 13). In 2018, PHINMA Solar completed installation and commenced operations of two (2) solar panel projects.

South Luzon Thermal Energy Corporation (SLTEC)
On June 29, 2011, the Parent Company entered into a 50-50 joint venture agreement with AC Energy Holdings, Inc. (AC Energy) to form SLTEC, the primary purpose of which is to generate, supply and sell electricity to the public through the operation of a two (2) x 135 MW coal fired power plant in Calaca, Batangas. SLTEC was incorporated on July 29, 2011. The construction, testing and commissioning of the first unit of SLTEC Circulating Fluidized Bed Coal-fired Power Plant was completed during the first half of 2015 and started its commercial operations on April 24, 2015. The second unit started its commercial operation on February 21, 2016. On December 20, 2016, the Parent Company sold 5% interest in SLTEC to Axia Power Holdings Philippines Corporation (APHPC), which also purchased a 15% interest in SLTEC from AC Energy. The current ownership structure of SLTEC is as follows: 45% PHINMA Energy, 35% AC Energy, and 20% APHPC. The registered office address of SLTEC is KM. 117 National Road, Phoenix Industrial Park Phase II Puting Bato West, Calaca, Batangas.

ACTA Power Corporation (ACTA)
The Parent Company has 50% interest in ACTA, a joint venture with AC Energy. ACTA is engaged in the business of owning, developing, constructing, operating and maintaining power generation facilities as well as generation and sale of electricity. ACTA was incorporated on February 9, 2012 and has not started commercial operations as at March 21, 2019. The registered office address of ACTA is 4th Floor, 6750 Ayala Avenue Office Tower, Makati City.

The consolidated financial statements of the Company were authorized for issuance by the Parent Company's BOD on March 21, 2019.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation and Statement of Compliance
The consolidated financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The consolidated financial statements have been prepared on a historical cost basis, except for investments held for trading/financial assets at fair value through profit or loss (FVTPL), derivative financial instruments and available-for-sale (AFS) investments/equity instruments at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The 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 values, per share amounts, number of shares and when otherwise indicated.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring its accounting policies in line with the Parent Company's accounting policies.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and,
- the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resulting gain or loss is recognized in the consolidated statement of income. Any investment retained is recognized at fair value.

NCI represents the interests in the subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company. NCI shares in losses even if the losses exceed the NCI in the subsidiary.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

		Percentage of Ownership (%)			
		2018		2017	
Subsidiaries	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
PHINMA Power	Power generation	**100.00**	**–**	100.00	–
CIPP	Power generation	**100.00**	**–**	100.00	–
PHINMA Renewable	Renewable energy generation	**100.00**	**–**	100.00	–
One Subic Oil	Distribution of petroleum products*	**100.00**	**–**	100.00	–
PHINMA Solar**	Renewable energy generation	**–**	**–**	100.00	–
One Subic Power	Power generation	**–**	**100.00**	–	100.00
PHINMA Petroleum	Oil, gas, and geothermal exploration	**50.74**	**0.40**	50.74	0.40
Palawan55	Oil and gas exploration	**30.65**	**35.46**	30.65	35.46

* *Mineral exploration in 2016*

** *PHINMA Solar ceased to be a subsidiary of the Parent Company after the sale of its 50% interest in PHINMA Solar which is accounted for as an investment in joint venture as at December 31, 2018 (see Note 13).*

Reclassification of Prior Year Amounts

Certain reclassifications were made to the 2017 consolidated financial statements for comparability with the 2018 consolidated financial statements. As a result, certain line items in the consolidated statements of financial position as at December 31, 2018 and the related notes were amended. The reclassifications had no effect on the Company's consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows.

The items that were reclassified are as follows:

a. Input VAT claimed for refund amounting to ₱335.76 million from current to noncurrent assets in the consolidated statements of financial position as at December 31, 2017 (see Note 40).
b. Trade receivable and trade payable, both amounting to ₱1,123.00 million as at December 31, 2017, were reclassified to noncurrent assets and noncurrent liabilities, respectively, (see Notes 18 and 21).

3. **Summary of Significant Accounting Policies and Disclosures**

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of the pronouncements either did not have any significant impact on the Company's financial position or performance, unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

- PFRS 9, *Financial Instruments*

  The Company adopted PFRS 9 with a date of initial application of January 1, 2018. PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

  The Company has applied PFRS 9 using the modified retrospective approach. The Company chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:
  - Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7. *Financial Instruments: Disclosures* will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
  - The Company will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as at December 31, 2017.
  - The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognized in the opening retained earnings or other component of equity, as appropriate.

- As comparative information is not restated, the Company is not required to provide a third consolidated statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

As at January 1, 2018, the Company has reviewed and assessed all of its existing financial assets.

Classification and measurement
The table below illustrates the classification and measurement of financial assets and financial liabilities under PFRS 9 and PAS 39 at the date of initial application. The accounting policies adopted by the Company in its evaluation of the classification and measurement categories under PFRS 9 are discussed subsequently.

The measurement category and the carrying amount of financial assets and liabilities in accordance with PAS 39 and PFRS 9 as at January 1, 2018 are compared as follows:

	PAS 39		PFRS 9				
				Remeasurement			
Financial Assets	Category	Amount	Reclassification	Expected Credit Losses (ECL)	Others	Amount	Category
Cash and cash equivalents:	Loans and receivables						Amortized cost
Cash on hand and in banks		₱120,897	₱–	₱–	₱–	₱120,897	
Cash equivalents		1,180,102	–	–	–	1,180,102	
		1,300,999	–	–	–	1,300,999	
Short-term investments	Loans and receivables	478,362	–	–	–	478,362	Amortized cost
Equity instruments:	Fair value through profit or loss (FVPL)						FVTPL
Unit Investment Trust Funds (UITFs)		1,329,701	5,340	–	–	1,335,041	
Fixed Rate Treasury Notes (FXTNs)		153,818	–	–	–	153,818	
		1,483,519	5,340	–	–	1,488,859	
Receivables:	Loans and receivables						Amortized cost
Trade receivables		3,706,913	–	(9,668)	–	3,697,245	
Due from related parties		20,314	–	–	–	20,314	
Nontrade and other receivables		134,571	–	–	–	134,571	
Long-term receivables		650,627	–	–	–	650,627	
Deposits receivables		179,674	–	–	–	179,674	
		4,692,099	–	(9,668)	–	4,682,431	
Equity instruments:	AFS investments						FVOCI
UITFs		5,340	(5,340)	–	–	–	
Quoted equity shares*		133,540	–	–	–	133,540	
Unquoted equity shares*		100,977	–	–	16,051	117,028	
Golf club shares*		53,270	–	–	–	53,270	
		293,127	(5,340)	–	16,051	303,838	
Derivative assets	FVPL	9,848	–	–	–	9,848	FVTPL

* As at January 1, 2018, the Company has irrevocably classified AFS investments as FVOCI.

At the date of initial application, the Company holds financial asset with contractual terms that do not represent solely payments of principal and interest amounting to ₱5.34 million. The Company reclassified this from AFS investments to financial assets at FVTPL using its fair value as at January 1, 2018 and the related unrealized gain closed to retained earnings amounted to ₱0.05 million. All gains and losses from changes in fair value and from disposals of UITFs are subsequently recorded in the consolidated statement of income (see Note 7).

The Company has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Company's financial liabilities.

The Company does not have financial assets and financial liabilities which were previously designated at FVTPL to reduce an accounting mismatch in accordance with PAS 39 and which have been reclassified to amortized cost or FVOCI upon transition to PFRS 9.

Impairment
The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking ECL approach. Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except those measured at FVTPL and equity instruments at FVOCI are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

The table below presents a reconciliation of the prior period's closing impairment allowance measured in accordance with PAS 39 to the opening impairment allowance determined in accordance with PFRS 9 as at January 1, 2018:

Measurement category	**Impairment allowance under PAS 39**	**Remeasurement**	**Impairment allowance under PFRS 9**
Cash and cash equivalents	₱–	₱–	₱–
Short-term investments	–	–	–
Receivables	120,869	9,668	130,537
Long-term receivables	–	–	–
Deposit receivables	–	–	–

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11 *Construction Contracts*, PAS 18 *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Company adopted PFRS 15 using the modified retrospective method with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to contracts not yet completed as at January 1, 2018. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The adoption of PFRS 15 had no significant impact on the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of cash flows, except on presentation of remittances to customers of proceeds from sale of unutilized capacity to the market as a reduction from revenue instead of cost of sale of electricity. Amount reclassified in 2018 is ₱129.19 million.

The table presents the Company’s revenue from different revenue streams for the year ended December 31, 2018:

Revenue streams	Power Generation
Revenue from power supply contracts	₱9,445,862
Revenue from power generation and trading	5,651,301
Revenue from ancillary services	16,438
Total	**₱15,113,601**

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Pronouncements Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements, if applicable, when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Effective beginning on or after January 1, 2020

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

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on future business combinations of the Company.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies
The accounting policies set out below have been applied consistently to all periods presented in the Company's consolidated financial statements, unless otherwise indicated.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Company elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in the consolidated statement of income. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 Company 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.

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 Company'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.

Business Combination Involving Entities Under Common Control
Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are combined and reflected at their carrying amounts reported in the Company's consolidated statement of financial position. The consolidated statement of income, comprehensive income and cash flows reflect the

result of the combining entities in full, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date entities had been under common control.

Under the pooling of interest method of accounting, the results of operations and cash flows of the Parent Company and its subsidiaries are combined from the beginning of the financial period in which the acquisition occurred and their assets and liabilities are combined at the amounts at which these were previously recorded at the Company's consolidated financial statements as if these had been part of the Company for the whole of the current and preceding periods.

Presentation of Consolidated Financial Statements
The Company has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of OCI (consolidated statement of comprehensive income).

Current versus Noncurrent Classification
The Company presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:
- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve (12) months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve (12) months after the reporting period; or,
- there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents
Cash and cash equivalents in the consolidated statement of financial position is composed of cash in banks and on hand and short-term deposits with a maturity of three (3) months or less, which are subject to an insignificant risk of changes in value.

Short-term Investments
Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three (3) months to one (1) year.

Fair Value Measurement
The Company measures investments held for trading/ financial assets at FVTPL, AFS investments/ financial assets at FVOCI and derivative financial instruments at fair value at each reporting date.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:
- Quantitative disclosures of fair value measurement hierarchy, see Note 36
- Investment properties, see Note 16
- Financial instruments (including those carried at amortized cost), see Note 36

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- in the principal market for the asset or liability; or,
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described in Note 36, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

<u>Financial Instruments - Initial Recognition, Classification and Subsequent Measurement (Prior to adoption of PFRS 9)</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

<u>Financial Assets</u>

Initial Recognition, Classification and Measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial

assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where data used are not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Subsequent Measurement

a. *Financial assets at FVPL*
   Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

   Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39.

   Net changes in fair value relating to the held-for-trading positions are recognized in the consolidated statement of income as gain or loss on changes in fair value of investments held for trading under "Interest and other financial income" included in "Other income - net" account. Interest and other financial income or charges are recorded when earned or incurred, respectively, while dividend income is recorded when the right to receive payment has been established.

   The Company has no financial assets designated at FVPL on initial recognition.

   As at December 31, 2017, the Company's investments in UITFs and FXTNs are classified as financial assets at FVPL under PAS 39 (see Notes 6 and 35).

   Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVPL. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statement of income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVPL.

   The Company enters into short-term forward currency contracts to hedge its currency exposure. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Company has opted not to designate its derivative transactions under hedge accounting. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of income.

The fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

As at December 31, 2017, the Company's derivative asset, included under "Other current assets" account in the consolidated statement of financial position, is classified as a financial asset at FVPL (see Notes 10 and 35).

b. *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in "Other income - net" in the consolidated statement of income.

As at December 31, 2017, the Company's cash and cash equivalents, short-term investments, receivables and refundable deposits are classified as loans and receivables under PAS 39 (see Notes 5, 8, 10, 18 and 35).

c. *HTM investments*
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM investments when the Company has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment.

As at December 31, 2017, the Company has no financial assets classified as HTM investments.

d. *AFS financial assets*
AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income (OCI) and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of income. Interest earned while holding AFS financial assets is reported as interest income using the EIR method.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to the consolidated statement of income over the remaining life of the investment using the EIR method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

As at December 31, 2017, the Company's investments in listed and unlisted equity securities, golf club shares and investment in a UITF that is neither classified as held for trading nor designated at FVPL are classified as noncurrent AFS financial assets under PAS 39 (see Notes 14 and 35).

Financial Liabilities

Initial Recognition, Classification and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, as derivatives designated as hedging instruments in an effective hedge, or as other financial liabilities, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other current liabilities (excluding statutory payables), due to stockholders and long-term loans and other noncurrent liabilities including derivative liabilities (excluding deferred revenue).

Subsequent Measurement
The subsequent measurement of financial liabilities depends on their classification, as described below:

a. *Financial liabilities at FVPL*
   Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVPL.

   Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

   Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

   Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied.

b. *Other financial liabilities*
   After initial recognition, other financial liabilities that are interest-bearing are subsequently measured at amortized cost using the EIR method.

   Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

   Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in "Other income - net" account in the consolidated statement of income.

As at December 31, 2017, the Company has not designated any financial liability at FVPL. The Company's accounts payable and other current liabilities (excluding statutory payables), due to stockholders, deposit payables and long-term loans and other noncurrent liabilities (excluding deferred revenue) are classified as other financial liabilities under PAS 39 (see Notes 19, 20, 21, 31 and 35).

Debt Issue Costs
Debt issue costs are deducted against long-term debt and are amortized over the terms of the related borrowings using the EIR method.

Financial Instruments – Classification and Measurement (Upon adoption of PFRS 9)

Classification of Financial Assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing the financial assets. The Company classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at FVTPL
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business Model
The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument.

The Company's business model refers to how it manages its financial assets in order to generate cash flows. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Other income- net" in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for credit losses" in the consolidated statement of income.

As at December 31, 2018, the Company's financial assets at amortized cost includes cash and cash equivalents, short-term investments, receivables and refundable deposits (see Notes 5, 8, 10, 18, and 35).

Financial Assets at FVOCI

Debt instruments
A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As of December 31, 2018, the Company does not have debt instruments at FVOCI.

Equity instruments
The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Company's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Company; and
- the amount of the dividend can be measured reliably.

As at December 31, 2018, the Company's investments in quoted and unquoted equity securities and golf club shares are classified as financial asset at FVOCI under PFRS 9 (see Notes 15 and 35).

Financial Assets at FVTPL
Financial assets at FVTPL are measured at fair value unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

As at December 31, 2018, the Company's investments in UITFs and FXTNs and derivative assets are classified as financial assets at FVTPL under PFRS 9 (see Notes 6 and 36).

Classification of Financial Liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

As at December 31, 2018, the Company has not designated any financial liability at FVTPL. The Company's accounts payable and other current liabilities (excluding statutory payables), due to stockholders, short-term and long-term loans, deposit payables and other noncurrent liabilities are classified as financial liabilities measured at amortized cost under PFRS 9 (see Notes 19, 20, 21, 31 and 35).

Reclassifications of Financial Instruments (Upon adoption of PFRS 9)
The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company does not reclassify its financial assets when:
- a financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- a financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- there is a change in measurement on credit exposures measured at fair value through profit or loss.

Derecognition of Financial Assets and Financial Liabilities (Prior to and upon adoption of PFRS 9)

Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:
- the rights to receive cash flows from the asset have expired; or,
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Modification of Contractual Cash Flows
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments (Prior to and upon adoption of PFRS 9)
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

There are no offsetting of financial assets and financial liabilities and any similar arrangements that are required to be disclosed in the Company's consolidated financial statements as at December 31, 2018 and 2017.

Impairment of Financial Assets (Prior to adoption of PFRS 9)
Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant judgment and estimates, see Note 4
- Receivables, see Notes 8, 31 and 35
- AFS investments, see Notes 14 and 35

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables Carried at Amortized Cost
For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses

them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income. Interest income, recorded under "Other income - net" account in the consolidated statement of income, continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other income - net" account in the consolidated statement of income.

Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets
For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income, is removed from OCI and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Impairment of Financial Assets (Upon adoption of PFRS 9)
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Company recognizes ECL on debt instruments that are measured at amortized. No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three (3) stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss Allowance
For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognized a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all debt financial assets other than trade receivables, ECLs are recognized using general approach wherein the Company tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Determining the Stage for Impairment
At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Write-off policy
The Company writes-off a financial asset and any previously recorded allowance, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

<u>Fuel and Spare Parts</u>
Fuel and spare parts are stated at the lower of cost or net realizable value (NRV). Cost is determined using the first-in, first-out method. NRV is the current replacement cost of fuel and spare parts.

<u>Non-current Assets Held for Sale</u>
The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

<u>Property, Plant and Equipment</u>
Property, plant and equipment, except land, is stated at cost, net of accumulated depreciation and impairment losses. Such cost includes the cost of replacing a part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost, net of accumulated impairment losses, if any.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The depreciation of property and equipment, except land, begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases when the assets are fully depreciated or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the item is derecognized. The estimated useful lives used in depreciating the Company's property, plant and equipment are disclosed in Note 12.

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. These are adjusted prospectively, if appropriate.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception of the lease, if any, if the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or,
d) there is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

The Company determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

Company as a Lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized under "Other income - net" account in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as "Rent" included under "Cost of sale of electricity" and "General and administrative expenses" in the consolidated statement of income on a straight-line basis over the lease term.

Company as a Lessor
Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate used by the Company is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

All other borrowing costs are expensed in the period in which these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currency Denominated Transactions and Balances
Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized as "Foreign exchange loss - net" under "Other income - net" in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair values are determined. The gains or losses arising on translation of non-monetary items measured at fair value are treated in line with the recognition of the gains or losses on the change in fair values of the items (i.e., translation differences on items which the fair value gains or losses are recognized in OCI or in profit or loss are also recognized in OCI or in profit or loss, respectively).

Interests in Joint Arrangements
Joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint Operations
A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement. The Company's service contracts (SC) are assessed as joint operations.

Investments in Associates and Joint Ventures
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share in the net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of income reflects the Company's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Company recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Company's share in profit or loss of the associate or the joint venture is shown in the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate or joint venture.

If the Company's share in losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Company discontinues recognizing its share of further losses.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Investment Properties

Investment properties are carried at cost, including transaction costs, net of accumulated depreciation. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized either when disposed of or when permanently withdrawn from use and no future economic benefit is expected from disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leasehold Rights

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

The useful lives of leasehold rights are assessed as finite. The amortization expense on leasehold rights are recognized as “Depreciation and amortization” under “Cost of sale of electricity” account in the consolidated statement of income.

Deferred Exploration Costs
The Company follows the full cost method of accounting for exploration costs determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided with an allowance when there are indications that the exploration results are negative. These are written-off against the allowance when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the net exploration costs and subsequent development costs are capitalized and amortized from the start of commercial operations.

Impairment of Non-financial Assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired in accordance with PAS 36. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth (5^{th}) year.

Impairment losses are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

The following assets have specific characteristics for impairment testing:

Property, Plant and Equipment and Investment Properties
For property, plant and equipment and investment properties, the Company assesses for impairment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage.

Investments in Associates and Interests in Joint Ventures
The Company determines at the end of each reporting period whether there is any objective evidence that the investments in associates and interests in joint ventures are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in associates and interests in joint ventures, and their carrying amounts.

Goodwill
Goodwill is tested for impairment annually and more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Leasehold Rights
Intangible assets with finite useful lives are tested for impairment when circumstances indicate that the carrying value may be impaired.

Deferred Exploration Costs
Deferred exploration costs are reassessed for impairment on a regular basis. An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Company has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- When a service contract where the Company has participating interest in is permanently abandoned; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36, *Impairment of Assets*.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as "Other income - net" in the consolidated statement of income.

Asset Retirement Obligation
The Company is legally required under a lease agreement to dismantle certain machinery and equipment and restore the leased site at the end of the lease contract term. The Company recognizes the fair value of the liability for this obligation and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The liability is subsequently carried at amortized cost using the EIR method with the related interest expense recognized in the consolidated statement of income.

Pensions and Other Post-employment Benefits
Defined Benefit Plan
The Company operates separate and distinct retirement plans for PHINMA Energy, PHINMA Power, PHINMA Renewable, PHINMA Solar and CIPP, which require contributions to be made to separately administered funds. Other entities are covered by Republic Act (R.A.) 7641, otherwise known as "The Philippine Retirement Law", which provides for qualified employees to receive a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. 7641. The cost of providing benefits is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

Past service costs are recognized in the consolidated statement of income on the earlier of:
- the date of the plan amendment or curtailment; or,
- the date that the Company recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under "Cost of sale of electricity" and "General and administrative expenses" accounts in the consolidated statement of income:
- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements

- net interest expense or income

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when these are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Capital Stock
Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.

Stock Options and Grants
Stock option and grants are accounted for in accordance with PFRS 2, that is, the cost of stock option awards is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the binomial method. The cost of such awards is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense that is recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the parent company statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of the award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where the stock option is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

If the outstanding options are dilutive, its effect is reflected as additional share dilution in the computation of diluted earnings per share.

Additional Paid-in Capital (APIC)
APIC represents the amount paid in excess of the par value of the shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Treasury Shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying

amount and the consideration, if reissued, is recognized in APIC. Share options exercised during the reporting period are satisfied with treasury shares.

Other Equity Reserve
Other equity reserves are made up of equity transactions other than capital contributions such as share in equity transactions of associates and joint ventures.

Retained Earnings
Retained earnings include all current and prior period results of operations as reported in the consolidated statement of income, net of any dividend declaration and adjusted for the effects of changes in accounting policies as may be required by PFRS's transitional provisions.

Cash Dividend and Non-cash Dividend to Equity Holders of the Parent Company
The Company recognizes a liability to make cash or non-cash distributions to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognized.

Sale of Electricity (Prior to and Upon Adoption of PFRS 15)
Sale of electricity is consummated whenever the electricity generated by the Company is transmitted through the transmission line designated by the buyer, for a consideration. Revenue from sale of electricity is based on sales price. Sales of electricity using bunker fuel are composed of generation fees from spot sales to the WESM and supply agreements with third parties and are recognized monthly based on the actual energy delivered.

Starting December 27, 2014, sales of electricity to the WESM using wind are based on the Feed in Tariff (FIT) rate under the FIT System and are recognized monthly based on the actual energy delivered. Meanwhile, revenue from sale of electricity through ancillary services to the National Grid Corporation of the Philippines (NGCP) is recognized monthly based on the capacity scheduled and/or dispatched and provided. Revenue from sale of electricity through Retail Supply Contract (RSC) is composed of generation charge from monthly energy supply with various contestable customers and is recognized monthly based on the actual energy delivered. The basic energy charges for each billing period are inclusive of generation charge and retail supply charge.

Upon adoption of PFRS 15, the Company identified the sale of electricity as its performance obligation since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract. The performance obligation qualifies as a series of distinct services that are substantially the same and have the same pattern of transfer. The Company concluded that the revenue should be recognized overtime since the customers simultaneously receives and consumes the benefits as the Company supplies electricity.

Amounts Reimbursed to Customers (Prior to and Upon Adoption of PFRS 15)
Certain revenue contracts with customers provide for the sale of any unutilized electricity to the WESM. The Company records such sales as part of its revenue, with the proceeds paid back to the customers. Prior to adoption of PFRS 15, the proceeds are recorded as part "Cost of sales of electricity" in the consolidated statement of income. Upon adoption of PFRS 15, the proceeds are recorded as reduction in "Revenue from sale of electricity" in the consolidated statement of income.

Dividend Income
Dividend income is recognized when the Company's right to receive the payment is established, which is generally when shareholders of the investees approve the dividend.

Rental Income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature.

Other Income
Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability that can be measured reliably.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized when incurred.

Taxes
Current Income Tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax return with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Deferred Income Tax
Deferred income tax is provided using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:
- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, including carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) which can be deducted against future RCIT due to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from unused NOLCO can be utilized, except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statement of income.

Creditable Withholding Taxes
Creditable withholding taxes represent amounts withheld by the Company's customers and is deducted from the Company's income tax payable.

Value-added Tax (VAT)
Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and,

- When receivables and payables are stated with the amount of VAT included

The amount of VAT recoverable from the taxation authority is recognized as “Input VAT”, while VAT payable to taxation authority is recognized as “Output VAT” under “Accounts payable and other current liabilities” in the consolidated statement of financial position.

Output VAT is recorded based on the amount of sale of electricity billed to third parties. Any amount of output VAT not yet collected as at reporting period are presented as “Deferred output VAT” under “Income and withholding taxes payable” account in the consolidated statements of financial position.

Earnings (Loss) Per Share
Basic earnings (loss) per share is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted earnings (loss) per share is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Company does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

Segment Reporting
The Company’s operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 37 to the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. If it is probable that an outflow of resources embodying economic benefits will occur and the liability’s value can be measured reliably, the liability and the related expense are recognized in the consolidated financial statements.

Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to the financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it is virtually certain that an inflow of economic benefits or service potential will arise and the asset’s value can be measured reliably, the asset and the related revenue are recognized in the consolidated financial statements.

Events After the Reporting Period
Post year-end events that provide additional information about the Company’s position as at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. **Significant Accounting Judgments, Estimates and Assumptions**

The Company's consolidated financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements. In preparing the Company's consolidated financial statements, management made its best estimates and judgments of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the 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.

The Company believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

Judgments

Upon Adoption of PFRS 15
Identifying Performance Obligations
The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customers and the Company's promise to transfer the good or service to the customer is separately identifiable.

The Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if (i) each distinct good or service in the series are transferred over time and (ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation and trading and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the customer cannot benefit from the contracted capacity alone without the corresponding energy and the customer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Retail supply also qualifies as a series of distinct services which is accounted for as one performance obligation since the delivery of energy every month is a distinct service which is recognized over time and have the same measure of progress.

Identifying Methods for Measuring Progress of Revenue Recognized Over Time
The Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For ancillary services, the Company determined that the output method is the best method in measuring progress since actual energy is supplied to customers. The Company recognizes revenue based on contracted and actual kilowatt hours (kwh) dispatched which are billed on a monthly basis.

For power generation and trading and retail supply, the Company uses the actual kwh dispatched which are also billed on a monthly basis.

Determining Method to Estimate Variable Consideration and Assessing the Constraint
The Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company considers both likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Company will subject to constraint. Factors such as (i) highly susceptible to factors outside of the Company's influence, (ii) timing of resolution of the uncertainty, and (iii) having a large number and broad range of possible outcomes are considered.

Some contracts with customers provide for unspecified quantity of energy, index adjustments and prompt payment discounts that give rise to variable considerations. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while most likely amount is used when the outcome is binary.

The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and wide the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., prompt payment discounts), the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Company's influence (i.e., index adjustments).

Determining Whether an Arrangement Contains a Lease
PHINMA Energy supplies the electricity requirements of certain customers under separate Electricity Supply Agreements (ESA) (see Note 34). The Company has evaluated the arrangements and the terms of the ESA and determined that the agreements do not qualify as leases. Accordingly, fees billed to these customers are recognized as revenue from sale of electricity.

Under PHINMA Energy's Power Purchase Agreement (PPA) with SLTEC and Maibarara Geothermal Inc. (MGI), PHINMA Energy agreed to purchase all of SLTEC and MGI's output (see Note 34). The Company has evaluated the arrangements and the terms of the PPA and determined that the agreements do not qualify as leases. Accordingly, fees paid to SLTEC and MGI are recognized under "Cost of sale of electricity" (see Note 24).

The Company also entered into various easements and right of way agreements with various land owners to support the erection of transmission lines to be used to connect its 54 MW Wind Farm Project in Guimaras. These agreements contain a lease as the arrangements convey the right to use the item and PHINMA Renewable has control over the utility of the asset.

Classification of Leases - the Company as Lessee
The Company exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Company. Lease agreements, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased items are classified as finance leases. Otherwise, these are considered as operating leases (see note 34).

The Company has entered into a lease agreement with Guimaras Electric Company (GUIMELCO) for a parcel of land used only as a site for electric generating plant and facilities, where it has determined that the risks and rewards related to the properties are retained with the lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The lease is, therefore, accounted for as an operating lease.

One Subic Power has a lease agreement with SBMA for a parcel of land and electric generating plant and facilities where it has determined that the risks and rewards related to the properties are retained with the lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The lease is, therefore, accounted for as an operating lease (see Note 34).

The Company 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 asset, among others, which indicates that it does not transfer substantially all the risks and rewards from the various land owners to the Company incidental to the ownership of the parcels of land. These leases are classified as operating leases.

The Company has entered into various lease agreements with individual land owners where the present value of the minimum lease payments amount to at least substantially all of the fair value of the leased asset, which indicates that the risks and rewards related to the asset are transferred to the Company. These leases are classified as finance leases.

Details of the above lease agreements are disclosed in note 34.

Classification of Leases - the Company as Lessor
The Company had a lease agreement for the lease of its investment property. The Company had determined that the risks and rewards of ownership of the underlying property were retained by the Company. Accordingly, the leases are classified as an operating lease (see Note 34).

Determining and Classifying Joint Arrangements
Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangements.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- the structure of the joint arrangement - whether it is structured through a separate vehicle;
- when the arrangement is structured through a separate vehicle, the Company also considers the rights and obligations arising from:
    a. the legal form of the separate vehicle;
    b. the terms of the contractual arrangement; and,
    c. other facts and circumstances (when relevant).

This assessment often requires significant judgments on the conclusion on joint control and whether the arrangement is a joint operation or a joint venture, which may materially impact the accounting. As at December 31, 2018 and 2017, the Company's SCs are joint arrangements in the form of a joint operation.

The Company's joint control arrangements in which the Company has rights to the net assets of the investees are classified as joint ventures.

As at December 31, 2018, the Company holds 50% of the voting rights of PHINMA Solar. The Company also holds 50% and 45% of the voting rights of ACTA and SLTEC, respectively, as at December 31, 2018 and 2017. Under the contractual agreements, the Company has joint control over these arrangements as there is a unanimous consent where any party can prevent the other party from making unilateral decisions on the relevant activities without the other party's consent (see Notes 1 and 13).

The Company's joint arrangements are also structured through separate vehicles and provide the Company and the parties to the agreements with rights to the net assets of the separate vehicle under the arrangements.

Material Partly-Owned Subsidiaries
The consolidated financial statements include additional information about subsidiaries that have NCI that are material to the Company (see Note 33). Management determined material partly-owned subsidiaries as those with balance of NCI greater than 5% of total NCI's and those subsidiaries which type of activities those engage in are important to the Company as at the end of the year.

Material Associates and Joint Ventures
The consolidated financial statements include additional information about associates and joint ventures that are material to the Company (see Note 13). Management determined material associates and joint ventures as those associates and joint ventures where the Company's carrying amount of investments is greater than 5% of the total investments and advances in associates and joint ventures as at the end of the year.

Impairment of AFS Investments (Prior to adoption of PFRS 9)
The Company treats AFS investments in quoted shares of stock as impaired when there has been a significant and prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more of the original cost of investment, and "prolonged" as greater than twelve (12) months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. For unquoted shares, the Company determines that unquoted AFS investments are impaired when there is information about significant changes with adverse effects that have taken place in the market, economic or legal environment in which the issuer operates and indicate that the carrying amount of the investment in the equity instrument may not be recovered.

The Company assessed that there is no evidence of impairment as at December 31, 2017. The carrying value of AFS investments amounted to ₱293.13 million as at December 31, 2017 (see Note 14).

<u>Upon adoption of PFRS 9</u>

a. *Identification of Business Models*
   The Company manages its financial assets based on a business model that maintains adequate level of financial assets to match expected cash outflows while maintaining a strategic portfolio of financial assets for trading activities.

The Company's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. The following are the Company's business models:

Portfolio 1, Operating and Liquidity Fund (Amortized Cost)
Portfolio 1 is classified as amortized cost with the objective to hold to collect the financial asset to ensure sufficient funding to support the Company's operations and project implementation. It also aims to generate interest income from low-risk, short-term investments in highly liquid assets.

Funds in this portfolio is comprised of financial assets classified by the Bangko Sentral ng Pilipinas (BSP) and trust entities as conservative assets, which are principal-protected and highly liquid. These are placed in investment outlets that are redeemable within thirty (30) to ninety (90) days. This includes the Company's cash and cash equivalents, short-term investments, receivables and refundable deposits.

Main risks are credit risk, liquidity risk, market risk and interest rate risk. The performance of the portfolio is evaluated based on the yield of the investments. For further details on risks and mitigating factors, see Note 35.

Sales may be made when the financial assets are close to maturity and prices from the sales approximate the collection of the remaining contractual cash flows. Further, disposal is permitted when the Company believes that there is a credit deterioration of the issuer.

PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost, the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

Portfolio 2, Operating and Liquidity Fund
Portfolio 2 is classified as FVOCI with the objective to hold to collect and sell to ensure sufficient funding to support operations and project implementation. It also aims to generate interest income from low-risk, short-term investments in highly liquid assets.

Funds in this portfolio is comprised of financial assets classified by the BSP and trust entities as conservative assets, which are principal-protected and highly liquid. These are placed in investment outlets that are redeemable within thirty (30) to ninety (90) days. This includes the Company's UITFs, FXTNs and derivative assets.

Main risks are credit risk, liquidity risk, market risk and interest rate risk. The performance of the portfolio is evaluated based on the yield and fair value changes of the investments. For further details on risks and mitigating factors, see Note 35.

Sales may be made when the financial assets are close to maturity and prices from the sales approximate the collection of the remaining contractual cash flows. Further, disposal is permitted when the Company believes that there is a credit deterioration of the issuer.

Portfolio 3, Strategic Fund
Portfolio 3 is classified as FVOCI with the objective to hold to collect and to sell the financial asset to generate interest income from low-risk, long-term investments in liquid assets and maximize the returns from excess funds of the Company.

Funds in this portfolio have an overall weighted duration risk exposure of one (1) year or less. These are placed in investment outlets with tenors of at least ninety (90) days. The Company does not have debt instruments at FVOCI.

Main risks are credit risk, liquidity risk, market risk, interest rate risk and foreign currency risk. The performance of the portfolio is evaluated based on the yield and fair value changes of outstanding investments. For further details on risks and mitigating factors, see Note 35.

Sales may be made when the financial assets are close to maturity and prices from the sales approximate the collection of the remaining contractual cash flows. Further, disposal is permitted when the Company believes that there is a credit deterioration of the issuer.

b. *Definition of Default and Credit-impaired Financial Assets*
The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*
  The borrower is more than ninety (90) days past due on its contractual payments, i.e., principal and/or interest, which is consistent with the Company's definition of default.

- *Qualitative criteria*
  The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  a. The borrower is experiencing financial difficulty or is insolvent
  b. The borrower is in breach of financial covenant(s)
  c. Concessions have been granted by the Company, for economic or contractual reasons relating to the borrower's financial difficulty
  d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
  e. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company's expected loss calculation.

<u>Estimates</u>

Estimating Allowance for Doubtful Accounts (Prior to adoption of PFRS 9)
The Company maintains allowance for doubtful accounts based on the results of the individual and collective assessment. Under the individual assessment, the Company considers the significant financial difficulties of the customer or significant delays in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of the financial asset, as well as historical loss experience. Allowance for doubtful accounts is recorded when management believes that the receivable balance cannot be provided or realized after exhausting all efforts and courses of action. For the collective assessment, the Company groups its receivables based on the credit risk characteristics (customer type, past-due status and terms) of its customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The methodology and assumptions used for the individual and collective assessments are based on management's judgments and estimates. Therefore, the amount

and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The Company estimates the provision for doubtful accounts related to trade and other receivables based on specific evaluation of its receivables considering efforts exerted to collect the amounts due from customers and where the Company has information that certain customers are unable to meet their financial obligations (see Note 8).

Estimating Allowance for Credit Losses (Upon adoption of PFRS 9)

Measurement of expected credit losses
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The Company leverages existing risk management indicators, credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased.

Inputs, Assumptions and Estimation Techniques

General approach for cash in banks and other financial assets measured at amortized cost
The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, LGD and EAD, defined as follows:

- *Probability of Default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on available market data using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

  The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at reporting date and future economic conditions that affect credit risk.

- *Loss Given Default*
  Loss Given Default represents the Company's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized

and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

- *Exposure at Default*
  EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Simplified Approach for Trade Receivables
The Company uses a provision matrix to calculate ECLs for certain trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by revenue stream, customer type).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrices to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rate, GDP, foreign exchange rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of Forward-Looking Information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. The Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

The Company has identified and documented key drivers of credit risk and credit losses of each financial instrument and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The economic scenarios used as at January 1 and December 31, 2018 included the following ranges of key Philippine economic indicators:

Economic indicators	December 31, 2018	January 1, 2018
Inflation rates	Base 3.90% Range between -0.4% and 6.7%	Base 3.50% Range between -0.4% and 5.2%
Foreign exchange rate	Base ₱52.61 Range between ₱40.67 and ₱51.34	Base ₱48.50 Range between ₱40.67 and ₱54.01
GDP growth	Base 6.90% Range between 5.10% and 7.20%	Base 6.70% Range between 5.10% and 7.20%

Predicted relationship between the key economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past five (5) to nine (9) years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Grouping of Instruments for Losses Measured on Collective Basis
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared credit risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the Company to be statistically credible. Where sufficient information is not available internally, the Company has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below.

- *Universal and Commercial banks - Groupings for collective measurement*
  a. Instrument type
  b. Credit risk rating

- *Independent Electricity Market Operator of the Philippines [IEMOP; formerly Philippine Electricity Market Corporation (PEMC)], NGCP, RES, Direct and Wholesale Aggregator (WA) Customers - Groupings for collective measurement*
  a. Customer revenue classification (revenue stream)
  b. Credit risk rating band

The appropriateness of groupings is monitored and reviewed on a periodic basis. In 2018, the total gross carrying amount of receivables for which lifetime ECLs have been measured on a collective basis amounted to ₱1,597.57 million.

The carrying values of receivables and the related allowance for credit losses of the Company are disclosed in Note 8. In 2018 and 2017, provision for credit losses amounted to ₱14.55 million and ₱4.54 million, respectively (see Note 8).

As at December 31, 2018 and 2017, allowance for credit losses on receivables amounted to ₱131.33 million and ₱107.12 million, respectively (see Notes 8 and 18).

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 Company. The Company is also allowed to recover excess input VAT by filing a claim for refund or tax credit certificate with the BIR. In 2016, PHINMA Renewable filed with the BIR a claim for tax credit certificate of its input VAT amounting to ₱335.76 million (see Note 40). Considering the uncertainty in the timing of the final decision of the Court of Tax Appeals (CTA), the input VAT claimed for refund was recognized as part of noncurrent asset in the consolidated statements of financial position.

In addition, the Parent Company has written-off ₱21.90 million of input VAT in 2018 as these are considered no longer recoverable. The Parent Company also provided provisions for unrecoverable input tax amounting to ₱43.71 million, nil and ₱2.57 million in 2018, 2017 and 2016, respectively (Note 28). The carrying amounts of input VAT as at December 31, 2018 and 2017 amounted to ₱362.09 million and ₱355.89 million, respectively.

Realizability of Deferred Income Tax Assets
The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that sufficient taxable income will be generated to allow all or part of the deferred tax assets to be utilized.

As at December 31, 2018 and 2017, deferred income tax assets recognized by the Company amounted to ₱276.33 million and ₱447.34 million, respectively (see Note 29). The Company's deductible temporary differences, unused NOLCO and unused MCIT for which no deferred income tax assets were recognized are disclosed in Note 29.

Estimating Useful Lives of Property, Plant and Equipment, Investment Properties and Leasehold Rights
The Company estimates the useful lives of property, plant and equipment, investment properties and leasehold rights based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties and leasehold rights are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment and investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. In 2018 and 2017, there were no changes in the estimated useful lives of the assets.

The total depreciation and amortization of property, plant and equipment, investment properties and leasehold rights amounted to ₱405.83 million, ₱399.38 million and ₱413.09 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 27).

Impairment of Deferred Exploration Costs
The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount under PFRS 6. Among the factors considered by management in the impairment review of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomic. In the event of impairment, the Company measures, presents and discloses the resulting impairment loss in accordance with PAS 36.

The Company considers the status of the service contracts and its plans in determining the recoverable amount of the deferred exploration costs.

The Company recognized impairment losses on deferred exploration costs amounting to ₱48.26 million, ₱4.89 million, and ₱22.71 million for the years ended December 31, 2018, 2017, and 2016, respectively. The carrying value of deferred exploration costs amounted to ₱61.11 million and ₱104.85 million as at December 31, 2018 and 2017, respectively (see Notes 17 and 25).

Impairment of Non-financial Assets, Other than Goodwill and Deferred Exploration Costs
The Company assesses whether there are any indicators of impairment for all non-financial assets, other than goodwill and deferred exploration costs, at each reporting date in accordance with PAS 16. These non-financial assets (investments and advances, property, plant and equipment, investment properties and leasehold rights) are tested for impairment whenever events or changes in circumstances indicate that carrying amount of the asset may not be recoverable. This requires an estimation of the value in use of the CGUs. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In cases where the value in use cannot be reliably measured, the recoverable amount is based on fair value less costs to sell.

The carrying amounts of the Company's non-financial assets other than goodwill and deferred exploration costs as at December 31 are as follows:

	2018	2017
Property, plant and equipment (see Note 12)	**₱5,760,963**	₱6,130,201
Investments and advances (see Note 13)	**4,322,684**	4,057,602
Investment properties (see Note 16)	**13,085**	50,915
Leasehold rights (see Note 17)	**24,959**	41,149

Other than the impairment loss on property, plant and equipment recognized in 2018 amounting to ₱2.07 million, no impairment loss was recognized on these non-financial assets in 2017 and 2016.

Accumulated impairment losses on investments amounted to ₱1.56 million as at December 31, 2018 and 2017 (see Note 13).

Impairment of Goodwill
The Company subjects goodwill to an impairment test annually and whenever there is an indication that it is impaired. This requires an estimation of the value in use of the related CGU. The value in use calculation requires the Company to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill amounted to ₱234.15 million as at December 31, 2018 and 2017 (see Note 17). No impairment loss has been recognized on goodwill in 2018, 2017 and 2016.

Pension and Other Employee Benefits
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Pension and other employee benefits liability amounted to ₱54.15 million and ₱54.57 million as at December 31, 2018 and 2017, respectively (see Note 30).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Share-based Payments
The Company measures the cost of its equity-settled transactions with management and employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about these inputs. The fair value of the share option is being determined using the binomial method. The expected life of the stock options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of the Company.

No equity-based compensation was recognized by the Company in 2018 and 2017 (see Note 23).

Contingencies and Tax Assessments
The Company is currently involved in various legal proceedings and assessments for local and national taxes (see Note 40). 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 Company's consolidated financial statements.

5. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	**₱151,317**	₱120,897
Short-term deposits	**871,049**	1,180,102
	₱1,022,366	₱1,300,999

Cash in banks earn interest at the applicable bank deposit rates for its peso and dollar accounts. Short-term deposits are made for varying periods between one day and three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income earned on cash in banks in 2018, 2017 and 2016 amounted to ₱0.90 million, ₱0.25 million and ₱0.08 million, respectively. Interest income earned on short-term deposits in 2018, 2017 and 2016 amounted to ₱33.15 million, ₱32.87 million and ₱13.22 million, respectively (see Note 28).

Short-term deposits account includes debt service reserves amounting to ₱54.77 million and ₱45.17 million as at December 31, 2018 and 2017, respectively, for the wind project loan facility (see Note 20).

6. Investments Held for Trading

Investments held for trading as of December 31, 2017 consists of:

UITFs	₱1,329,701
FXTNs	153,818
	₱1,483,519

On January 1, 2018, the Company reclassified all of its investments held for trading to financial assets at FVTPL (see Note 7).

The net changes in fair value of investments held for trading, included in "Interest and other financial income" account presented under "Other income - net" in the consolidated statements of income, amounted to ₱36.98 million and ₱20.10 million in 2017 and 2016, respectively (see Note 28).

Investments in UITFs as at December 31, 2017 include debt service reserves amounting to ₱47.09 million for the wind project loan facility (see Note 20).

7. Financial Assets at FVTPL

Financial assets at FVTPL as of December 31, 2018 consists of:

Current:	
UITFs	**₱743,739**
Noncurrent:	
UITF	**5,452**
	₱749,191

On January 1, 2018, the Company reclassified all of its investments held for trading to financial assets at FVTPL. Further, investment in a UITF previously recorded under AFS investments was reclassified to financial assets at FVTPL amounting to ₱5.34 million since as at date of initial application of PFRS 9, this was assessed to have contractual terms that do not represent solely payments of principal and interest (see Note 3).

The net changes in fair value of financial assets at FVTPL, included in "Interest and other financial income" account presented under "Other income - net" in the consolidated statement of income, amounted to ₱24.83 million in 2018 (see Note 28).

Financial assets at FVTPL as at December 31, 2018 include debt service reserves amounting to ₱57.80 million for the wind project loan facility (see Note 20).

8. Receivables

	2018	2017
Trade	**₱2,154,348**	₱2,608,417
Due from related parties (see Note 31)	**333,576**	20,314
Receivables from:		
Third parties	**179,550**	120,862
Assignment of Mineral Production Sharing Agreement (MPSA) (see Note 17)	**39,365**	39,365
Consortium - SC 50 (see Note 17)	**20,000**	20,000
Consortium - SC 52 (see Note 17)	**19,444**	19,444
Employees	**2,881**	2,636
Others	**9,461**	14,367
	2,758,625	2,845,405
Less allowance for credit losses	**131,334**	107,118
	₱2,627,291	₱2,738,287

Trade receivables mainly represent receivables from PEMC, NGCP, National Transmission Corporation (TransCo) for the FIT and from the Company's bilateral customers. Trade receivables consist of both noninterest-bearing and interest-bearing receivables. The term is generally thirty (30) to sixty (60) days.

Receivables from third parties as at December 31, 2018 and 2017 mainly represent the current portion of the Company's noninterest-bearing receivables from NGCP (see Note 18).

As at December 31, the aging analysis of receivables is as follows:

	2018						
		Neither Past Due nor	**Past Due but not Impaired**				**Past Due and**
	Total	**Impaired**	**<30 Days**	**30–60 Days**	**61–90 Days**	**More than 90 Days**	**Impaired**
Trade	**₱2,154,348**	**₱1,712,945**	**₱40,844**	**₱19,387**	**₱191,896**	**₱148,354**	**₱40,922**
Due from related parties	**333,576**	**320,642**	**–**	**–**	**–**	**2,674**	**10,260**
Others	**270,701**	**183,751**	**8**	**106**	**39**	**6,645**	**80,152**
	₱2,758,625	**₱2,217,338**	**₱40,852**	**₱19,493**	**₱191,935**	**₱157,673**	**₱131,334**

	2017						
		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	More than 90 Days	Impaired
Trade	₱2,608,417	₱1,991,626	₱90,559	₱62,378	₱20,648	₱418,191	₱25,015
Due from related parties	20,314	20,314	–	–	–	–	–
Others	216,674	131,987	7	8	4	2,565	82,103
	₱2,845,405	₱2,143,927	₱90,566	₱62,386	₱20,652	₱420,756	₱107,118

The movements in the allowance for credit losses on individually impaired receivables in 2018 and 2017 are as follows:

	2018		
	Trade	**Others**	**Total**
Balances at beginning of year	**₱25,015**	**₱82,103**	**₱107,118**
Effect of adoption of PFRS 9	**9,668**	**–**	**9,668**
Provision for the year - net (see Note 25)	**3,168**	**11,380**	**14,548**
Balances at end of year	**₱37,851**	**₱93,483**	**₱131,334**

	2017		
	Trade	Others	Total
Balances at beginning of year	₱20,473	₱82,103	₱102,576
Provision for the year (see Note 25)	4,542	–	4,542
Balances at end of year	₱25,015	₱82,103	₱107,118

As a result of the adoption of PFRS 9, the Company recognized provision for credit losses amounting to ₱9.67 million which was adjusted to retained earnings as at January 1, 2018 (see Note 3).

Mineral Production Sharing Agreement (MPSA) 252-2007-V (Camarines Norte)
On July 28, 2007, the Parent Company was awarded MPSA No. 252-2007-V by the Philippine Department of Environment and Natural Resources (DENR) covering parcels of land with an aggregate area of more or less 333 hectares, located in the municipality of Camarines Norte, Philippines (the "Property"). On February 14, 2008, One Subic Oil, then TA Gold, and the Parent Company, entered into an Operating Agreement where the Parent Company granted unto and in favor of One Subic Oil the exclusive right to explore, develop and operate for commercial mineral production the Property under the MPSA. In June 2009, the Parent Company received a notice of an Order of the Secretary of the DENR excising portions of the MPSA area that are covered by alleged mineral patents of a third party for which the Parent Company filed a Motion for Reconsideration.

In December 2009, the DENR denied the Parent Company's Motion for Reconsideration. The Parent Company filed a timely Appeal of the DENR's ruling with the Office of the President, which was also denied. The Parent Company then elevated the case to the Court of Appeals.

The Parent Company signed an Agreement on October 18, 2011 for the assignment of the MPSA to Investwell Resources, Inc. (Investwell), subject to certain conditions for a total consideration of US$4.00 million payable in four tranches. The receipt of the first nonrefundable tranche amounting to US$0.50 million (₱21.93 million) was recognized as income in 2011. The receipt of the second and third nonrefundable tranches amounting to US$1.00 million (₱42.20 million), net of the related deferred exploration cost of ₱11.47 million, was also recognized as income in the year payments were received.

On October 30, 2012, the Court of Appeals granted the Parent Company's petition to reverse and set aside the resolutions of the DENR and the Office of the President that ordered and affirmed, respectively, excision of certain areas covered by alleged mining patents of a third party from the contract area of the MPSA. Subsequently, the third party elevated the case to the Supreme Court.

In Agreements dated May 29, 2012, March 19, 2013, June 25, 2013 and December 18, 2013, the Parent Company and Investwell amended and restructured the payment of the fourth tranche of the total consideration.

The DENR approved on February 7, 2013 the assignment of the MPSA to Investwell, and the Parent Company recognized US$0.87 million (₱37.93 million) income representing a portion of the final tranche.

On January 12, 2015, the Supreme Court ruled that the rights pertaining to mining patents issued pursuant to the Philippine Bill of 1902 and existing prior to November 15, 1935 are vested rights that cannot be impaired by the MPSA granted by the DENR to the Parent Company on July 28, 2007.

As at December 31, 2018 and 2017, receivable from Investwell amounted to ₱39.37 million which was provided with an allowance for impairment for the full amount since Investwell did not comply with the restructured payment schedule.

9. Fuel and Spare Parts

	2018	2017
Fuel - at cost	**₱317,923**	₱243,679
Spare parts - at net realizable value	**95,750**	77,846
	₱413,673	₱321,525

Fuel charged to “Cost of sale of electricity” in the consolidated statements of income amounted to ₱766.48 million, ₱763.87 million and ₱728.47 million in 2018, 2017 and 2016, respectively (see Note 24).

In 2018, PHINMA Energy recognized allowance for inventory obsolescence amounting to ₱0.16 million. The cost of spare parts carried at NRV amounted to ₱96.39 million and ₱78.33 million as at December 31, 2018 and 2017, respectively.

10. Other Current Assets

	2018	2017
Prepaid expenses	**₱82,577**	₱94,756
Deposits	**100,185**	176,989
Derivative assets (see Notes 35 and 36)	**4**	9,848
	₱182,766	₱281,593

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

Deposit receivables include advances to suppliers and land owners, deposits to distribution utilities and current portion of the refundable security deposit with SBMA.

11. Assets Held For Sale

PHINMA Energy

On August 7, 2018, the BOD approved the management’s decision to sell the Parent Company’s Guimaras Power Plant located in Jordan, Guimaras. Since the approval, the management has been actively looking for interested buyers. As at December 31, 2018, the Guimaras Power Plant was classified as “Assets held for sale” in the consolidated statement of financial position in accordance with PFRS 5, as the sale is highly probable (i.e., sale transaction will be completed within a year from the reporting date) and the asset is available for immediate sale in its present condition. The asset was previously presented as part of investment properties (see Note 16).

Subsequently, on January 7, 2019, the BOD approved the sale of the Guimaras Power Plant and on January 24, 2019, the Asset Purchase Agreement (APA) between the Parent Company and S.I. Power Corporation (the buyer) was signed and notarized with an agreed selling price of ₱45.00 million.

As at December 31, 2018, no impairment loss was recognized as the carrying value amounting to ₱30.71 million is below its fair value less costs to sell.

One Subic Oil
Starting July 18, 2018 until the end of the reporting period, the management communicated with its affiliates, suppliers, and other third party buyers its plan to sell some of its equipment and parts presented as part of "Machinery and equipment". Although nothing yet has been finalized, management has been actively looking for interested buyers.

The remaining unsold assets as at December 31, 2018 were classified as a "Assets held for sale" in the consolidated statement of financial position as the sale is highly probable (i.e., sale transaction will be completed within a year from the reporting date) and the asset is available for immediate sale in its present condition.

Immediately before the reclassification of the equipment and parts as held for sale, the recoverable amount was estimated and an impairment loss amounting to ₱1.13 million was recognized to reduce the carrying amount of the assets held for sale to their fair value less costs to sell. The carrying value of the remaining asset classified as assets held for sale amounted to ₱3.62 million as at December 31, 2018.

12. Property, Plant and Equipment

The details and movements of this account for the year ended December 31 are shown below:

	2018							
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	**₱252,241**	**₱476,418**	**₱6,881,019**	**₱38,869**	**₱54,662**	**₱60,750**	**₱419**	**₱7,764,378**
Additions	–	**10,907**	**83,571**	**2,891**	**15,705**	**2,070**	**4,536**	**119,680**
Disposals	–	–	–	**(2,789)**	**(1,125)**	**(11,525)**	–	**(15,439)**
Deconsolidation	–	–	**(6,083)**	–	–	**(116)**	**(4,536)**	**(10,735)**
Insurance claim	–	–	**(90,146)**	–	–	–	–	**(90,146)**
Transfer to asset held for sale (see Note 11)	–	–	**(4,750)**	–	**(496)**	–	–	**(5,246)**
Transfer from investment property (see Note 16)	–	**1,845**	–	–	–	–	–	**1,845**
Balance at end of year	**252,241**	**489,170**	**6,863,611**	**38,971**	**68,746**	**51,179**	**419**	**7,764,337**
Accumulated depreciation								
Balance at beginning of year	**1,236**	**288,599**	**1,175,938**	**15,942**	**29,201**	**47,589**	–	**1,558,505**
Depreciation (see Note 27)	–	**75,327**	**290,354**	**7,489**	**6,388**	**4,813**	–	**384,371**
Disposals	–	–	–	**(2,789)**	**(1,125)**	**(11,518)**	–	**(15,432)**
Deconsolidation	–	–	**(154)**	–	–	**(25)**	–	**(179)**
Transfer to asset held for sale (see Note 11)	–	–	–	–	**(496)**	–	–	**(496)**
Balance at end of year	**1,236**	**363,926**	**1,466,138**	**20,642**	**33,968**	**40,859**	–	**1,926,769**
Accumulated impairment loss								
Balance at beginning of year	–	–	**75,672**	–	–	–	–	**75,672**
Allowance for impairment loss	–	**933**	**1,133**	–	–	–	–	**2,066**
Transfer to asset held for sale (see Note 11)	–	–	**(1,133)**	–	–	–	–	**(1,133)**
Balance at end of year	–	**933**	**75,672**	–	–	–	–	**76,605**
Net Book Value	**₱251,005**	**₱124,311**	**₱5,321,801**	**₱18,329**	**₱34,778**	**10,320**	**₱419**	**₱5,760,963**

	2017							
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	₱251,488	₱428,651	₱6,698,824	₱37,692	₱37,766	₱54,674	₱228,283	₱7,737,378
Additions	753	40,778	35,632	3,994	16,916	6,524	21,295	125,892
Disposals	–	–	–	(2,817)	(20)	(448)	–	(3,285)
Reclassifications	–	–	249,159	–	–	–	(249,159)	–
Transfer to investment property (see Note 16)	–	(4,306)	(102,596)	–	–	–	–	(106,902)
Transfer from investment property (see Note 16)	–	11,295	–	–	–	–	–	11,295
Balance at end of year	252,241	476,418	6,881,019	38,869	54,662	60,750	419	7,764,378
Accumulated depreciation								
Balance at beginning of year	1,236	246,135	921,539	10,878	24,776	42,574	–	1,247,138
Depreciation (see Notes 27 and 38)	–	46,090	316,768	7,375	4,445	5,458	–	380,136
Disposals	–	–	–	(2,311)	(20)	(443)	–	(2,774)
Transfer to investment property (see Note 16)	–	(3,626)	(62,369)	–	–	–	–	(65,995)
Balance at end of year	1,236	288,599	1,175,938	15,942	29,201	47,589	–	1,527,292
Accumulated impairment loss								
Balance at beginning and end of year	–	–	75,672	–	–	–	–	75,672
Net Book Value	₱251,005	₱187,819	₱5,629,409	₱22,927	₱25,461	₱13,161	₱419	₱6,130,201

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Category	In Years
Land improvements	10
Buildings and improvements	6-25
Machinery and equipment:	
Wind towers and equipment	25
Power plant	20
Power barges	10
Others	10-15
Tools and other miscellaneous assets	5-10
Transportation equipment	3-5
Office furniture, equipment and others	3-10

Purchase of Power Barges
On July 8, 2015, Power Barges 101, 102 and 103 were officially transferred from Power Sector and Liabilities Management Corporation (PSALM) to PHINMA Energy after its sale in 2014. In February 2016, Power Barges 101 and 102 received their respective Certificates of Compliance and started operations and all related capitalized costs were reclassified from “Construction in Progress” to “Machinery and equipment”. As at December 31, 2018, the total costs capitalized to Power Barges 101 and 102 included under “Machinery and equipment” amounted to ₱386.42 million. These costs include the purchase price and all other dry-docking and repair costs.

In October 2017, Power Barge 103 received its Certificate of Compliance from the ERC. All related costs capitalized to Power Barge 103 were reclassified from “Construction in Progress” to Machinery and Equipment. As at December 31, 2018, the carrying amount of Power Barge 103 included in “Machinery and equipment” amounted to ₱161.97 million.

Wind Projects
On October 7, 2014, the 54 MW Wind Power project in San Lorenzo, Guimaras started delivering power to the grid. Commercial operations started on December 27, 2014. The carrying amounts of the wind farm included under “Machinery and equipment” account as at December 31, 2018 and 2017 amounted to ₱4,310.28 million and ₱4,518.83 million, respectively, while those under “Land and land improvements” account as at December 31, 2018 and 2017 amounted to ₱197.18 million.

PHINMA Renewable commissioned wind measuring devices in several sites. Three devices were already decommissioned earlier due to low wind regime and typhoon damage. Wind masts in Aparri and Ballesteros were decommissioned in January and February 2016, respectively, due to their deteriorated condition, rendering both structures unsafe. Wind masts located in Sibunag and San Lorenzo, Guimaras were likewise decommissioned in May and June 2016, respectively, also due to their deteriorated condition.

On December 23, 2016, a new wind mast was installed in San Lorenzo, Guimaras for wind resource analysis and correlation with the 54 MW San Lorenzo Wind Farm. In May 2017, the wind mast in Nueva Valencia was decommissioned due to its deteriorated condition. As at March 19, 2018, PHINMA Renewable’ remaining wind measuring device continue to gather wind resource measurements at San Lorenzo, Guimaras.

Sale of Transmission Assets
PHINMA Renewable and CIPP executed Deeds of Sale with the NGCP on April 22, 2016 and May 23, 2016, respectively, for the disposition of transmission assets and PHINMA Renewable's submarine cable pursuant to Section 8 of RA No. 9136 or the EPIRA and the ERC decisions. As at date of sale, the carrying value of transmission assets and submarine cables sold by PHINMA Renewable and CIPP amounted to ₱660.15 million and ₱65.17 million, respectively. Receivables from NGCP arising from these sales are included under "Receivables" and "Other noncurrent assets" (see Notes 8 and 18).

Land Held under Finance Leases
The Company entered into finance leases of land in Barangay Suclaran and Cabano in San Lorenzo, Guimaras and Barangay Zaldivar and Sawang in Buenavista, Guimaras to facilitate the construction of the San Lorenzo wind farm (see Note 34). The carrying amount of land held under finance leases, included under "Land and land improvements", as at December 31, 2018 and 2017 amounted to ₱116.81 million.

Mortgaged Property and Equipment
PHINMA Renewable's wind farm with carrying value of ₱4,310.28 million and ₱4,518.83 million included under "Machinery and equipment" account is mortgaged as security for the ₱4.30 billion term loan as at December 31, 2018 and 2017 (see Note 20).

The insurance claim on machinery and equipment amounting to ₱90.15 million in 2018 pertains to the net insurance proceeds from third parties for the reimbursement of capital expenditures relating to the repair of Power Barge 103 as a result of damages due to typhoon.

The cost of fully depreciated assets still used by the Company amounted to ₱166.64 million and ₱146.17 million as at December 31, 2018 and 2017, respectively.

13. **Investments and Advances**

Details of investments in associates and interests in joint ventures and the carrying amounts as at December 31 are as follows:

	Percentage of Ownership	**2018**	2017
Investments in associates:			
MGI	25.00	**₱630,173**	₱535,230
Asia Coal Corporation (Asia Coal)*	28.18	**631**	631
Union Aggregates Corporation (UAC)**	31.25	**–**	–
		630,804	535,861
Interests in joint ventures:			
SLTEC	45.00	**3,438,199**	3,490,213
PHINMA Solar	50.00	**217,005**	–
ACTA	50.00	**36,676**	31,528
		3,691,880	3,521,741
		₱4,322,684	₱4,057,602

**Shortened corporate life to October 31, 2009.*
***Ceased operations.*

The details and movements of investments as well as the advances in associates and interests in joint ventures accounted for under the equity method are as follows:

	2018	2017
Investments in associates and interests in joint ventures		
Acquisition costs:		
Balance at beginning of year	**₱3,675,257**	₱3,531,934
Additions	**236,315**	98,323
Conversion from advances*	**–**	45,000
Balance at end of year	**3,911,572**	3,675,257
Accumulated equity in net earnings:		
Balance at beginning of year	**370,086**	426,832
Equity in net earnings for the year	**532,460**	1,024,995
Dividends received	**(504,913)**	(1,081,741)
Balance at end of year	**397,633**	370,086
Accumulated share in OCI:		
Balance at beginning of year	**(3,413)**	(277)
Share in other comprehensive income (loss)	**1,220**	(3,136)
Balance at end of year	**(2,193)**	(3,413)
Other equity transactions:		
Balance at beginning and end of year	**17,231**	17,231
Accumulated impairment losses	**(1,559)**	(1,559)
	4,322,684	4,057,602
Advances to an associate and a joint venture		
Balance at beginning of year	**–**	45,000
Additions	**–**	–
Advances converted to investment*	**–**	(45,000)
Balance at end of year	**–**	–
Total investments and advances	**₱4,322,684**	₱4,057,602

**ACTA's application for increase in authorized capital stock was approved on January 25, 2016. Consequently, the advances were converted to investment in a joint venture. In 2017, advances to MGI were converted to investment in associate.*

Investments in Associates

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.

The summarized financial information of MGI, a material associate of the Parent Company, as at and for the years ended December 31 and the reconciliation with the carrying amount of the investments and advances in the consolidated financial statements are shown below:

Summarized Statements of Financial Position

	2018	2017
Current assets	**₱997,778**	₱621,971
Noncurrent assets	**4,860,066**	4,968,843
Total assets	**5,857,844**	5,590,814
Current liabilities	**(450,925)**	(348,820)
Noncurrent liabilities	**(2,887,058)**	(3,094,978)
Net assets	**2,519,861**	2,147,016
Proportion of the Parent Company's ownership	**25%**	25%
Carrying amount of investments	**₱629,965**	₱536,754

Summarized Statements of Income

	2018	2017	2016
Revenue from sale of electricity	**₱1,110,004**	₱832,084	₱784,609
Cost of sale of electricity	**507,587**	384,475	380,770
Gross profit	**602,417**	447,609	403,839
Interest expense - net	**(181,323)**	(129,147)	(219,871)
General and administrative expenses	**(55,341)**	(35,163)	(43,350)
Other income (charges) - net	**10,843**	4,976	(104)
Income before income tax	**376,596**	288,275	140,514
Provision for (benefit from) income tax	**(903)**	163	11
Net income	**377,499**	288,112	140,503
Other comprehensive income (loss)	**346**	(7,772)	–
Total comprehensive income	**₱377,845**	₱280,340	₱140,503

On September 16, 2011, the Parent Company entered into an ESA with MGI under which the Parent Company will purchase the entire net electricity output of MGI's power plant for a period of 20 years at an agreed price, subject to certain adjustments (see Note 34). Commercial operations of MGI started in February 2014.

The Parent Company is also a Project Sponsor for MGI's ₱2.40 billion Term Loan Facility for the 20 MW Maibarara Geothermal Power Plant and ₱1.40 billion Project Loan Facility for its 12 MW Maibarara Expansion Project. In the event of a default of MGI, as a Project Sponsor, the Parent Company is obligated to:

- assign, mortgage or pledge all its right, title and/or interest in and its shares of stocks in MGI, including those that may be issued in the name of the Parent Company;
- assign its rights and/or interests in the Joint Venture Agreement executed on May 19, 2010 with PNOC Renewables Corporation;
- secure the debt service reserve account (DSRA) with a standby letter of credit, when reasonably required and pursuant to the terms of the facilities;
- guarantee the completion of the projects and for this purpose, the Parent Company undertakes to:
  i. contribute to MGI its pro-rata share of the funds necessary to enable MGI to complete the construction of its projects; and,
  ii. make cash advances or otherwise arrange to provide MGI with funds sufficient to complete construction, in the event that MGI does not have sufficient funds available to cover the full cost of constructing and completing the project due to costs overrun.

The loan covenants covering the outstanding debt of MGI include, among others, maintenance of debt-to-equity and debt-service ratios. As at December 31, 2018 and 2017, MGI is in compliance with the said loan covenants.

In 2015, the construction of Phase 2 of the project commenced. MGI successfully commissioned the 12-megawatt (MW) Maibarara Geothermal Power Plant-2 (MGPP-2) and successfully synchronized to the Luzon grid on March 9, 2018. On April 30, 2018, MGPP-2 commenced its commercial operations.

The advances of ₱45.00 million granted by the Parent Company in 2015 were converted to investments in associates in 2017. The Parent Company invested additional capital and received dividends amounting to ₱12.50 million and ₱80.25 million, respectively, in 2018 and ₱12.50 million and ₱25.00 million, respectively, in 2017. No dividend was received by the Company in 2016.

Asia Coal
On March 19, 2009, the BOD and stockholders of Asia Coal approved the shortening of its corporate life to October 31, 2009. Asia Coal shall be dissolved and liquidated, the date of which is subject to the approval of the SEC. As at March 21, 2019, Asia Coal is still in the process of securing a tax clearance with the BIR in connection with the filing with the SEC of its application for dissolution.

Asia Coal has not engaged in any activity since filing for the shortening of its corporate life.

Interests in Joint Ventures

SLTEC
The summarized financial information of SLTEC, a material joint venture of the Parent Company, as at and for the years ended December 31 and the reconciliation with the carrying amount of the investment in the consolidated financial statements are shown below:

Summarized Statements of Financial Position

	2018	2017
Current assets	**₱4,219,021**	₱5,348,826
Noncurrent assets	**16,497,811**	16,907,554
Current liabilities	**(3,024,932)**	(2,883,687)
Noncurrent liabilities	**(10,098,160)**	(11,664,627)
Net assets	**7,593,740**	7,708,066
Proportion of the Parent Company's ownership	**45%**	45%
Parent Company's share in the net assets	**3,417,183**	3,468,630
Other adjustments*	**21,016**	22,002
Carrying amount of investment	**₱3,438,199**	₱3,490,632

**Alignment of accounting policies on excess revenue over costs of testing and commissioning.*

Additional Information

	2018	2017
Cash and cash equivalents	**₱1,337,712**	₱1,403,297
Current financial liabilities*	**1,556,016**	1,562,666
Noncurrent financial liabilities	**10,082,253**	11,653,160

**Excluding trade and other payables and provision.*

Summarized Statements of Income

	2018	2017	2016
Revenue from sale of electricity	**₱6,270,087**	₱8,248,140	₱5,982,707
Cost of sale of electricity	**4,674,873**	5,163,660	3,526,798
Gross profit	**1,595,214**	3,084,480	2,455,909
General and administrative expenses	**(109,274)**	(152,125)	(163,838)
Interest expenses - net	**(749,724)**	(868,554)	(847,698)
Other income - net	**346,691**	70,302	376,249
Income before income tax	**1,082,907**	2,134,103	1,820,622
Provision for income tax	**104,953**	13,421	118,061
Net income	**977,954**	2,120,682	1,702,561
Other comprehensive income (loss) - net	**1,976**	(2,171)	98
Total comprehensive income	**₱979,930**	₱2,118,511	₱1,702,659

Additional Information

	2018	2017	2016
Depreciation and amortization	**₱781,075**	₱742,782	₱689,144
Interest income	**68,776**	49,983	45,233
Interest expense	**749,724**	868,554	892,931

The Parent Company earned dividends from SLTEC amounting to ₱492.42 million, ₱1,057 million and ₱644.95 million in 2018, 2017 and 2016, respectively.

On October 29, 2011, SLTEC signed the Omnibus Loan and Security Agreement with its local third party creditor banks with the Parent Company and AC Energy as Project Sponsors.

Under the terms of the Agreement, the Parent Company shall:

- enter into supply agreements with end users sufficient to cover such capacity required by SLTEC to break-even for two years, within eighteen (18) months from first drawdown. The consequence of failure is a draw-stop, which means SLTEC will not be able to draw on the loan;
- commit to provide advances to SLTEC in proportion to the Parent Company's equity interest in SLTEC to fund the project cost of the SLTEC power plant project;
- guarantee jointly with AC Energy to redeem the loan in the event that SLTEC defaults on the loan, and lenders are not able to consolidate title to the project site because title to the properties have not been issued; and,
- pledge its shares in SLTEC as security, and assign its offtake contracts to the lenders sufficient to cover such capacity required by SLTEC to break-even.

In accordance with the Joint Venture Agreement, AC Energy made an additional investment in SLTEC amounting to ₱61.08 million in 2011. The Parent Company's share in the additional investment made by AC Energy amounting to ₱30.54 million was recorded under "Other equity reserve" account in the 2011 consolidated statement of changes in equity. From 2012 to 2014, SLTEC incurred stock issuance costs totaling ₱22.80 million which were recognized by SLTEC as a reduction from its APIC and retained earnings. Of this amount, ₱11.40 million which represents the Parent Company's share in the said costs, was recognized equally as a reduction from the Parent Company's other equity reserve account and retained earnings (see Note 22).

On April 24, 2015, Unit 1 of the two (2) 135 MW coal fired units commenced its commercial operations. Unit 2 of the power plant commenced its commercial operations on February 21, 2016.

On December 20, 2016, the Parent Company sold 5% interest in SLTEC to APHPC (see Note 1). As a result of the sale, the Parent Company's interest in SLTEC was reduced from 50% to 45% and recognized a gain amounting to ₱444.21 million (see Note 28). As a result, the other equity reserve was reduced to ₱17.23 million (see Note 22).

PHINMA Solar
On December 11, 2018, the Parent Company and Union Galvasteel Corporation (UGC), a company under common control of PHINMA Inc., entered into a Deed of Sale for the sale of the Parent Company's 50% interest to UGC. The sale resulted in a gain of ₱5.83 million. In 2018, PHINMA Solar completed installation and commenced operations of two (2) solar panel projects.

The summarized financial information of PHINMA Solar, a material joint venture of the Parent Company, as at and for the year ended December 31, 2018 are shown below:

Summarized Statements of Financial Position

	2018
Current assets	**₱390,840**
Noncurrent assets	**45,856**
Current liabilities	**(2,463)**
Noncurrent liabilities	**(224)**
Net assets	**434,009**
Proportion of the Parent Company's ownership	**50%**
Parent Company's share in the net assets	**217,005**
Other adjustments	**–**
Carrying amount of investment	**₱217,005**

Additional Information

	2018
Cash and cash equivalents	**₱213,103**
Investments held for trading	**81,612**
Current financial liabilities	**2,463**
Noncurrent financial liabilities	**224**

Summarized Statements of Income

		2018
	Jan – Sept	**Oct – Dec**
Revenue from sale of electricity	**₱535**	**₱467**
Cost of sale of electricity	**169**	**183**
Gross profit	**366**	**284**
General and administrative expenses	**(7,322)**	**(7,755)**
Other income - net	**2,921**	**480**
Loss before income tax	**(4,035)**	**(6,991)**
Benefit from income tax	**1,317**	**2,439**
Net loss	**(2,718)**	**(4,552)**
Other comprehensive income - net	**–**	**231**
Total comprehensive loss	**(₱2,718)**	**(₱4,321)**

Additional Information

		2018
	Jan – Sept	**Oct – Dec**
Depreciation and amortization	**₱174**	**₱190**
Interest income	**642**	**1,659**

14. **Available-for-sale Investments**

AFS investments as of December 31, 2017 consists of:

Shares of stock:	
Listed	₱133,540
Unlisted	100,977
Golf club shares	53,270
Investment in a UITF	5,340
	₱293,127

No impairment was recognized in 2017 and 2016.

The movements in this account are as follows:

Balance at beginning of year	₱309,070
Additions during the year	7,215
Disposals during the year	(109)
Net changes in the fair market value of AFS investments	(23,049)
Balance at end of year	₱293,127

The movements in net unrealized gain on AFS investments are as follows:

Balance at beginning of year - net of tax	₱109,366
Net changes in the fair market value of AFS investments	(23,049)
Income tax effect	(393)
Balance at end of year - net of tax	₱85,924

The dividend income earned from AFS investments amounted to ₱2.05 million, ₱8.48 million and ₱7.43 million in 2018, 2017 and 2016, respectively.

On January 1, 2018, the Company reclassified all of its AFS investments to financial assets at FVOCI (see Notes 3 and 15).

15. **Financial assets at FVOCI**

Upon adoption of PFRS 9 effective January 1, 2018, the Company reclassified its AFS investments to financial asset at FVOCI which consisted of the following as of December 31, 2018:

Shares of stock:	
Listed	**₱137,096**
Unlisted	**109,399**
Golf club shares	**11,500**
	₱257,995

The movements in net unrealized gain on financial assets at FVOCI for the year December 31, 2018 are as follows:

Balance at the beginning of year - net of tax	₱–
Changes upon adoption of PFRS 9 - net of tax:	
Unrealized gain on AFS equity securities transferred to FVOCI (Note 14)	**85,924**
Remeasurement gain of unlisted equity securities (Note 3)	**13,643**
Unrealized gain on investment in a UITF closed to retained earnings due to change in classification (Note 3)	**(54)**
Unrealized loss recognized in other comprehensive income	**2,106**
Cumulative unrealized gain on disposal of equity instruments at FVOCI transferred to retained earnings	**(41,847)**
Balance at end of year - net of tax	**₱59,772**

The dividend income earned from financial assets at FVOCI amounted to ₱7.07 million in 2018.

16. **Investment Properties**

	2018			
	Land	**Property and Equipment**	**Office Unit**	**Total**
Cost:				
Balance at beginning of year	**₱13,085**	**₱106,902**	**₱–**	**₱119,987**
Transfer to PPE (see Note 12)	**–**	**(9,005)**	**–**	**(9,005)**
Transfer to asset held for sale (see Note 11)		**(97,897)**		**(97,897)**
Balance at end of year	**13,085**	**–**	**–**	**13,085**
Less accumulated depreciation:				
Balance at beginning of year	**–**	**69,072**	**–**	**69,072**
Transfer to PPE (see Note 12)	**–**	**(7,160)**	**–**	**(7,160)**
Depreciation (see Note 27)	**–**	**5,274**	**–**	**5,274**
Transfer to asset held for sale (Note 11)	**–**	**(67,186)**	**–**	**(67,186)**
Balance at end of year	**–**	**–**	**–**	**–**
Net book value	**₱13,085**	**₱–**	**₱–**	**₱13,085**

	2017			
	Land	Property and Equipment	Office Unit	Total
Cost:				
Balance at beginning of year	₱13,085	₱–	₱28,133	₱41,218
Transfer from PPE (see Note 12)	–	40,907	–	40,907
Transfer to PPE (see Note 12)	–	–	(28,133)	(28,133)
Balance at end of year	13,085	40,907	–	53,992
Less accumulated depreciation:				
Balance at beginning of year	–	–	16,838	16,838
Transfer to PPE (see Note 12)	–	–	(16,838)	(16,838)
Depreciation (see Note 27)	–	3,077	–	3,077
Balance at end of year	–	3,077	–	3,077
Net book value	₱13,085	₱37,830	₱–	₱50,915

The Company's investment properties are composed of land, office unit and property and equipment. Depreciation on the Company's office unit and power plant is calculated on a straight-line basis over the estimated useful life of six (6) to twenty (20) years.

The fair value of the property and equipment in 2017 amounted to ₱81.30 million based on the valuation by an independent firm of appraisers. The value of property and equipment was arrived at using the Cost Approach which estimates the current replacement cost of the replaceable property in accordance with current market prices for manufactured equipment. Replacement cost is defined as the estimated cost of constructing a structure of comparable utility, employing the design and materials that are currently used in the market. Adjustments are then made to reflect depreciation resulting from physical deterioration plus any functional and economic obsolescence that may exist to arrive at a reasonable valuation.

Current prices of similar used property in the second-hand market and the age, condition, past maintenance, and present and prospective serviceability in comparison with units of like kind were also considered in the appraisal.

No rental income was earned for the office unit in 2018 and 2017 since the related lease agreement with a third party ended in 2016. Rental income from the office unit in 2016 amounted to ₱1.78 million, which was recognized in the consolidated statement of income, while related direct costs and expenses amounted to ₱3.11 million in which was included as part of "General and administrative expenses" account in the consolidated statements of income.

Revenue from the property and equipment amounted to ₱16.44 million, ₱18.24 million and ₱67.24 million in 2018, 2017 and 2016, respectively, which was recognized in the consolidated statements of income, while related direct costs and expenses amounted to ₱15.68 million, ₱17.91 million and ₱49.92 million in 2018, 2017 and 2016, respectively, which was included as part of "Cost of sale of electricity" account in the consolidated statements of income.

17. Goodwill and Other Intangible Assets

Changes in goodwill and other intangible assets for the years ended December 31, 2018 and 2017 are as follows:

	2018			
	Goodwill	**Deferred Exploration Costs**	**Leasehold Rights**	**Total**
Cost:				
Balance at beginning of year	**₱234,152**	**₱132,450**	**₱99,839**	**₱466,441**
Cash calls	**–**	**4,526**	**–**	**4,526**
Balance at end of year	**234,152**	**136,976**	**99,839**	**470,967**
Accumulated depreciation:				
Balance at beginning of year	**–**	**–**	**58,690**	**58,690**
Amortization (see Note 27)	**–**	**–**	**16,190**	**16,190**
Balance at end of year	**–**	**–**	**74,880**	**74,880**
Accumulated impairment:				
Balance at beginning of year	**–**	**27,605**	**–**	**27,605**
Provisions for the year (see Note 25)	**–**	**48,263**	**–**	**48,263**
Balance at end of year	**–**	**75,868**	**–**	**75,868**
Net book value	**₱234,152**	**₱61,108**	**₱24,959**	**₱320,219**

	2017			
	Goodwill	Deferred Exploration Costs	Leasehold Rights	Total
Cost:				
Balance at beginning of year	₱234,152	₱122,222	₱99,839	₱456,213
Cash calls	–	10,105	–	10,105
Others	–	123	–	123
Balance at end of year	234,152	132,450	99,839	466,441
Accumulated depreciation:				
Balance at beginning of year	–	–	42,500	42,500
Amortization (see Note 27)	–	–	16,190	16,190
Balance at end of year	–	–	58,690	58,690
Accumulated impairment:				
Balance at beginning of year	–	22,713	–	22,713
Provisions for the year (see Note 25)	–	4,892	–	4,892
Balance at end of year	–	27,605	–	27,605
Net book value	₱234,152	₱104,845	₱41,149	₱380,146

Leasehold Rights and Goodwill

The leasehold rights and goodwill arose from PHINMA Power's acquisition of the entire outstanding shares of stocks of One Subic Power in 2014. One Subic Power and SBMA has 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 December 31, 2018 and 2017, the leasehold rights have a remaining useful life of 1.5 years and 2.5 years, respectively (see Note 34).

Impairment Testing of Goodwill

The goodwill acquired through business combination was allocated for impairment testing to One Subic Power's power plant operations, this being the CGU. The recoverable amount of the CGU was determined using the value in use approach calculated using all cash flow projections related to CGU based on the financial budgets and forecasts approved by the BOD, which management believes are reasonable and are management's best estimate of the ranges of economic conditions that will exist over the remaining useful life of the asset. The pre-tax discount rates of 10.20% and 8.15% in 2018 and 2017, respectively, were applied based on the weighted average cost of capital adjusted for the difference in currency and specific risks associated with the business of the CGU.

The recoverable amount exceeded the carrying amount of the CGU and, as a result, no impairment was recognized for the years ended December 31, 2018 and 2017.

The Company factors the discount rate in the calculation of the value in use of its goodwill.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

The excess of value in use over the carrying amount of the CGU amounted to ₱485.20 million as at December 31, 2018. An increase of 100 basis points in the Company's pre-tax discount rate will not result in an impairment of goodwill.

Deferred Exploration Cost

Details of deferred exploration costs are as follows:

	2018	2017
Petroleum and gas:		
SC 51/Geophysical Survey and Exploration Contract (GSEC) No. 93 (East Visayas)	**₱32,666**	₱32,666
SC 6 (Northwest Palawan)		
Block A	**22,568**	22,130
Block B	**4,892**	4,892
SC 69 (Camotes Sea)	**15,597**	15,597
SC 50 Northwest Palawan	**11,719**	11,719
SC 52 (Cagayan Province)	**10,994**	10,994
SC 55 (Southwest Palawan)	**6,817**	5,714
Geothermal:		
SC 8 (Mabini, Batangas)	**31,723**	28,738
	136,976	132,450
Allowance for impairment losses	**(75,868)**	(27,605)
Net book value	**₱61,108**	₱104,845

Below is the rollforward analysis of the deferred exploration costs as at December 31, 2018 and 2017:

	2018	2017
Cost:		
Balance at beginning of year	**₱132,450**	₱122,222
Cash calls	**4,526**	10,228
Balance at end of year	**136,976**	132,450
Accumulated impairment:		
Balance at beginning of year	**27,605**	22,713
Provision for the year (see Note 25)	**48,263**	4,892
Balance at end of year	**75,868**	27,605
Net book value	**₱61,108**	₱104,845

The foregoing deferred exploration costs represent the Company'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.

In 2017, the Company capitalized its share in various expenses to deferred exploration costs due to its operatorship in SC 69. Expenses capitalized were salaries and wages amounting to ₱0.09 million, depreciation expense amounting to ₱0.02 million and other expenses with a total amount of ₱0.01 million. Costs capitalized are included in the current work program for SC 69. No similar costs were incurred and capitalized in 2018.

The following summarizes the status of the foregoing projects:

a. SC 51/GSEC 93 (East Visayas)

In April 2012, the Operator, Otto Energy Investments Ltd. (Otto Energy) [formerly "NorAsian Energy Ltd."] commenced a 100-kilometer (km) 2D seismic program in the town of San Isidro, Leyte primarily to pick the optimum location for the drilling of the Duhat prospect, which reservoir objective was not reached by the Duhat-1 and Duhat-1A wells in 2011.

In mid-May 2012, the foreign seismic acquisition contractor unilaterally suspended its field operations as instructed by its government.

In view of said development, the DOE granted on September 30, 2012 the consortium's request for a six-month extension of the current Sub-Phase 4 to January 31, 2013.

The 2D seismic survey resumed after a one-month suspension and was completed on October 1, 2012. Data processing was completed by December 31, 2012.

The consortium elected to enter Sub-Phase 5 (January 31, 2013 to January 31, 2014) with the drilling of Duhat-2 well in Northwest Leyte as work commitment.

Swan Oil and Gas Ltd. (Swan) withdrew from SC 51 in September 2012 after settling disputes over the North Block (Northwest Leyte) and the South Block (Cebu Strait) with Otto Energy and Filipino partners (remaining members of the consortium), respectively. Consequently, the 40% participating interest of Swan in the North Block reverted to Otto Energy, and as between Otto Energy and Filipino partners, the latter retained 100% interest in the South Block.

The Filipino partners signed a Farm-in Option Agreement with Frontier Oil Corporation (Frontier Oil) over the South Block on October 23, 2012. Under the said Agreement, Frontier Oil has the option to acquire 80% participating interest in the area by undertaking to drill the Argao-1 well at its sole cost during Sub-Phase 6 of SC 51 (January 31, 2015 to July 8, 2015). Frontier Oil may exercise its option not later than January 31, 2013, which was extended to February 28, 2013. The Farm-in Option Agreement lapsed since the option was not exercised by Frontier Oil.

On July 24, 2013, Otto Energy spudded the Duhat-2 well in Northwest Leyte but prematurely plugged and abandoned the well on July 26, 2013 at a depth of 201 meters for safety and environmental reasons, after encountering a high-pressure water zone. Otto Energy completed the demobilization for the Duhat-2 well on August 30, 2013 and conducted post-well studies. The new information will be considered in any future decisions on SC 51. The consortium requested the DOE a six-month extension of the current exploration Sub-Phase 5 to July 31, 2014 to be able to conduct post-well geological, geophysical and drilling studies. The DOE approved the foregoing request on November 7, 2013.

On May 5, 2014, Otto Energy notified the PHINMA Petroleum and the other partners in the consortium that it has elected to withdraw from SC 51. Otto Energy's withdrawal from SC 51 and the transfer of its participating interest to the remaining parties are subject to the approval of the DOE.

On June 28, 2014, the Filipino partners requested the DOE for suspension of the exploration of Sub-Phase 5 from the date Otto Energy notified the DOE of its withdrawal from SC 51 until the DOE approves the transfer of Otto Energy's participating interest to the Filipino partners.

On May 11, 2015, the DOE approved the request for an extension of Sub-Phase 5 to July 8, 2016.

On March 3, 2017 and December 20, 2017, the Filipino partners reiterated their intent to carry on with the exploration of SC 51, following Otto Energy's withdrawal from the block and consequent resignation as Operator. They further signed and executed a Deed of Undertaking to pay the outstanding financial obligation of Otto Energy amounting to US$124,763, subject to the approval of the transfer of interest from Otto Energy to the continuing parties, the extension of the term of the contract, and the revision of work program from drilling of a well to the conduct of pore pressure prediction study and gravity survey. Of this amount, PHINMA Petroleum's share is US$41,596 which is equivalent to the pro-rata amount of liability using its post-adjustment ownership interest.

On May 15, 2018, PHINMA Petroleum notified the DOE of its withdrawal from SC 51 and advised the latter that it would no longer pursue its entitlement to Otto Energy's participating interest under the Deed of Undertaking dated March 3, 2017. The DOE acknowledged this formal notification from PHINMA Petroleum on May 23, 2018.

On June 1, 2018, the DOE approved the transfer of Otto Energy's participating interests in SC 51 to the Filipino Partners. PHINMA Petroleum's participating interest was adjusted from 6.67% to 33.34% after the DOE's approval of the withdrawal of Otto Energy.

On July 4, 2018, the SC 51 Consortium, noting that the attendant requested conditions that would allow full implementation of the proposed work program were not covered in the said approval (i.e., SC 51 term extension, revision of work program), notified the DOE of their decision to relinquish SC 51 block, to withdraw from SC 51 and to waive their rights to Otto Energy's interest.

The SC 51 Consortium met with the DOE on several occasions to craft the best way forward in SC 51. On December 17, 2018, as had been agreed in a number of meetings, the Consortium provided further justification for waiver to pay the outstanding financial obligation of Otto Energy, as executed in the Deed of Undertaking, given that the aforementioned conditions were not met. The matter is still being evaluated by the DOE and the aforementioned requests are pending as at March 21, 2019.

In 2018, the Company recognized full provision for probable loss on deferred exploration costs pertaining to SC 51 amounting to ₱32.67 million due to the relinquishment of PHINMA Petroleum's participating interest.

b. SC 6 (Northwest Palawan)

<u>Block A</u>
Pitkin Petroleum Plc. (Pitkin), the Operator, completed a geophysical review of the block.

The partners for SC 6 Block A approved the conduct of a new 500-sq. km. 3D seismic program over selected prospects and leads in the first half of 2013, subject to issuance of local government permits.

Under the Farm-in Agreement dated July 11, 2011, Pitkin shall carry PHINMA Petroleum and the other non-operating consortium members in the costs of said seismic program and the drilling of two wells, in exchange for the assigned 70% participating interest.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed bathymetry and 3D seismic survey over the area to the Palawan Council for Sustainable Development (PCSD).

Pitkin completed a 500-sq. km. 3D seismic survey over selected prospects and leads.

Pitkin notified the partners on August 28, 2014 that it shall not exercise its option under the Farm-in Agreement to drill a well in the block and will withdraw from the block by December 31, 2014. By December 31, 2014, Pitkin completed geological and geophysical work programs in fulfillment of its obligations under the first exploration phase. The remaining partners agreed to pursue the geological evaluation of the block.

PHINMA Petroleum's interest reverted to 7.78% from 2.334% following the withdrawal of Pitkin Petroleum, and subsequent approval of the assignment of interest by the DOE on June 24, 2015.

On August 28, 2015, the consortium completed its work program consisting of geological and geophysical evaluation.

On November 3, 2015, the DOE approved the 2016 work program consisting of specialized geophysical studies. The pertinent geophysical program commenced in November 2015 and was completed by December 31, 2016.

On December 20, 2016, the consortium submitted to the DOE its proposed 2017 work program consisting of advanced geophysical studies. On February 13, 2017, the program was approved by the DOE. The work program of advanced seismic data reprocessing and quantitative seismic inversion study was completed in December 2017. The studies yielded significant improvement in the imaging of complex and deeper geological structures.

On January 8, 2018, the consortium submitted to the DOE its proposed 2018 work program composed of seismic interpretation and mapping and integration of quantitative inversion results that would serve as input to preliminary well design and cost estimates.

The Consortium completed its 2018 work program and said undertaking have improved the resource evaluation of the mapped leads and prospects in the area.

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.

No impairment was recognized for SC 6 Block A as the Company believes that the related deferred exploration costs are still recoverable.

Block B

Pursuant to a Farm-in Agreement dated February 4, 2011, Peak Oil and Gas Philippines Ltd. (Australia), Blade Petroleum Philippines Ltd. (Australia) and Venturoil Philippines, Inc. ("Farminees") exercised their option to acquire 70% participating interest of the SC 6 Block B consortium, which includes PHINMA Petroleum ("Farmors").

Under the Farm-in Agreement, the Farminees were supposed to shoulder all the Farmors' share of exploration and development expenditures in the Block up to the production of first oil.

The DOE denied the applications for the transfer of participating interests to the Farminees and transfer of operatorship due to failure of the Farminees to comply with DOE requirements. Under the Farm-in Agreement, the Farminees would have been eligible to earn a combined 70% of the participating interest of the farming out parties. On August 7, 2013, the DOE directed the original Operator, Philodrill, to submit a new and comprehensive work program and budget of exploration activities over the Block.

On September 13, 2013, the DOE approved the work program and budget for SC 6 Block B for the 5th year of extension period. The pertinent geological and geophysical program commenced in October 2013 and was completed in January 2014.

The consortium formulated a work program for the next five years of the extension period which started on March 1, 2014. Partners submitted, for the DOE's approval, a 3-year work program consisting mainly of geophysical studies with a corresponding budget amounting to US$0.72 million. The geophysical studies were completed by the third quarter of 2016.

To improve the viability of the primary prospect, the consortium requested the DOE to reconfigure the contract area to include an adjoining block, which hosts an oil field where production had been suspended.

PHINMA Petroleum holds 7.78% and 14.063% participating interests in Block A and Block B, respectively. SC 6 is valid until February 28, 2024 subject to fulfillment of work commitments for each of the three 5-year terms comprising the 15-year extension period of SC 6 in respect of Block A and B and payment of training assistance, development assistance and scholarship funds to the DOE.

On February 20, 2017, PHINMA Petroleum gave notice to the consortium of relinquishment of its 14.063% participating interest in SC 6 Block B and the Operating Agreement, but said relinquishment shall not include its 2.475% carried interest. The retained carried interest would entitle PHINMA Petroleum for a share in the gross proceeds from any production in the block, once all exploration costs have been recovered. The carried interest will be valued upon establishment of the commercial viability of the project.

In 2017, the Company recognized full provision for probable loss on deferred exploration costs pertaining to SC 6B amounting to ₱4.89 million due to PHINMA Petroleum's relinquishment of its participating interest, but not the carried interest, to its partners.

On April 12, 2018, the transfer of participating interest from PHINMA Petroleum to SC6 Block B continuing parties was approved by the DOE.

c. SC 69 (Camotes Sea)

Interpretation of the 229-square kilometers (sq. km.) 3D seismic data acquired in June 2011 generated three drillable prospects.

The DOE granted the consortium's request for a nine-month extension of Sub-Phase 3 to May 7, 2013 to allow completion of technical studies.

On April 4, 2013, the DOE granted the consortium's request for a further six-month extension of Sub-Phase 3 to November 6, 2013 to allow completion of technical studies and initiate farm-out efforts.

On August 23, 2013, the Operator, Otto Energy (Philippines) Inc. (Otto Philippines), confirmed to PHINMA Petroleum that it did not intend to enter Sub-Phase 4 of SC 69 and will reassign 9% participating interest in SC 69 to PHINMA Petroleum pursuant to the Assignment Agreement dated February 3, 2011.

Following an unsuccessful campaign to farm out its participating interest, Otto Philippines notified PHINMA Petroleum and Frontier Gasfields Pty. Ltd. (Frontier Gasfields) of its withdrawal in SC 69 on October 4, 2013. PHINMA Petroleum and Frontier Gasfields subsequently jointly requested the DOE a six-month extension of the October 7, 2013 deadline to elect to enter the next exploration sub-phase, which started on November 7, 2013. An additional extension of the contract term to December 31, 2014 was requested due to the delays in the transfer of participating interests and operatorship to the remaining partners.

Following DOE approval of the assignment of Otto Philippines' interests to PHINMA Petroleum and Frontier Gasfields on October 14, 2014, PHINMA Petroleum's participating interest in SC 69 was adjusted from the current 6% to 50%.

On March 17, 2014, PHINMA Petroleum and Frontier Gasfields jointly requested the DOE an extension of the term of SC 69 until December 31, 2014. The DOE extended the term of Sub-Phase 3 to May 7, 2014 to enable the remaining parties to proceed with planned exploration activities and PHINMA Petroleum was designated as Operator of SC 69.

On April 17, 2015, the consortium entered Sub-Phase 4 (May 2015 to May 2016) which entails a commitment to either undertake a 3D seismic program or drill an exploratory well. The DOE approved the consortium's requests that participation in a proposed multi-client 2D seismic survey be credited as fulfillment of its work obligation under the current Sub-Phase and a 6-month extension of the term of SC 69 to November 2016.

On June 30, 2016, PHINMA Petroleum signed a licensing agreement with a seismic contractor for the acquisition of 750 km of seismic data under the multi-client survey. The seismic contractor in a letter dated August 18, 2016 informed PHINMA Petroleum that it could not proceed with the leg of the survey due to permitting and weather constraints. The consortium requested an extension of the term of SC 69 due to Force Majeure.

As at December 29, 2017, the DOE approved the request for extension due to Force Majeure, effective until November 7, 2018, with an attendant work program of permitting and information and education campaigns to address impediments to the planned seismic survey.

On June 4, 2018, the SC 69 Consortium notified the DOE of its relinquishment of SC 69 block in view of the strong oppositions to the Project from various stakeholders, including several Local Government Units and Non-Government Organizations, making the conduct of petroleum exploration business in the area very challenging, if not impossible. The aforementioned request is still pending with the DOE as at March 21, 2019.

In 2018, the Company recognized full provision for probable loss on deferred exploration costs pertaining to SC 69 amounting to ₱15.60 million due to the relinquishment of PHINMA Petroleum's participating interest.

d. SC 50 (Northwest Palawan)

In 2013, PHINMA Petroleum commenced negotiations with Frontier Energy Limited (Frontier Energy), the Operator, regarding a Farm-in Agreement that would provide for PHINMA Petroleum's acquisition of 10% participating interest in SC 50.

Subject to execution of said Farm-in Agreement, PHINMA Petroleum has committed to subscribe to 136,000,000 in Frontier Oil shares through the latter's planned initial public offering.

On September 1, 2014, PHINMA Petroleum made advance payment to Frontier Oil amounting to ₱20.00 million pursuant to the Memorandum of Agreement with Frontier Energy and Frontier Oil dated August 22, 2014 subject to execution of a Farm-in Agreement and Loan Agreement among the parties not later than thirty (30) days from date of execution of the MOA. The advances are due 24 months after the release of the funds. In the event a Loan Agreement for ₱136.00 million is signed between PHINMA Petroleum and Frontier Oil, the advances shall be considered as initial drawdown on the Loan.

On October 16, 2014, PHINMA Petroleum signed the following agreements providing for its acquisition of 10% participating interest in SC 50:

1. Farm-in Agreement with Frontier Energy and Frontier Oil
2. Deed of Assignment with Frontier Energy
3. Loan Agreement with Frontier Oil

Frontier Oil, the Operator, applied for a Force Majeure in view of the unilateral cancellation of its rig contract by the other partners in the consortium.

On October 5, 2015, the DOE denied the Operator's request and, consequently, ruled that the contract effectively expired in March 2015. On October 20, 2015, Frontier Oil contested DOE's position and engaged the DOE in discussions aimed at a mutually acceptable resolution of the issue.

In 2016, the advances to Frontier Oil amounting to ₱20.00 million was fully provided with an allowance for credit losses account (see Note 8) and the deferred exploration costs amounting to ₱11.72 million was fully provided with an allowance for impairment, due to the expiration of the SC's term and denial by the DOE of the request for Force Majeure.

In January 2016, Frontier Oil requested a 2-year moratorium on contract obligations. A subsequent letter was sent to the DOE, dated December 14, 2016, requesting for reconsideration of the termination of SC 50.

As at March 21, 2019 approval of the assignment of 10% participating interest in SC 50 to PHINMA Petroleum remains pending with the DOE.

e. SC 55 (Southwest Palawan)

On May 2, 2012, the DOE approved a twelve-month extension of exploration Sub-Phase 4 to August 5, 2013 to enable BHP Billiton Petroleum (Philippines) Corporation (BHP Billiton), the Operator, to secure a drilling rig with specialized well control equipment for the committed Cinco-1 well. The Cinco-1 well will test a large interpreted carbonate structure in 1,400 meters of water.

Palawan55's 6.82% participating interest will be carried in the drilling cost of two (2) wells in the block under its Participation Agreement dated March 15, 2005 with the predecessors-in-interest of Otto Energy [formerly "NorAsian Energy Ltd."] and an Agreement with NorAsian Energy Ltd. dated February 3, 2011.

In May 2013, BHP Billiton filed a Notice of Force Majeure under SC 55 with the DOE in order to preserve the term of the current exploration sub-phase that requires the drilling of one exploratory well. It is deemed that the Force Majeure event commenced on September 7, 2012, at which time the endorsement of the Sangguniang Panlalawigan of the province of Palawan and the Strategic Environmental Plan (SEP) Clearance from the PCSD would have been released in the ordinary course of business.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed Cinco-1 drilling to the PCSD. The PCSD approved the issuance of the SEP clearance for the drilling of Cinco-1 well but BHP Billiton sought amendment and clarification on certain conditions set by PCSD. The SEP was issued by the PCSD and signed by all parties in October 2013.

BHP Billiton requested from the DOE an extension of the current Sub-Phase 4 to October 2014 to account for the Force Majeure period caused by the fourteen-month delay in issuance of the aforementioned PCSD clearance.

In November 2013, BHP Billiton verbally informed the partners of its decision not to drill a well under SC 55 and proposed to reassign its 60% participating interest to Otto Energy. Otto Energy subsequently signed a Letter of Intent with BHP Billiton providing for the termination of their Farm-out Agreement and the reassignment of BHP Billiton's participating interest, including a cash settlement.

In January 2014, BHP Billiton and Otto Energy signed definitive agreements for the reassignment of the former's participating interest to the latter. The DOE approved the transfer of the 60% participating interest of BHP Billiton to Otto Energy Philippines, Inc. and the transfer of Operatorship to Otto Energy. The approval formalized the exit of BHP Billiton in SC 55. Otto Energy submitted a revised work program to the DOE focused on the drilling of an ultra deepwater prospect and commenced a farm-out campaign. The new work program was subsequently approved by the DOE. On April 29, 2014, the DOE extended the term of Sub-Phase 4 to December 23, 2014. Otto Energy commenced preparations for exploratory drilling.

On October 15, 2014, Otto Energy requested the DOE a one-year extension of Sub-Phase 4 to December 23, 2015. The requested extension was approved by the DOE on November 7, 2014.

On July 31, 2015, Otto Energy commenced drilling of the Hawkeye-1 exploratory well and on August 17, 2015 completed the drilling to a total depth of 2,920 meters. The well discovered gas, which is deemed to be non-commercial. Otto Energy informed its partners of its decision to withdraw from the service contract.

On December 22, 2015, the consortium requested the DOE for a two-year contract moratorium and proposed technical studies that would assess the impact of the results of Hawkeye-1 on the remaining prospect of the area.

On June 14, 2016, the DOE extended the term of SC 55 until December 23, 2017.

On November 21, 2016, Otto Energy and Otto Energy Philippines notified the DOE of their withdrawal from SC 55.

On November 22, 2017, Palawan55 notified the DOE of its willingness to assume its pro-rata, post- adjustment share (37.50%) amounting to US$0.06 million of Otto Energy's outstanding training fund obligation of US$0.17 million in conjunction with the DOE's approval of the assignment of interests and favorable consideration for a reasonable extension of the moratorium period that would allow execution of the committed technical studies.

On March 26, 2018, the DOE approved the transfer of participating interests from Otto Energy to its Partners, Palawan55, Century Red and Pryce Gases, Inc. The Moratorium Period until April 26, 2019 was also approved with a budget of US$0.48 million for 3D seismic reprocessing and Quantitative Inversion Study.

On August 23, 2018, Palawan55 awarded the 3D Marine PreSTM and PreSDM Reprocessing and Quantitative Services Contract to a third party. The Notice to Proceed was issued on September 10, 2018. Said work program is currently ongoing.

On November 19, 2018, Palawan55 requested for an extension of the SC 55 Moratorium Period up to December 31, 2019 due to the fact that the Quantitative Interpretation Study and Resource Assessment will only be completed after April 2019. The DOE acknowledged the receipt of this request from Palawan55 on November 23, 2018. The said request is still pending approval as at March 21, 2019.

In December 2018, a third-party Partner in the consortium advanced its payment for its share in the 2019 work program amounting to US$0.07 million or ₱3.66 million. This shall be applied to the third party's share in the subsequent expenditure of SC 55.

In 2018, Palawan55 accrued its share in the training obligations for SC55 payable to DOE amounting to ₱3.49 million.

Palawan55's 6.82% participating interest in SC 55 was adjusted to 37.50% upon the DOE's approval of the withdrawal of Otto Energy.

No impairment was recognized for SC 55 as the Company believes that the related deferred exploration costs are still recoverable.

f. SC 8 (Batangas - Mabini Geothermal Service Contract)

On December 3, 2013, the Parent Company signed a MOA with Basic Energy Corporation (Basic Energy), under which the Parent Company shall acquire from Basic Energy a 10% participating interest in the Mabini Geothermal Service Contract, which interest may be increased up to 40%, at the option of the Parent Company, after the Parent Company completes a gravity program in the contract area at its sole cost.

The DOE approved on September 1, 2015 a one-year extension of Contract Year 8 to July 10, 2016 with a one-well drilling obligation. On September 15, 2015, the DOE approved the transfer of 25% participating interest in subject GSC from Basic Energy to the Parent Company.

Preparations for the drilling commenced in the fourth quarter of 2015. The consortium completed the drilling program of MAB-1 well in March 2017.

Other field operations were stopped indefinitely due to a Cease-and-Desist Order issued by the Mabini Mayor in light of the series of earthquakes that hit the town in April 2017.

The Consortium invoked the Force Majeure provision in the Contract and requested the DOE for the suspension of work obligation due to Force Majeure. The request is still under DOE evaluation.

On November 29, 2017, the DOE approved the work program consisting of Information and Education Campaigns (IEC) and permitting works.

In 2018, the Consortium held continuing IEC together with the DOE and PHIVOLCS to obtain support from the local government units towards lifting of the Cease-and-Desist Order.

On July 3, 2018, the Parent Company formally notified Basic Energy, the Operator, of its withdrawal from the service contract and Joint Operating Agreement (JOA) for the block.

In August 2018, Basic Energy proposed to conduct the forward drilling program on its own, "Operation by Fewer than all the Parties: under the JOA) and carry the Parent Company's share of attendant costs. The Parent Company expressed its willingness to consider the said proposal and requested Basic Energy's key terms for the Parent Company's consideration.

Key terms of the proposal are yet to be provided by Basic Energy as at March 21, 2019.

g. SC 52 (Cagayan Province)

The Parent Company and Frontier Oil executed on January 12, 2012 a Farm-in Option Agreement which granted the Parent Company the option to acquire 10% participating interest from Frontier, which may be exercised after completion of re-entry and testing of the Nassiping-2 well.

The Nassiping-2 well was drilled by Petro-Canada in 1994 but was not tested although gas shows were recorded.

Test operations conducted by Frontier Oil in February 2012 failed to establish a stable gas flow despite high surface pressure and strong initial flow rates. Frontier suspended the well for future re-entry after confirming the presence of movable gas in the target interval.

The Parent Company and Frontier Oil signed an Amendment Agreement extending the former's option to 90 days after completion of programmed re-testing operations on the Nassiping-2 well.

The DOE approved the consortium's entry into Sub-Phase 4 (July 8, 2012 to July 8, 2013) with the Nassiping-2 Stimulation and Testing Program as work commitment.

Frontier Oil suspended the Stimulation and Testing Program in December 2012 after repeated attempts to remove a plug that would have allowed acidization of the upper test zones failed. In view of this suspension of the Stimulation and Testing Program, the Company recognized impairment loss amounting to ₱12.87 million in 2012.

Frontier Oil elected to enter Sub-Phase 5 (ending July 2014) with the deepening of the Nassiping-2 well, including the testing of all prospective gas-bearing intervals in the borehole, as one of two well obligations.

The Parent Company and Frontier Oil signed a Second Amendment to their Farm-in Option Agreement in July 2013 that extended the option period and expanded the coverage of the Parent Company's option to include the untested deeper prospective gas-bearing intervals identified in the well, under the following terms:

1) The Parent Company shall pay to Frontier Oil a total of US$0.40 million (Supplemental Option Fee) as follows:
   a. US$0.20 million shall be paid within five (5) working days of signing of the second (2nd) amendment agreement
   b. US$0.20 million shall be paid within five (5) working days of Company's receipt of a written notice from Frontier Oil which confirms that Frontier Oil has entered into a binding rig contract that will enable Frontier Oil to comply with the Workover Program

2) Upon payment of the Supplemental Option Fee, the Option Period shall be extended until ninety (90) days from the date of completion of the Workover Program.

On July 8, 2013, the first tranche of the supplemental option fee amounting to ₱8.7 million or US$0.20 million was paid.

In December 2013, Frontier Oil signed a drilling rig contract for the deepening and testing of the Nassiping-2 well. On account of this development, the Parent Company reversed in full the impairment loss in 2013. Based on the quantification of an independent expert, the expected monetary value of the contingent resources attributable to the SC 52 portion of the Nassiping Dome is US$128.7 million.

As requested by Frontier Oil, the DOE approved the extension of Sub-Phase 5 to January 8, 2015. On January 3, 2014, the second (2nd) tranche of ₱8.88 million or US$0.20 million was paid.

In letters dated February 10, 2015 and May 28, 2015, Frontier Oil Corporation requested the DOE a two-year moratorium on work obligations under Sub-Phase 5 which ended on July 8, 2015.

On February 2, 2016, the DOE denied Frontier Oil's request for moratorium of work commitments on the basis of Force Majeure. In 2016, the Company reclassified to receivables the option fee of ₱19.44 million recoverable upon expiration of the SC. The option fee was fully provided with an allowance for doubtful account (see Note 8).

In 2016, the Company assessed and fully provided for probable losses for deferred exploration costs pertaining to SC 52 amounting to ₱10.99 million due to the expiration of its terms and subsequent denial of the DOE of the request for Force Majeure.

In December 2016, Frontier Oil, as instructed by the DOE, submitted certain documents in support of its request for Force Majeure. As at March 21, 2019, the requests for Moratorium and appeal for contract reinstatement are still pending DOE's approval.

Pililia Hydropower Service Contract (HSC) (Rizal)
The Company requested for the reinstatement of Pililia HSC and the DOE approved the reinstatement until July 7, 2016, subject to certain conditions.

The Parent Company also requested a three-year extension of the pre-development stage of the service contract and as at March 21, 2019, is still waiting for the response from the DOE.

18. **Other Noncurrent Assets**

	2018	2017
Trade receivable (Note 21)	**₱1,123,511**	₱1,123,511
Receivables from third parties	**501,266**	650,627
Deposits	**102,346**	27,930
Prepaid rent	**50,079**	55,497
Balance at end of year	**₱1,777,202**	₱1,857,565

Receivables from third parties include interest-bearing receivables collectible until April 2021 and noninterest-bearing receivables from NGCP arising from the sale of transmission assets as discussed in Note 12, which are collectible annually within three (3) years from the date of sale, discounted using the Philippine Dealing System Treasury Reference Rate (PDST-R2) on transaction date ranging from 2.14% - 4.56%.

Prepaid rent pertains to easements and right of way agreements with land owners in Guimaras for the transmission lines connecting its 54 MW wind farm project located in San Lorenzo, Guimaras to the grid (see Note 34).

Deposits include deposits to distribution utilities, advances to contractors/ suppliers and noncurrent portion of the refundable security deposit with SBMA.

Noncurrent trade receivable and trade payable (see Note 21) relate to –

Multilateral Agreement

Due to its interpretation of the WESM Rules, the PEMC allocates its uncollected receivables due from power purchasers in the WESM to the generators which sold power to the WESM. On December 23, 2013, the Supreme Court (SC) issued a 60-day Temporary Restraining Order (“TRO”) enjoining the Manila Electric Company (MERALCO) and the ERC from implementing the Automatic Generation Rate Adjustment (AGRA) mechanism for the November 2013 billing period. The AGRA allows automatic pass through of the cost of power purchased from WESM. In turn, MERALCO did not pay PEMC a significant portion of its November and December 2013 power bills. PEMC in turn, did not pay the Company the full amount of its electricity sales. On April 22, 2014, the SC extended indefinitely the TRO it issued over the collection of the November 2013 power rate increase.

The ERC issued an Order (ERC Case No. 2014-021 MC) dated March 3, 2014 voiding the WESM prices of November and December 2013 power bills. As directed by ERC, PEMC recalculated the regulated prices and issued WESM adjusted power bills in March 2014 which the Company recorded resulting to an increase in receivables and net trading revenues.

Certain market players filed motions for reconsideration resulting in ERC’s issuance of another Order dated March 27, 2014 for PEMC to provide market participants an additional forty-five (45) days, or up to May 12, 2014 to settle their WESM power bills covering the adjustments for the period October 26 to December 25, 2013. ERC extended the settlement of WESM power bills to a non-extendible period of thirty (30) days up to June 11, 2014 which resulted in a Multilateral Agreement where the WESM Trading Participants agreed to be bound to a payment schedule of six (6) months or twenty-four (24) months subject to certain conditions. The Company signed the Agreement on June 23, 2014. In 2016, the Company collected ₱205.31 million, under the said Multilateral Agreement. In June 2016, the 24-month period of repayment prescribed; hence, the Company provided an allowance for doubtful accounts related to the receivables under the Multilateral Agreement amounting to ₱13.75 million.

19. Accounts Payable and Other Current Liabilities

	2018	2017
Trade payables	**₱519,505**	₱516,281
Due to related parties (see Note 31)	**801,165**	1,187,845
Output VAT	**144,366**	145,486
Deferred revenue - current portion	**387,289**	402,447
Nontrade	**192,154**	114,645
Accrued expenses	**121,534**	214,339
Accrued interest expense (see Note 35)	**79,297**	133,983
Finance lease obligations - current portion (see Note 34)	**14,803**	14,328
Retention payables	**1,096**	2,867
Accrued directors' and annual incentives (see Note 31)	**–**	19,757
Others	**8,189**	7,004
	₱2,269,398	₱2,758,982

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

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

Deferred revenue pertains to the upfront payment received from a customer in consideration of the contract amendments and modifications. The deferred revenue shall be amortized over the remaining term of the contract until December 2019.

Accrued expenses include insurance, sick and vacation leave accruals (see Note 30), station use, One Subic Power variable rent at SBMA (see Note 34) and accruals for incentive pay.

Nontrade payables include liabilities for various purchases such as additions to property, plant and equipment and spare parts.

Finance lease obligations refer to lease agreements entered into by the Company with individual land owners. These leases have terms of twenty (20) to twenty-five (25) years (see Note 34).

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

Others consist of liabilities to employees, statutory payables, deposit payables and a derivative liability.

The Company is a party to certain claims and assessments in the ordinary conduct of business. The information usually required by PAS 37 is not disclosed on the ground that it can be expected to prejudice the outcome or the Company's position with respect to these matters.

20. **Loans**

Long-term loans

As at December 31, this account consists of:

	2018	2017
PHINMA Renewable term loan facility	**₱1,644,743**	₱1,732,558
PHINMA Energy long-term loans	**4,728,870**	5,156,291
	6,373,613	6,888,849
Add premium on long-term loans (embedded derivative)	**4,247**	6,009
Less unamortized debt issue costs	**40,927**	45,482
	6,336,933	6,849,376
Less current portion of long-term loans (net of unamortized debt issue costs)	**265,460**	226,949
Noncurrent portion	**₱6,071,473**	₱6,622,427

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

	Derivatives	Debt Issue Costs
As at December 31, 2016	₱7,722	₱72,871
Additions	–	11,750
Amortization/accretion for the year*	(1,713)	(39,139)
As at December 31, 2017	6,009	45,482
Additions	–	6,975
Amortization/accretion for the year*	(1,762)	(11,530)
As at December 31, 2018	**₱4,247**	**₱40,927**

**Included under "Interest and other financial charges" in the "Other income - net" account in the consolidated statements of income (see Note 28).*

PHINMA Renewable

On December 18, 2013, PHINMA Renewable entered into a ₱4.3 billion Term Loan Facility with Security Bank Corporation (SBC) and Development Bank of the Philippines (DBP). The proceeds were used to partially finance the 54 MW San Lorenzo Wind Farm composed of 272 MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid. The loan facility is divided into two tranches amounting to ₱2.15 billion each - DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of 15 years with semi-annual interest payments starting on the date on which the loan is made. The Tranche A's interest is to be fixed at the higher of 10-year PDS Treasury Fixing (PDST-F) plus a spread of 1.625% or 6.25% for the first 10 years, to be repriced at higher of 5-year PDST-F plus a spread of 1.25% or 6.25% for the last 5 years. The Tranche B will be fixed at higher of interpolated 15-year PDST-F plus a spread of 1.625% or 6.5%. The interest rate floor on the loan is an embedded derivative that is required to be bifurcated. In 2013, the Company did not recognize any derivative liability arising from the bifurcated interest floor rate since the fair value is not significant.

On April 1, 2015, the publication of PDST-F rates ceased pursuant to the memo of the Bankers Association of the Philippines (BAP) dated January 8, 2015. Subsequently, the parties agreed to adopt PDST-R2 as benchmark rate in lieu of PDST-F rates.

The loan facility also contains a prepayment provision which allows PHINMA Renewable to make optional prepayment for both Tranche A and Tranche B in the amount calculated by the facility agent as accrued interest and other charges on the loan up to the prepayment date plus, the higher of (a) the principal amount of the loan being prepaid, or (b) the amount calculated as the present value of the remaining principal amortizations and interest payments on the loan being prepaid, discounted at the comparable benchmark tenor as shown in the Philippine Dealing and Exchange Corporation (PDEx) Market Page, Reuters and the PDS website (www.pds.com.ph) at approximately 11:16 am on the business day immediately preceding the prepayment date. In addition, PHINMA Renewable is allowed to prepay the Tranche A loan, without penalty or breakfunding cost, on the interest re-pricing date. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

On April 28, 2016, the Company prepaid ₱150.50 million of its long-term debt in accordance with the terms of the Agreement as follows:

- The Company shall effect a mandatory prepayment of the loan, without premium or penalty, within three (3) business days from receipt by the Company of any transmission line proceeds;
- Prepay the loan to the extent of seventy percent (70%) of the transmission line proceeds;
- The remaining thirty percent (30%) shall be transferred directly into the Company controlled distribution account for further distribution to the Project Sponsor.

On December 20, 2016, the BOD resolved to amend the Omnibus Loan and Security Agreement (OLSA) to allow the Company to prepay a portion of the long-term debt to SBC and DBP without penalties. On January 11, 2017, the Company prepaid ₱2,350.00 million of its long-term debt.

Under the terms of the Agreement, PHINMA Energy, as the Project Sponsor, shall:

- Provide equity contributions equivalent to 30% of the project cost;
- Fund any cost overruns on the project and the required debt service reserve amount DSRA in the event of delays in obtaining FIT eligibility or Renewable Energy Payment Agreement; and,
- Redeem the loan in the event that PHINMA Renewable defaults on the loan and titles to the project properties have not been issued to PHINMA Renewable or notwithstanding such titles, lenders fail to acquire title to the project properties due to lack of annotation or third party claims.

The loan agreement provides loan disbursement schedule for the drawdown of the loan. PHINMA Renewable made the following drawdowns during the years 2015 and 2014 with the corresponding carrying values as at December 31, 2018:

	Tranche A (DBP)		Tranche B (SBC)	
Drawdown date	Gross Amount[a]	Carrying Value[b]	Gross Amount[a]	Carrying Value[b]
February 14, 2014	₱118,574	₱118,917	₱118,574	₱117,620
May 27, 2014	210,374	209,952	210,374	208,908
August 5, 2014	210,374	211,452	210,374	208,979
September 2, 2014	191,249	191,458	191,249	190,052
July 30, 2015	91,800	87,739	91,800	87,709
	₱822,371	₱819,518	₱822,371	₱813,268

[a]*Net of prepayments made in 2016 and 2017*
[b]*Net of unamortized debt issue costs.*

In 2018 and 2017, PHINMA Renewable made the following payments with their corresponding carrying values:

	Tranche A (DBP)		Tranche B (SBC)	
Payment date	Gross Amount	Carrying value	Gross Amount	Carrying value
April 28, 2016	₱75,250	₱63,722	₱75,250	₱69,365
January 11, 2017	1,175,000	1,169,712	1,175,000	1,172,004
February 14, 2017	16,735	16,422	16,735	16,558
August 14, 2017	16,735	15,093	16,735	15,809
February 14, 2018	16,735	15,047	16,735	15,786
August 14, 2018	27,172	25,491	27,172	26,231
	₱1,327,627	₱1,305,487	₱1,327,627	₱1,315,753

The loan's principal repayment is variable amount payable semi-annually; amount of principal repayment to be determined during the due diligence stage based on the required debt service coverage ratio (DSCR) and financial projections using the Financial Model validated by an independent financial model auditor. Any incremental revenue resulting from a subsequent increase in the applicable FIT rate shall be applied to principal repayment of the loan in the inverse order of maturity. Incremental revenue is the difference in the revenue based on existing FIT rate of ₱7.40/kwh and a new base rate as defined by the relevant government agency excluding annual adjustments to account for inflation and foreign exchange movements.

Under the loan facility agreement, PHINMA Renewable must maintain a debt service account into which will be paid the maximum interest forecasted to be due and payable for the next two following payment dates that will fall within the construction period and the amount of debt service after the construction period. The funds in the debt service reserves can be used by the Company provided that thirty (30) days prior to payment, the fund is replenished. Debt service reserves are included in the consolidated statements of financial position under "Cash and cash equivalents" and "Investments held for trading"/"Financial assets at FVTPL" (see Notes 5, 6 and 7).

Covenants. The Term Loan Facility includes, among others, certain restrictive covenants and requirements with respect to the following, effective upon commercial operations of PHINMA Renewable:

(a) Historical DSCR post dividend declaration of 1.20x and Debt to Equity Ratio not exceeding 70:30 throughout the term of the loan;
(b) Equity infusion amounting to ₱328.13 million for retention and contingencies;
(c) Limitation on investments (not to enter into joint ventures, partnership; create subsidiary/branch); and
(d) Restricted payments (not to distribute dividends, make payments to affiliates).

PHINMA Renewable is in compliance with loan covenants as at December 31, 2018 and 2017.

The loan facility is secured by PHINMA Renewable's wind farm, included in "Machinery and equipment" account under "Property, plant and equipment" with carrying values amounting to ₱4,310.28 million and ₱4,518.83 million as at December 31, 2018 and 2017, respectively (see Note 12). In addition, as a security for the timely payment, discharge, observance and performance of the obligations, PHINMA Energy entered into a Pledge Agreement covering the subscriptions of stocks of PHINMA Energy and its nominees.

PHINMA Energy

The relevant terms of the long-term loans of the Parent Company are as follows:

Description	Interest Rate (per annum)	Terms	2018	2017
₱1.50 billion loan with China Banking Corporation (CBC)	The higher of 7-year PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years, the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate.	Availed on April 14, 2014, payable in quarterly installment within 10 years to commence 1 year after the first interest payment date with final repayment on April 10, 2024; contains negative pledge	**₱1,388,693**	₱1,418,673
₱1.00 billion loan with SBC	Fixed at a rate equivalent to the 5-year PDST-F rate one business day prior to drawdown date plus 1.00%, for 5 years	Availed on April 11, 2014, principal repayment equivalent to 2% of the loan per annum, payable in quarterly payment starting at the end of the 5th quarter following drawdown; bullet payment on maturity date; contains negative pledge	**–**	948,656
₱0.50 billion loan with Banco De Oro Unibank, Inc. (BDO)	The higher of 7Y PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years), the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	Availed on April 30, 2014, payable in quarterly installments within 10 years to commence 1 year after the first interest payment date with final repayment on January 30, 2024; contains negative pledge	**461,467**	470,875
₱1.18 billion loan with SBC	Fixed at a rate of 6.50% per annum which shall be payable at the end of the interest period of six months	Availed on January 11, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 11, 2029; contains negative pledge	**965,456**	1,147,917
₱1.18 billion loan with DBP	Fixed at a rate of 6.00% for the first 7 years; repricing for the last 5.5 years, the higher of 5-year PDST-R2 plus a spread of 1.625% or 6.25%	Availed on January 10, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 10, 2029; contains negative pledge	**965,469**	1,147,927
₱0.93 billion loan with SBC	The applicable peso benchmark (based on BVAL) plus minimum of 2.0% spread, with quarterly repricing, which shall be payable quarterly in arrears.	Availed on December 28, 2018 payable on June 28, 2020; up to 18 months from drawdown date	**923,061**	–
Carrying value (net of unamortized debt issue costs and embedded derivatives of ₱24.72 million and ₱22.24 million in 2018 and 2017, respectively)			**₱4,704,146**	₱5,134,048

In 2018 and 2017, principal repayments made relative to Company's loans amounted to ₱147.42 million and ₱103.71 million, respectively.

PHINMA Energy's long-term loans also contain prepayment provisions as follows:

Description	Prepayment provision
₱1.50 billion loan with CBC	Early redemption is at the option of the issuer exercisable anytime at par plus break-funding cost. Break-funding cost on principal repayment shall be based on the difference between the contracted interest rate and the comparable benchmark rate. The negative difference shall be multiplied by the prepaid amount and the remaining tenor to come up with break-funding cost, which in no case is less than zero.
₱1.00 billion loan with SBC	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.
₱0.50 billion loan with BDO	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.
₱1.18 billion loan with SBC	Early redemption is at the option of the issuer exercisable on an interest payment date at par plus break-funding cost. Transaction cost is minimal.
₱1.18 billion loan with DBP	Early redemption is at the option of the issuer exercisable on the interest repricing date (8th anniversary of the drawdown date). Prepayment amount is at par. If redemption is exercised on a date that is not the interest repricing date, prepayment amount is at par plus break-funding cost. Transaction cost is minimal.
₱0.93 billion loan with SBC	Early redemption is at the option of the issuer exercisable on an interest payment date at par plus break-funding cost. Break-funding cost on principal repayment shall be based on the difference between the contracted interest rate and the comparable benchmark rate. The negative difference shall be multiplied by the prepaid amount and the remaining tenor to come up with break-funding cost, which in no case is less than zero.

The prepayment option on all loans except for the ₱1.00 billion loan with SBC were assessed as closely related and, thus, not required to be bifurcated. For the ₱1.00 billion loan with SBC, the prepayment option was assessed as not closely related but was not bifurcated because the prepayment option has nil or very minimal value since it is deeply out of the money.

In 2018, the Company prepaid ₱1,210.00 million of its long-term debt in accordance with the terms of the Agreements with SBC and DBP.

Covenants
Under the loan agreements, PHINMA Energy has certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control.

Description	Covenants
₱1.50 billion loan with CBC	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 1.5 times
₱1.00 billion loan with SBC	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 2.0 times (c) Minimum Current ratio of 1.0 times
₱0.50 billion loan with BDO	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 1.5 times
₱1.18 billion loan with SBC	(a) Minimum DSCR of 1.0 times (b) Maximum Consolidated Debt to Equity ratio of 1.5 times (c) Minimum Current ratio of 1.0 times
₱1.18 billion loan with DBP	(a) Minimum DSCR of 1.0 times (b) Maximum Consolidated Debt to Equity ratio of 1.5 times (c) Minimum Current ratio of 1.0 times
₱0.93 billion loan with SBC	(a) Minimum DSCR of 1.0 times (b) Maximum Consolidated Debt to Equity ratio of 1.5 times (c) Minimum Current ratio of 1.0 times

In addition, there is also a restriction on the payment or distribution of dividends to its stockholders other than dividends payable solely in shares of its capital stock if payment of any sum due the lender is in arrears or such declaration, payment or distribution shall result in a violation of the financial ratios prescribed.

As at December 31, 2018 and 2017, PHINMA Energy is in compliance with the terms as required in the loan covenants.

Total interest expense recognized on PHINMA Energy's and PHINMA Renewable's loans amounted to ₱396.90 million, ₱432.59 million and ₱434.45 million in 2018, 2017 and 2016, respectively (see Note 28).

<u>Short-term loan</u>
As at December 31, 2018, the Parent Company has outstanding short-term loan amounting to ₱400.00 million which was obtained thru a promissory note to BDO, Unibank Inc. on August 14, 2018 with a maturity date of February 8, 2019. This was subsequently extended on February 8, 2019 for six (6) months.

Year	Amount
Loan amount	₱400 million
Net proceeds	₱400 million

Interest on principal amount is 5.25% per annum fixed for 31 days to be repriced every 30 to 180 days as agreed by the parties. In 2018, the Parent Company recognized interest expense amounting to ₱8.12 million (see Note 28).

21. **Other Noncurrent Liabilities**

	2018	2017
Trade payable (see Note 18)	**₱1,123,511**	₱1,123,511
Deposit payables	**174,370**	218,421
Deferred revenue - noncurrent portion (see Note 19)	–	387,146
Finance lease obligation - noncurrent portion (see Note 34)	**72,299**	63,839
Accrued expenses	**12,897**	12,594
	₱1,383,077	₱1,805,511

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

Accrued expenses pertain to accrual of asset retirement obligation.

22. **Equity**

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

	Number of Shares	
	2018	2017
Authorized capital stock - ₱1 par value	**8,400,000,000**	8,400,000,000
Issued shares:		
Balance at beginning of year	**4,889,774,922**	4,885,897,908
Issuance during the year - Exercise of stock options and grants (see Note 23)	–	3,877,014
Balance at end of year	**4,889,774,922**	4,889,774,922

The issued and outstanding shares as at December 31, 2018 and 2017 are held by 3,191 and 3,196 equity holders, respectively.

On November 16, 2009, in a special stockholders' meeting, the Parent Company's stockholders approved the increase in the Parent Company's authorized capital stock from ₱2.0 billion divided into 2 billion shares, to ₱4.2 billion divided into 4.2 billion shares which shall be funded through stock rights offering (SRO). On March 30, 2011, the SEC approved the SRO of 1.165 billion shares of the Parent Company at the rate of seven (7) shares for every ten (10) shares held as at record date of May 18, 2011, at a price of ₱1 per share. The offer period commenced on May 30, 2011 and ended on June 3, 2011. Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.15 billion. The proceeds were used to partially finance the Company's equity investment in SLTEC and MGI.

On March 20, 2012, the Parent Company's stockholders approved the increase in the authorized capital stock from ₱4.2 billion divided into 4.2 billion shares with par value of ₱1 per share to ₱8.4 billion divided into 8.4 billion shares with a par value of ₱1 per share which shall be funded through SRO. On September 26, 2012, the Parent Company filed with the SEC Form 10.1 Notice of / Application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the Company's Rights Offer, pursuant to Sections 10.1 (e) and 10.1 (i) of the

Securities Regulations Code (SRC) under which the exemption is based. On October 3, 2012, the SEC approved the SRO of 1.42 billion shares of the Parent Company at the rate of one (1) share for every two (2) shares held as at record date of November 7, 2012 at a price of ₱1 per share. The offer period commenced on November 14, 2012 and ended on November 20, 2012. The Parent Company also offered an additional 212.25 million shares to meet additional demand from eligible stockholders ("Overallotment Option"). Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.61 billion. The proceeds were used to finance its equity investments in PHINMA Renewable's 54 MW wind energy project in San Lorenzo, Guimaras and SLTEC's second (2[nd]) 135 MW clean coal-fired power plant in Calaca, Batangas, among other power project opportunities.

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

Date of SEC Approval	No. of Shares Registered	No. of Shares Issued	Par Value	Issue/ Offer Price
08-Feb-69	2,000,000,000	1,000,000,000	₱0.01	₱0.01
22-Jul-75	2,000,000,000	937,760,548	0.01	0.01
16-Jul-79	6,000,000,000	6,058,354,933	0.01	0.01
12-Feb-88	10,000,000,000	7,643,377,695	0.01	0.02
08-Jun-93	10,000,000,000	8,216,141,069	0.01	0.01
15-Jul-94	70,000,000,000	50,170,865,849	0.01	0.01
24-Aug-05	1,000,000,000	264,454,741	1.00	1.00
06-Jun-11	2,200,000,000	1,165,237,923	1.00	1.00
12-Nov-12	4,200,000,000	2,027,395,343	1.00	1.00

Retained Earnings

The Company's retained earnings balance amounted to ₱3.30 billion and ₱4.02 billion, respectively, as at December 31, 2018 and 2017. Retained earnings not available for declaration, computed based on the guidelines provided in SRC Rule 68, As Amended (2011), to the extent of (a) undistributed earnings of subsidiaries, associates and joint venture included in the Company's retained earnings amounted to ₱1,285.25 million and ₱1,363.91 million as at December 31, 2018 and 2017, respectively; and (b) cost of treasury shares amounted to ₱27.71 million and ₱28.79 million as at December 31, 2018 and 2017, respectively.

Treasury Shares

As a result of PHINMA Power becoming a wholly owned subsidiary of PHINMA Energy effective January 1, 2013, the Parent Company's shares of stock held by PHINMA Power amounting to ₱28.79 million were considered as treasury shares. On December 21, 2018, PHINMA Power sold 1,152,000 shares of the Parent Company.

Other Equity Reserves

This account consists of:

	2018	2017
Other equity reserves from a joint venture [a]	**₱17,231**	₱17,231
Effect of distribution of property dividends - PHINMA Petroleum shares [b]	**1,107**	1,107
	₱18,338	₱18,338

a. This relates to the accumulated share in expenses directly attributable to issuance of stocks of SLTEC, one of the Parent Company's joint ventures (see Note 13).

b. This represents the impact of the property dividend distribution in the form of PHINMA Petroleum's shares to the equity attributable to equity holders of the Parent Company when the Parent Company's ownership interest decreased but did not result in loss of control. The Parent Company's effective ownership in PHINMA Petroleum decreased from 100% to 50.74% in 2014.

Dividends Declared

Cash dividends declared in 2018, 2017, 2016 and after December 31, 2018 are as follows:

	Dividend			
Date of Declaration	Type	Rate	Amount *	Record Date
February 23, 2016	Cash	0.04 per share	₱194,606	March 9, 2016
December 16, 2016	Cash	0.04 per share	195,436	January 4, 2017
March 3, 2017	Cash	0.04 per share	195,436	March 17, 2017
February 28, 2018	**Cash**	**0.04 per share**	**195,591**	**March 14, 2018**

**Includes dividends on shares held by PHINMA Power amounting to ₱993.00 million each declaration.*

23. Employee Stock Options and Executive Stock Grants

On April 2, 2007, the Parent Company's BOD and stockholders approved a total of 100 million shares to be taken from the then unsubscribed portion of the Parent Company's 2.00 billion authorized shares to be awarded as follows: (a) stock grants for officers and managers of the Parent Company; and (b) stock options for directors, officers and employees of PHINMA Energy and its subsidiaries and affiliates under the terms and conditions as determined by the Executive Committee of the BOD.

The exercise of such grants and options are subject to the following terms and conditions:

Stock Options

Following are the specific terms of the Company's Stock Option Plan:

Coverage	Directors, permanent officers and employees of PHINMA Energy and its subsidiaries and affiliates
Exercise price	At weighted average closing price for twenty (20) trading days prior to grant date but should not be lower than par value of ₱1.00 per share
Vesting period	• Up to 33% of the allocated shares on the 1st year from the date of grant; • Up to 66% of the allocated shares on the 2nd year from the date of grant; and • Up to 100% of the allocated shares on the 3rd year from the date of grant.
Right to exercise option	Continuous employment required. In the event of resignation, termination or retirement, the optionee shall be entitled only to the options due him/her up to the effectivity of separation. Full payment is required prior to separation date. In the event of death of optionee, his/her heirs, executors, or administrators shall have the right to exercise the balance of options granted and pay in cash.

On May 7, 2008, the Company's Stock Option Committee suspended the implementation of the Stock Option Plan. The Committee also decided to implement the Company's Stock Grant for its executives which resulted in the grant of 3.88 million shares for 2016 and 1.80 million shares for 2015.

On July 22, 2013, the grant date, the Company lifted the suspension of the Stock Option Plan and awarded additional options under the same plan. The fair value of options granted in 2013 amounted to ₱23.03 million.

No stock options are outstanding and exercisable as at December 31, 2018 and 2017. In 2016, 20.75 million stock options were exercised while 8.43 million shares were forfeited.

No equity-based compensation expense were recognized by the Company in 2018, 2017 and 2016.

Stock Grants
The executive stock grants are given to officers and managers of the Parent Company computed at a predetermined percentage of their variable compensation pay based on certain performance criteria.

On August 1, 2017, the Parent Company settled the variable compensation of its executives through the issuance of 3.88 million shares at ₱1.66 per share.

24. Cost of Sale of Electricity

	2018	2017	2016
Costs of power purchased	**₱13,327,756**	₱15,158,639	₱12,212,120
Fuel (see Note 9)	**766,480**	763,872	728,467
Depreciation and amortization (see Notes 12, 16, 17 and 27)	**379,901**	370,332	386,716
Repairs and maintenance	**185,872**	192,145	200,729
Salaries (see Note 26)	**96,682**	90,380	104,911
Rent	**79,461**	75,774	73,276
Taxes and licenses	**72,633**	76,028	74,087
Insurance	**71,749**	68,631	94,364
Transmission costs	**66,855**	76,541	169,293
Pension and other employee benefits (see Notes 26 and 30)	**25,498**	25,983	23,541
Stations used	**13,901**	4,690	11,317
Filing fees	**2,627**	337	1,098
Others	**20,076**	25,887	25,955
	₱15,109,491	₱16,929,239	₱14,105,874

25. General and Administrative Expenses

	2018	2017	2016
Salaries and directors' fees (see Notes 23, 26 and 30)	**₱149,127**	₱138,818	₱259,460
Taxes and licenses	**139,233**	132,493	159,939
Management and professional fees (see Note 31)	**103,240**	187,814	228,706
Provision for probable losses on deferred exploration costs (see Note 17)	**48,263**	4,892	22,713
Plug and abandonment	**38,776**	4,384	–
Depreciation and amortization (see Notes 12, 16, and 27)	**25,934**	29,052	26,375
Pension and other employee benefits (see Notes 26 and 30)	**22,618**	22,838	22,825
Building maintenance and repairs	**20,314**	18,681	17,915

(Forward)

	2018	2017	2016
Provision for credit losses (see Note 8)	**₱14,548**	₱4,542	₱53,195
Transportation and travel	**13,786**	12,808	9,138
Bank charges	**11,874**	9,493	7,404
Insurance, dues and subscriptions	**10,759**	21,197	8,898
Contractor's fee	**6,674**	15,158	11,076
Communication	**4,365**	5,374	4,779
Office supplies	**4,322**	5,278	3,780
Meeting and conferences	**2,979**	4,476	4,673
Rent	**2,891**	2,963	2,243
Provision for inventory obsolescence and PPE impairment (see Notes 9 and 12)	**2,225**	–	–
Advertisements	**1,721**	2,334	3,262
Corporate social responsibilities	**640**	5,539	5,545
Provisions for claims and professional fees	**600**	16,720	–
Donation and contribution	**592**	870	19,993
Entertainment, amusement and recreation	**180**	41	87
Write-off of deferred exploration costs (see Note 17)	**–**	–	1,192
Others	**28,856**	18,785	26,437
	₱654,517	₱664,550	₱899,635

26. **Personnel Expenses**

	2018	2017	2016
Salaries and directors' fees included under:			
Cost of sale of electricity (see Note 24)	**₱96,682**	₱90,380	₱104,911
General and administrative expenses (see Note 25)	**149,127**	138,818	259,460
Pension and other employee benefits included under:			
Cost of sale of electricity (see Notes 24 and 30)	**25,498**	25,983	23,541
General and administrative expenses (see Notes 25 and 30)	**22,618**	22,838	22,825
	₱293,925	₱278,019	₱410,737

27. **Depreciation and Amortization**

	2018	2017	2016
Property, plant and equipment (see Notes 12 and 13)	**₱384,371**	₱380,117	₱394,940
Investment property (see Note 16)	**5,274**	3,077	1,961
Leasehold rights (see Note 17)	**16,190**	16,190	16,190
	₱405,835	₱399,384	₱413,091
Cost of sale of electricity (see Note 24)	**₱379,901**	₱370,332	₱386,716
General and administrative expenses (see Note 25)	**25,934**	29,052	26,375
	₱405,835	₱399,384	₱413,091

28. **Other Income (Charges)**

	2018	2017	2016
Interest and other financial income (see Notes 5, 6, 7, 8 and 18)	**₱96,851**	₱87,185	₱46,077
Foreign exchange loss - net	**29,329**	(8,373)	(7,208)
Gain (loss) on derivatives - net (see Note 36)	**(15,056)**	9,399	8,741
Gain (loss) on sale of:			
Investments (see Note 13)	**5,834**	–	444,207
Property and equipment	**261**	–	27,863
AFS investments	**–**	(17)	7
Provisions for unrecoverable input tax	**(43,712)**	–	(2,568)
Others	**46,745**	17,423	35,760
	₱120,252	₱105,617	₱552,879

Others pertains to reimbursement of feasibility cost, reversal of outstanding payables, sale of scrap materials, refund of excess business taxes paid, oil hauling and disposal and reimbursement from a third party.

Financial Income

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

	2018	2017	2016
Interest income on:			
Cash in banks (see Note 5)	**₱895**	₱252	₱83
Short-term deposits (see Note 5)	**33,146**	32,865	13,220
Receivables and others*	**37,983**	17,093	12,670
Net gains on investments held for trading (see Note 6)	**–**	36,975	20,104
Net gains on financial asset at FVTPL (see Note 7)	**24,827**	–	–
	₱96,851	₱87,185	₱46,077

**Includes amortization of security deposit amounting to ₱0.32 million and ₱0.58 million in 2018 and 2017, respectively.*

Interest and Other Finance Charges

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

	2018	2017	2016
Interest expense on:			
Long-term loans* (see Note 20)	**₱396,901**	₱432,594	₱434,452
Finance lease obligations (see Note 34)	**16,635**	14,656	13,260
Amortization of debt issue cost (see Note 20)	**11,530**	39,139	17,016
Short-term loans (see Note 20)	**8,115**	–	–
Asset retirement obligation	**372**	372	372
Contract termination (see Note 34)	**–**	15,032	–
Others	**35**	10,732	3,178
Other finance charges	**61**	1,041	207
	₱433,649	₱513,566	₱468,485

** Net of accretion of interest expense of ₱1.76 million, ₱1.71 million and ₱1.67 million for the years ended December 31, 2018, 2017 and 2016, respectively, as an effect of amortization of embedded derivatives (see Note 20).*

29. **Income Taxes**

a. Current income tax pertains to the following:

	2018	2017	2016
RCIT	**₱20,496**	₱63,514	₱114,272
MCIT	**203**	9,208	351
	₱20,699	₱72,722	₱114,623

b. The components of the Company's net deferred income tax assets (liabilities) as at December 31 are as follows:

	2018	2017
Deferred income tax assets:		
Deferred revenue	**₱116,186**	₱236,878
NOLCO	**81,306**	138,122
Allowance for credit losses	**36,008**	29,286
Pension and other employee benefits	**15,292**	15,690
Accrued expense	**8,211**	7,818
Allowance for probable losses	**3,298**	3,298
Unamortized discount on long-term receivable	**3,228**	4,705
Unamortized past service cost	**2,528**	2,209
Asset retirement obligation - liability	**2,095**	2,279
Unrealized loss on FVOCI	**2,207**	–
Derivative liabilities on long-term loans	**1,274**	1,803
PAS 17 lease levelization	**1,051**	–
Allowance for impairment on property and equipment	**280**	–
Allowance for inventory obsolescence	**194**	
Unrealized foreign exchange loss	**48**	2,121
Others	**202**	707
	273,408	444,916
Deferred income tax liabilities:		
Unamortized debt issue costs	**(6,235)**	(5,598)
Unrealized gains on FVOCI	**(4,351)**	(4,982)
Unrealized fair value gains on FVPL	**(958)**	(657)
Unrealized foreign exchange gain	**(517)**	–
Derivative asset on forward contracts	**(1)**	(2,955)
Others	–	(444)
	(12,062)	(14,636)
Total deferred income tax assets - net	**₱261,346**	₱430,280
Deferred income tax assets:		
Excess of cost over fair value of power plant	**₱2,421**	₱2,421
Pension and other employee benefits	**289**	–
Allowance for credit losses	**181**	–
Unamortized past service cost	**27**	–
	2,918	2,421

(Forward)

	2018	2017
Deferred income tax liabilities:		
Excess of fair value over cost of power plant	**(₱87,827)**	(₱98,753)
Leasehold rights	**(7,488)**	(12,345)
Unamortized capitalized borrowing costs	**(1,946)**	(2,068)
Unrealized fair value gains on FVPL	**(834)**	(640)
Unrealized foreign exchange gain	**(3)**	(2)
	(98,098)	(113,808)
Total deferred income tax liabilities - net	**(₱95,180)**	(₱111,387)

The Company's deductible temporary differences and unused NOLCO for which no deferred income tax assets were recognized in the consolidated statements of financial position are as follows:

	2018	2017
NOLCO	**₱1,680,346**	₱63,947
Allowance for impairment loss on property and equipment	**106,885**	106,885
Allowance for probable losses	**64,874**	19,708
Allowance for doubtful accounts	**20,000**	20,000
Excess MCIT	**9,559**	9,579

Deferred income tax assets have not been recognized on these temporary differences 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.

As at December 31, 2018, NOLCO totaling ₱1,951.37 million can be claimed as deduction from regular taxable income and MCIT amounting to ₱9.56 million can be credited against future RCIT. The movement in NOLCO and MCIT is shown in the tables below:

	NOLCO					
Year Incurred	Beginning	Additions	Application	Expiration	Ending	Expiry Date
2016	₱129,030	₱42,193	(₱17,644)	(₱51,259)	₱102,320	2019
2017	102,230	470,200	–	(48,077)	524,353	2020
2018	524,353	1,443,190	–	(16,177)	1,951,366	2021

	MCIT					
Year Incurred	Beginning	Additions	Application	Expiration	Ending	Expiry Date
2016	₱20	₱351	₱–	₱–	₱371	2019
2017	371	9,208	–	–	9,579	2020
2018	9,579	–	(20)	–	9,559	2021

The reconciliation between the effective income tax rates and the statutory income tax rates follows:

	2018	2017	2016
Applicable statutory income tax rates	**30.00%**	30.00%	30.00%
Increase (decrease) in tax rate resulting from:			
Dividend income exempt from tax	**0.65**	(5.85)	(0.15)
Financial income subject to final tax	**3.80**	(32.72)	(9.63)
Equity in net income of associates and joint ventures	**37.89**	(707.05)	(18.42)
Net loss (income) under tax holiday	**3.89**	(37.69)	0.67
Nondeductible expenses	**(1.83)**	21.00	2.09
Movement in temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized and others	**(115.11)**	34.05	(0.37)
Effective income tax rates	**(40.71%)**	(698.26%)	4.19%

c. R.A. No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date.

   The TRAIN changes the existing tax law and includes several provisions that generally affected businesses on a prospective basis. In particular, management assessed that amendment of Section 148 - Excise tax on manufactured oil and other fuels - which increases the excise tax rates of lubricating oil, diesel fuel oil and bunker fuel oil, among others that are used for the power plants, may have material impact to the operations of the Company. Management has considered the impact of TRAIN in managing the operation hours of its power plants.

30. Pension and Other Employee Benefits

The Company has a funded, noncontributory defined benefit retirement plan covering all of its regular and full time employees.

Pension and employee benefits consist of:

	2018	2017
Pension liability	**₱23,781**	₱28,394
Vacation and sick leave accrual	**30,370**	26,174
	54,151	54,568
Less current portion of vacation and sick leave accrual*	**13,905**	18,458
	₱40,246	₱36,110

**Included in "Accrued expenses" under "Accounts payable and other current liabilities".*

Pension and other employee benefits included under "Cost of sale of electricity" and "General and administrative expenses" accounts in the consolidated statements of income, consist of the following:

	2018	2017	2016
Pension expense	**₱14,571**	₱18,401	₱15,944
Vacation and sick leave accrual	**(1,414)**	1,343	3,492
	₱13,157	₱19,744	₱19,436

Net Defined Benefit Liability

The fund is managed by a trustee under the PHINMA Jumbo Retirement Plan.

Changes in net defined benefit liability of funded plan in 2018 are as follows:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Net Defined Benefit Liability**
At January 1, 2018	**₱154,912**	**₱126,518**	**₱28,394**
Pension expense in consolidated statements of income:			
Current service cost	**14,240**	**–**	**14,240**
Net interest	**7,573**	**6,137**	**1,436**
Net acquired/(transferred) obligation	**426**	**–**	**426**
	22,239	**6,137**	**16,102**
Remeasurements in OCI:			
Return on plan assets (excluding amount included in net interest)	**–**	**6,115**	**(6,115)**
Experience adjustments	**14,819**	**–**	**14,819**
Changes in demographic assumption	**(2,796)**	**–**	**(2,796)**
Actuarial changes arising from changes in financial assumptions	**(11,145)**	**–**	**(11,145)**
	878	**6,115**	**(5,237)**
Benefits paid	**(11,750)**	**(11,750)**	**–**
Contributions	**–**	**15,478**	**(15,478)**
At December 31, 2018	**₱166,279**	**₱142,498**	**₱23,781**

Changes in net defined benefit liability of funded plan in 2017 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1, 2017	₱156,854	₱123,043	₱33,811
Pension expense in consolidated statements of income:			
Current service cost	16,818	–	16,818
Net interest	6,532	4,949	1,583
	23,350	4,949	18,401
Remeasurements in OCI:			
Return on plan assets (excluding amount included in net interest)	–	(7,786)	7,786
Experience adjustments	(13,454)	–	(13,454)
Changes in demographic assumption	99	–	99
Actuarial changes arising from changes in financial assumptions	(2,191)	–	(2,191)
	(15,546)	(7,786)	(7,760)
Benefits paid	(9,746)	(9,746)	–
Contributions	–	16,058	(16,058)
At December 31, 2017	₱154,912	₱126,518	₱28,394

Changes in net defined benefit liability of funded plan in 2016 are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
At January 1, 2016	₱130,611	₱109,647	₱20,964
Pension expense in consolidated statements of income:			
Current service cost	15,019	–	15,019
Net interest	6,255	5,330	925
	21,274	5,330	15,944
Remeasurements in OCI:			
Return on plan assets (excluding amount included in net interest)	–	(1,880)	1,880
Experience adjustments	11,850	–	11,850
Changes in demographic assumption	(184)	–	(184)
Actuarial changes arising from changes in financial assumptions	(5,285)	–	(5,285)
	6,381	(1,880)	8,261
Benefits paid	(1,412)	(1,412)	–
Contributions	–	11,358	(11,358)
At December 31, 2016	₱156,854	₱123,043	₱33,811

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair value of plan assets by each class as at December 31 follows:

	2018	2017	2016
Investments in:			
Equity instruments	**₱89,409**	₱79,382	₱80,655
Government securities	**48,607**	43,156	39,457
UITFs	**4,461**	3,961	3,905
Cash and cash equivalents	**226**	201	125
Liabilities	**(205)**	(182)	(1,099)
	₱142,498	₱126,518	₱123,043

Investments in government securities, mutual funds and UITFs can be readily sold or redeemed. Marketable equity securities, which can be transacted through the PSE, account for less than 10% of plan assets; all other equity securities are transacted over the counter.

The plan assets include shares of stock of the Parent Company with fair value of ₱1.15 million and ₱0.04 million as at December 31, 2018 and 2017 respectively. The shares were acquired at a cost of ₱0.03 million. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the years ended December 31, 2018 and 2017. The voting rights over the shares are exercised through the trustee by the retirement committee, the members of which are directors or officers of the Parent Company.

The plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans are shown below:

	2018	2017
Discount rate	**7.34%**	4.68%
Salary increase rate	**5.00%**	5.00%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

		2018	2017
		Increase (Decrease) in Pension Liability	Increase (Decrease) in Pension Liability
Discount rate	(Actual + 1.00%)	**(₱6,040)**	(₱7,638)
	(Actual – 1.00%)	**6,911**	8,974
Salary increase rate	(Actual + 1.00%)	**7,889**	9,873
	(Actual – 1.00%)	**(7,035)**	(8,597)

Management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Company's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Company's current strategic investment strategy consists of 64% of equity instruments, 27% fixed income instruments and 9% cash and cash equivalents.

The Company expects to contribute ₱18.50 million to the defined benefit pension plan in 2019.

The following table sets forth the expected future settlements by Plan of maturing defined benefit obligation as at December 31, 2018:

	2018	2017
Less than one year	**₱82,379**	₱70,008
More than one year to five years	**57,159**	46,003
More than five years to 10 years	**73,705**	78,908
More than 10 years to 15 years	**40,976**	37,875
More than 15 years to 20 years	**83,435**	77,337
More than 20 years	**296,129**	429,520

The average duration of the expected benefit payments at the end of the reporting period ranges from 7.73 to 21.78 years.

Vacation and Sick Leave
The following tables summarize the components of vacation and sick leave expense (income) recognized in the consolidated statements of income and the amounts recognized in the consolidated statements of financial position.

	2018	2017	2016
Current service costs	**₱2,041**	₱2,772	₱4,817
Interest costs	**1,937**	1,290	1,037
Actuarial gain	**1,510**	(2,719)	(2,362)
	5,488	₱1,343	₱3,492

Changes in present value of the vacation and sick leave obligation are as follows:

	2018	2017
Balance at the beginning of year	**₱26,174**	₱25,174
Current service cost	**2,041**	2,772
Net interest	**1,937**	1,290
Actuarial loss	**1,510**	(2,719)
Benefits paid	**(1,292)**	(343)
Balance at the end of year	**₱30,370**	₱26,174

31. **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 year-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. Provision for credit losses recognized for receivables from related parties amounted to ₱10.26 million, nil and nil for 2018, 2017 and 2016, 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 Company 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 transactions and balances of accounts as at and for the years ended December 31 with related parties are as follows:

	As at and for the Year Ended December 31, 2018					
			Outstanding Balance			
Company	**Amount/ Volume**	**Nature**	**Receivable**	**Payable**	**Terms**	**Conditions**
Ultimate Parent						
PHINMA, Inc.						
Rental and other income	**₱103**	Rent and share in expenses	**₱–**	**₱–**	30-60 day, non-interest bearing	Unsecured
Due to related parties/ General and administrative expenses	**27,968**	Management fees and share in expenses	**–**	**(23,521)**	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	**49,308**	Cash dividend	**–**	**–**	Payable on April 05, 2018; subsequently on demand	Unsecured
Due to related parties	**–**	Rental deposit	**–**	**(186)**	End of lease term	Unsecured

(Forward)

Company	Amount/ Volume	Nature	Outstanding Balance Receivable	Payable	Terms	Conditions
	As at and for the Year Ended December 31, 2018					
Joint Ventures						
SLTEC						
Due to related parties/ Cost of sale of electricity	**₱6,283,516**	Purchase of electricity	**₱–**	**(₱508,808)**	30-day, non-interest bearing	Unsecured
Revenue from sale of electricity, rental, dividend and other income	**517,911**	Sale of electricity, rent, dividend and share in expenses	**288,453**	**–**	30-day, non-interest bearing	Unsecured, with impairment
Investments and advances (see Note 13)	**–**	Dividends received	**–**	**–**	30-day, non-interest bearing	Unsecured
Due to related parties	**–**	Rental deposit	**–**	**(497)**	End of lease term	Unsecured
PHINMA Solar						
Due to related parties	**–**	Advances	**–**	**(90,000)**	Non-interest bearing	Unsecured
Associates						
MGI						
Due to related parties/ Cost of sale of electricity	**1,142,885**	Trading cost	**–**	**(144,225)**	30-day, non-interest bearing	Unsecured
Investments and advances (see Note 13)	**12,500**	Dividend received	**–**	**–**	Non-interest bearing	Unsecured
Asia Coal						
Due to related parties	**–**	Advances	**–**	**(254)**	Non-interest bearing	Unsecured
Entities Under Common Control						
PHINMA Property Holdings Corporation (PPHC)						
Due to related parties	**–**	Advances	**–**	**(171)**	30-60 day, non-interest bearing	Unsecured
PHINMA Corporation						
Dividend and other income	**5,804**	Cash dividend and share in expenses	**–**	**–**	30-60 day, non-interest bearing	Unsecured
Due to related parties/ Other expenses	**3,778**	Share in expenses	**–**	**(490)**	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	**51,293**	Cash dividends	**–**	**–**	Payable on April 05, 2018; subsequently on demand	Unsecured
Union Galvasteel Corp. (UGC)						
Due from related parties/	**619**	Rental income and advances	**123**	**–**	30-60 day, non-interest bearing	Unsecured, no impairment
Receivables	**225,000**	Sale of 50% Interest in PHINMA Solar	**45,000**		Noninterest-bearing	Unsecured, no impairment
Due to related parties		Rental deposit	**–**	**(158)**		
Dividend income	**3,458**	Cash dividend	**–**	**–**	30-60 day, non-interest bearing	Unsecured
General and administrative expenses	**136**	Roofing materials	**–**	**–**	30-60 day, non-interest bearing	Unsecured
T-O Insurance, Inc.						
Due to related parties/ General and administrative expenses	**59,146**	Insurance expense and membership fees	**–**	**(32,857)**	30-60 day, non-interest bearing	Unsecured
Other Related Parties						
Directors						
General and administrative expenses	**10,145**	Directors' fee and annual incentives	**–**	**–**	On demand	Unsecured
Stockholders						
Due to stockholders	**89,718**	Cash dividends	**–**	**(16,651)**	On demand	Unsecured
Due from related parties (see Note 8)			**₱333,576**	**₱–**		
Due to related parties (see Note 19)			**–**	**(801,165)**		
Accrued directors' and annual incentives (see Note 19)			**–**	**–**		
Due to stockholders (see Note 22 and 35)			**–**	**(16,651)**		

Company	2016 Amount/ Volume	As at and for the Year Ended December 31, 2017 Amount/ Volume	Nature	Outstanding Balances Receivable	Payable	Terms	Conditions
Ultimate Parent							
PHINMA, Inc.							
Rental and other income	₱1,100	₱771	Rent and share in expenses	₱54	₱–	30-60 day, non-interest bearing	Unsecured, no impairment
General and administrative expenses	104,055	80,903	Management fees and share in expenses	–	(31,164)	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	97,855	49,308	Cash dividend	–	–	On demand	Unsecured
Joint Ventures							
SLTEC							
Revenue from sale of electricity, rental and other income	28,074	27,213	Sale of electricity, rent and share in expenses	20,046	–	30-day, non-interest bearing	Unsecured, no impairment
Investments and advances (see Note 13)	644,945	1,056,742	Dividends received	–	–	30-day, non-interest bearing	Unsecured
Cost of sale of electricity	6,077,461	8,230,415	Purchase of electricity	–	(1,035,505)	30-day, non-interest bearing	Unsecured
ACTA							
Investments and advances (see Note 13)	–	18,073	Additional investment	–	–	Non-interest bearing	Unsecured
Associates							
Asia Coal							
Accounts payable and other current liabilities	–	–	Advances	–	(254)	Non-interest bearing	Unsecured
MGI							
Cost of sale of electricity	785,167	830,802	Trading cost	–	(83,101)	30-day, non-interest bearing	Unsecured
Investments and advances (see Note 13)	–	25,000	Dividend received	–	–	Non-interest bearing	Unsecured
Investments and advances (see Note 13)	–	80,250	Additional investment	–	–	Non-interest bearing	Unsecured
Entities Under Common Control							
PPHC							
Accounts payable and other current liabilities	–	–	Advances	–	(171)	30-60 day, non-interest bearing	Unsecured
PHINMA Corporation							
Dividend and other income	5,387	5,387	Cash dividend and share in expenses	–	–	30-60 day, non-interest bearing	Unsecured
Other expenses	2,169	3,763	Share in expenses	–	(1,429)	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	102,394	51,285	Cash dividends	–	–	On demand	Unsecured
Accounts payable and other current liabilities	–	4,178	Purchase of U.S. dollars	–	–	On demand	Unsecured
UGC							
Dividend income	2,281	3,334	Cash dividend	–	–	30-60 day, non-interest bearing	Unsecured
Rental income	–	329	Rent	214	–	30-60 day, non-interest bearing	Unsecured, no impairment
Accounts payable and other current liabilities	–	–	Rental deposit	–	(159)	End of lease term	Unsecured
General and administrative expenses	92	108	Roofing materials	–	–	30-60 day, non-interest bearing	Unsecured
T-O Insurance, Inc.							
General and administrative expenses	91,400	112,000	Insurance expense and membership fees	–	(36,062)	30-60 day, non-interest bearing	Unsecured
Receivables	69	15	Refund of overpayment	–	–	30-60 day, non-interest bearing	Unsecured

(Forward)

Company	2016 Amount/ Volume	As at and for the Year Ended December 31, 2017 Amount/ Volume	Nature	Outstanding Balances Receivable	Payable	Terms	Conditions
Emar Corporation							
Other income	₱646	₱64	Share in expenses	₱–	₱–	30-60 day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	8,559	4,279	Cash dividend	–	–	On demand	Unsecured
PHINMA Education							
General and administrative expenses	2,698	2,298	Service fee	–	–	30-60 day, non-interest bearing	Unsecured
Other Related Parties							
Directors							
General and administrative expenses	72,846	33,546	Directors' fee and annual incentives	–	(19,757)	On demand	Unsecured
Stockholders							
Due to stockholders	179,320	89,564	Cash dividends	–	(15,300)	On demand	Unsecured
Due from related parties (see Note 8)				₱20,314	₱–		
Due to related parties (see Note 19)				–	(1,187,845)		
Accrued directors' and annual incentives (see Note 19)				–	(19,757)		
Due to stockholders (see Note 22 and 35)				–	(15,300)		

PHINMA, Inc.

The Parent Company and its subsidiaries PHINMA Power, CIPP, PHINMA Renewable and PHINMA Petroleum have management contracts with PHINMA, Inc. up to August 31, 2018 except for PHINMA Power whose contract was renewed in 2016 for another five (5) years prior to expiration. Under these contracts, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. Under the existing management agreement, the Parent Company, PHINMA Power, CIPP, PHINMA Renewable and PHINMA Petroleum pay PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of each company's net income. On February 23, 2016, PHINMA Petroleum's BOD approved the suspension of the management contract for 2016, which remained effective as at March 21, 2019.

In 2018, CIPP's and PHINMA Renewable's BOD approved the renewal of its management contact with PHINMA, Inc. effective for another three (3) years.

Other expenses billed by PHINMA, Inc. include the Company's share in common expenses. The Company has a dividend payable to PHINMA, Inc. for cash dividends declared. The Company also bills PHINMA, Inc. for rent and the latter's share in common expenses.

PHINMA Corporation

PHINMA Corporation is likewise controlled by PHINMA, Inc. through a management agreement. PHINMA Corporation bills the Company for its share in expenses. The Company also receives cash dividends from PHINMA Corporation. The Company has a dividend payable to PHINMA Corporation for cash dividends declared.

SLTEC

SLTEC leased and occupied part of the office space owned by the Parent Company. Monthly rent is based on a pre-agreed amount subject to 5% escalation rate per annum. The lease agreement is for a period of five years commencing on October 10, 2011. The contract ended on October 15, 2016 and it was not renewed as at March 21, 2019. The transactions with SLTEC also include the sale and purchase of electricity (see Note 34), reimbursements of expenses and receipt of dividends.

MGI
The Parent Company purchases the entire net electricity output of MGI (see Note 34). Other transactions with MGI include reimbursements of expenses and advances for future subscriptions. In 2018 and 2017, the Parent Company invested additional capital to MGI amounting to ₱12.50 million and ₱80.25 million, respectively (see Note 13).

PPHC/ UGC/Asian Plaza, Inc./Asia Coal/ACTA
PPHC, UGC, Asian Plaza, Inc., Asia Coal and ACTA are entities under common control. The transactions with these companies include cash dividends and/or advances.

In 2018 and 2017, the Parent Company made additional investments in ACTA's capital stock amounting to ₱4.65 million and ₱18.07 million, respectively (see Note 13).

T-O Insurance, Inc.
T-O Insurance, Inc. is likewise controlled by PHINMA, Inc. through a management agreement. The Company insures its properties through T-O Insurance, Inc. The Company's transaction with T-O insurance, Inc. includes payment of insurance and membership fees, the receipt of refund for overpayment and purchase of U.S. dollars.

Emar Corporation
The Parent Company bills Emar Corporation for its share in expenses which is collected within the year.

PHINMA Education
The Parent Company has payable to PHINMA Education for services rendered.

Directors
The Company recognizes bonus to directors computed based on net income before the effect of the application of the equity method of accounting.

Retirement Fund
The fund is managed by a trustee under the PHINMA Jumbo Retirement Plan (see Note 30).

Compensation of Key Management Personnel
Compensation of key management personnel of the Company are as follows:

	2018	2017	2016
Short-term employee benefits	**₱57,702**	₱74,447	₱165,214
Post-employment benefits	**4,643**	4,810	3,891
	₱62,345	₱79,257	₱169,105

32. Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share are computed as follows:

	2018	2017	2016
	(In Thousands, Except for Number of Shares and Per Share Amounts)		
(a) Net income (loss) attributable to equity holders of Parent Company	**(₱560,496)**	₱353,764	₱1,402,228
Common shares outstanding at beginning of year (see Note 22)	**4,889,774,922**	4,885,897,908	4,865,146,089
Weighted average number of shares issued during the year	**–**	1,614,537	12,259,975
(b) Weighted average common shares outstanding	**4,889,774,922**	4,887,512,445	4,877,406,064
Basic/Diluted earnings (loss) per share (a/b)	**(₱0.11)**	₱0.07	₱0.29

In 2018 and 2017, the Parent Company does not have any potential common shares or other instruments that may entitle the holder to common shares. In 2016, the Parent Company's stock options have no dilutive effect. Consequently, diluted earnings (loss) per share is the same as basic earnings (loss) per share in 2018, 2017 and 2016.

33. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material NCI are provided below:

Equity interest held by NCI as at December 31, 2018 and 2017 are as follows:

	Percentage of Ownership (%)	
Name	**2018**	2017
PHINMA Petroleum	**48.868%**	48.864%
Palawan55	**33.891%**	33.888%

PHINMA Power sold 10,000 shares of PHINMA Petroleum costing ₱0.02 million with proceeds amounting to ₱0.03 million. This resulted to an increase in the noncontrolling interest on PHINMA Petroleum and Palawan55, a subsidiary of PHINMA Petroleum, as at transaction date. The Company used the NCI percentage of ownership before the treasury share sale transaction as it is the effective percentage of ownership for the majority of the year.

Accumulated balances of NCI as at December 31 are as follows:

Subsidiary	2018	2017
PHINMA Petroleum	**₱44,658**	₱75,458
Palawan55	**792**	2,652
	₱45,450	₱78,110

Net loss allocated to NCI for the years ended December 31 are as follows:

Subsidiary	2018	2017	2016
PHINMA Petroleum	**₱30,800**	₱6,583	₱19,691
Palawan55	**1,860**	13	6
	₱32,660	₱6,596	₱19,697

Summarized statements of financial position as at December 31, 2018 and 2017 are as follows:

PHINMA Petroleum	**2018**	2017
Current assets	**₱63,753**	₱78,723
Noncurrent assets	**29,527**	77,327
Current liabilities	**1,590**	1,497
Noncurrent liability	**281**	111
Total equity	**₱91,409**	₱154,442
Attributable to:		
Equity holders of the Parent Company	**₱46,751**	₱78,984
NCI	**44,658**	75,458
	₱91,409	₱154,442

Palawan55	**2018**	2017
Current assets	**₱5,777**	₱2,151
Noncurrent assets	**6,816**	5,713
Current liabilities	**10,249**	39
Noncurrent liability	**6**	–
Total equity	**₱2,338**	₱7,825
Attributable to:		
Equity holders of the Parent Company	**₱1,546**	₱5,173
NCI	**792**	2,652
	₱2,338	₱7,825

Summarized statements of income and statements of comprehensive income for the years ended December 31, 2018, 2017 and 2016 are as follows:

PHINMA Petroleum	**2018**	2017	2016
Expenses	**₱64,405**	₱14,850	₱41,541
Other income - net	**1,543**	1,249	1,490
Provision for (benefit from) deferred income tax	**170**	(128)	246
Net loss	**₱63,032**	₱13,473	₱40,297
Total comprehensive loss attributable to:			
Equity holders of the Parent Company	**₱32,232**	₱6,890	₱20,607
NCI	**30,800**	6,583	19,690
	₱63,032	₱13,473	₱40,297

Palawan55	**2018**	2017	2016
Expenses	**₱5,516**	₱50	₱28
Other income	**35**	13	10
Provision for deferred income tax	**6**	–	–
Net loss	**₱5,487**	₱37	₱18
Total comprehensive loss attributable to:			
Equity holders of the Parent Company	**₱3,627**	₱24	₱12
NCI	**1,860**	13	6
	₱5,487	₱37	₱18

Summarized statements of cash flows for the years ended December 31, 2018, 2017 and 2016 are as follows:

PHINMA Petroleum	**2018**	2017	2016
Operating activities	**(₱16,061)**	(₱8,903)	(₱9,566)
Investing activities	**19,025**	8,454	8,904
Net increase (decrease) in cash and cash equivalents	**₱2,964**	(₱449)	(₱662)

Palawan55	**2018**	2017	2016
Operating activities	**₱2,757**	(₱39)	(₱332)
Investing activities	**(1,102)**	–	–
Financing activities	**1,950**		
Net increase (decrease) in cash and cash equivalents	**₱3,605**	(₱39)	(₱332)

There were no dividends paid to NCI for the years ended December 31, 2018, 2017 and 2016.

34. Significant Laws, Commitments and Contracts

Electric Power Industry Reform Act (EPIRA)
R.A. No. 9136, the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector which include, among others, the following:

(1) The unbundling of the generation, transmission, distribution and supply, and other disposable assets of the Company, including its contracts with independent power producers, and electricity rates;
(2) Creation of a WESM;
(3) Open and non-discriminatory access to transmission and distribution systems;
(4) Public listing of generation and distribution companies; and,
(5) Cross-ownership restrictions and concentrations of ownership.

The Company believes that it is in compliance with the applicable provisions of the EPIRA and its IRR.

Retail Competition and Open Access (RCOA)
Upon meeting all conditions set forth in the EPIRA, the ERC promulgated the Transitory Rules for the RCOA, by virtue of ERC Resolution No. 16 Series of 2012.

Through RCOA, licensed Electricity Suppliers, such as the Company, are empowered to directly contract with Contestable Customers (bulk electricity users with an average demand of 1 MW). This major development in the Power Industry enabled the Company to grow.

Secondary Price Cap
Significant events in November and December 2013 resulted in a surge of electricity prices that affected the end-consumers, which led the ERC to impose a supplemental regulatory cap under the ERC Resolution 20, Series of 2014. The said resolution established a preemptive mitigating measure in the WESM meant to limit significant increases in the WESM prices.

This regulatory cap was made permanent and requires all trading participants in the WESM to comply. PHINMA Energy and its subsidiaries that sell to WESM are subject to this cap.

Renewable Energy (RE) Act of 2008
As provided for in R.A. 9513, RE developers shall be entitled to incentives, such as, income tax holiday, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

The Company ventured into wind resource development projects through its subsidiary, PHINMA Renewable. The Act significantly affected the operating results of PHINMA Renewable due to a guaranteed FIT rate and reduction in taxes.

Wind Energy Service Contracts
PHINMA Renewable was awarded 12 wind service contract areas with an aggregate capacity estimated at 400 MW. This includes the 54 MW San Lorenzo Wind Project (SLWP) which started delivering power to the grid on October 7, 2014 and declared commercial operations on December 27, 2014. PHINMA Renewable sells its generated electricity to the WESM under the FIT System.

Feed-in-Tariff (FIT)
On June 10, 2015, the SLWP was issued a Certificate of Endorsement for Feed-In Tariff Eligibility by the DOE. On December 1, 2015, PHINMA Renewable received its Certificate of Compliance from the ERC which entitles PHINMA Renewable 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 ₱129.97 million and ₱190.89 million as at December 31, 2018 and 2017, respectively (see Note 8).

Power Purchase Agreement / Contract to Purchase Generated Electricity
PHINMA Energy entered into contracts with SLTEC, MGI and third parties where the Parent Company will purchase the entire or a portion of the net electricity output of the power plants for a period ranging from three (3) to twenty (20) years at an agreed price, subject to certain adjustments.

Power Administration and Management Agreement (PAMA)
PHINMA Energy entered into PAMAs with its subsidiaries PHINMA Power, CIPP and One Subic Power. Under the terms of the PAMA, PHINMA Energy will administer and manage the entire generation output of the plants and will pay for all electricity delivered by the power plant based on a formula as set forth in the PAMA and shall be payable monthly. The PAMAs with PHINMA Power and CIPP are valid for ten (10) years and are subject to regular review, while the PAMA with One Subic Power is valid throughout the life of the related Facilities Lease Agreement with SBMA (see Note 1).

On January 12, 2018, the PAMAs of the Company with CIPP and PHINMA Power were amended, providing for certain capacity rates based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMAs became effective starting March 26, 2018 and valid for ten years and are subject to regular review.

Ancillary Services Procurement Agreements (ASPA) with NGCP
PHINMA Energy and certain subsidiaries executed ASPAs with NGCP. Under the ASPA, the power plants will provide contingency and dispatchable reserves to NGCP to ensure reliability in the operation of the transmission system and the electricity supply in the Luzon Grid for five (5) years

upon the effectivity of the provisional approval or final approval issued by the ERC. ERC's provisional approval is extended every year.

Electricity Supply Agreement (ESA) / Contract for the Sale of Electricity (CSE) with GUIMELCO
On November 12, 2003, PHINMA Energy signed an ESA with GUIMELCO, under which PHINMA Energy agreed to construct, operate and maintain a 3.4 MW bunker C-fired diesel generator power station and to supply GUIMELCO with electricity based on the terms and conditions set forth in the ESA. The power plant commenced commercial operations on June 26, 2005.

Upon the expiration of the ESA, the parties entered into a CSE on March 2015. Under the contract, PHINMA Energy shall supply, for a period of 10 years from fulfillment of the conditions precedent indicated in the contract, all of GUIMELCO's electricity requirements that are not covered by GUIMELCO's base load supply. On February 1, 2018, PHINMA Energy has invoked a change in circumstances under the CSE considering that the passage of Tax Reform for Acceleration and Inclusion (TRAIN) law was not contemplated by parties during execution of CSE. In view of the requirements that have to be complied with by the parties, a Termination Agreement of the CSE is currently being finalized as at March 21, 2019.

Other ESAs / CSEs with customers
PHINMA Energy signed contracts to supply the energy requirements of various bilateral and RES contestable customers with a duration ranging from one (1) to fifteen (15) years.

Administration Agreement for the 40 MW Strips of the Unified Leyte Geothermal Power Plant (UL GPP)
On February 6, 2014, PHINMA Energy was officially declared a winning bidder of a 40 MW Strip of the UL GPP. Consequently, PSALM and PHINMA Energy, with conformity of the National Power Corporation entered into an Administration Agreement for the Selection and Appointment of the IPPAs for the Strips of Energy of the UL GPP. The agreement will expire on July 25, 2021.

On December 28, 2017, PHINMA Energy and PSALM have agreed to mutually terminate the Administration Agreement for the 40MW strip of energy of the UL GPP. PHINMA Energy also withdrew the case it filed earlier and no further claims will be pursued. As at March 21, 2019, PHINMA Energy has settled all its obligations with PSALM.

Service Contracts with the DOE

SC 14 (North Matinloc)
PHINMA Energy holds a 6.103% participating interest in SC 14 Block B-1 which hosts the North Matinloc-2 (NM-2) production well. The well is produced on cyclical mode with rest period longer than the flow phase, to enable the reservoir to build up enough pressure to push the crude to surface. In 2016, the well produced a total of 9,123 barrels of crude oil for an average 760 barrels monthly production.

SC 664 (Mabinay, Negros Oriental)
On November 10, 2016, the DOE awarded Hydropower Service Contract 2016-06-664 ("Ilog") to the Parent Company covering certain areas in Mabinay, Negros Oriental. The contract provides for a two-year Pre-Development Stage during which the Company shall evaluate the commercial feasibility of the project. Upon Declaration of Commerciality, the project shall proceed to the Development Stage which is valid for twenty-five (25) years. All costs during 2016 and 2017 with the Ilog Hydro projects were not capitalized as these were costs incurred prior to exploration and development activities.

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. As at March 21, 2019, 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. As at March 21, 2019, all costs of the Lipa and Padre Garcia Solar project were not capitalized as these were costs incurred prior to exploration and development activities.

Operating Lease Commitments

PHINMA Energy's Lease Agreement with GUIMELCO
The Parent Company has entered into a lease agreement with GUIMELCO for a parcel of land used 7only as a site for electric generating plant and facilities. The term of the lease is 10 years with a renewal option included in the contract. The Parent Company is given the first option to buy the property if the lessor decides to sell the land. The lease is at a fixed monthly rate of ₱0.04 million for the duration of the lease term. On March 27, 2015, the lease agreement was extended for another 10 years. On January 24, 2019, the Guimaras Power Plant was sold to S. I. Power Corporation. Consequently, in view of the sale, the Parent Company intends to terminate the lease with GUIMELCO in 2019.

	2018	2017
Within one year	**₱480**	₱480
After one year but not more than five years	**2,400**	2,400
More than five years	**120**	600
	₱3,000	₱3,480

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 03, 2018, the third amendments was signed and approved. The future minimum lease payments under this operating lease agreement follows:

	2018	2017
Within one year	**₱62,412**	₱60,326
After one year but not more than five years	**749,389**	248,698
	₱811,801	₱309,024

One Subic Power recognized rent expense of ₱75.58 million, ₱71.23 and ₱67.99 million in 2018, 2017, and 2016, respectively, included in "Rent" account under "Cost of sale of electricity" (see Note 24).

PHINMA Renewable's Lease Agreement with Various Land Owners
PHINMA Renewable 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. Future minimum lease payments under these agreements are as follows:

	2018	2017
Within one year	**₱374**	₱356
After one year but not more than five years	**1,843**	2,003
More than five years	**8,853**	9,467
	₱11,070	₱11,826

PHINMA Renewable recognized rent expense of ₱0.71 million, ₱0.73 and ₱0.77 million in 2018, 2017, and 2016, respectively, included in "Rent" account under "Cost of sale of electricity" (see Note 24).
Details of prepaid rent related to these operating lease agreements are as follows (see Notes 10 and 18):

	2018	2017
Prepaid rent:		
Current	**₱536**	₱350
Noncurrent	**2,532**	2,513
	₱3,068	₱2,863

Easements and Right of Way Agreements
In 2014, the Company 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 PHINMA Renewable 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. Details of prepaid rent related to these easement agreements are as follows (see Notes 10 and 18):

	2018	2017
Prepaid rent:		
Current	**₱2,010**	₱2,010
Noncurrent	**44,029**	45,934
	₱46,039	₱47,944

PHINMA Renewable recognized rent expense of ₱2.01 million, ₱2.01 million and ₱1.99 million in 2018, 2017 and 2016, respectively, included in "Rent" account under "Cost of sale of electricity" (see Note 24).

Finance Lease

PHINMA Renewable's Lease Agreement with Various Land Owners
PHINMA Renewable has entered into various lease agreements with individual land owners where the present value of the minimum lease payments amounted to at least substantially all of the fair value of the leased assets, which indicate that the risks and rewards relates to the assets are transferred to PHINMA Renewable. These leases are classified as finance leases and have terms of twenty (20) to twenty-five (25) years.

Future minimum lease payments under these agreements are as follows:

	2018	2017
Within one year	**₱16,778**	₱7,635
After one year but not more than five years	**58,380**	58,209
More than five years	**251,179**	268,524
Total minimum finance lease payments	**326,337**	334,368
Less amount representing unamortized interest	**239,235**	256,201
Present value of net minimum finance lease payments	**87,102**	78,167
Less finance lease obligation maturing within one year	**14,803**	14,328
Noncurrent portion of finance lease obligation	**₱72,299**	₱63,839

In 2018, 2017 and 2016, the PHINMA Renewable recognized finance charges on finance leases amounting to ₱16.63 million, ₱14.66 million and ₱13.26 million, respectively, included under "Interest and other finance charges" account in the consolidated statements of income (see Note 28).

Details of prepaid rent related to these finance lease agreements are as follows (see Notes 10 and 18):

	2018	2017
Prepaid rent:		
Current	**₱2,267**	₱1,554
Noncurrent	**1,352**	1,479
	₱3,619	₱3,033

35. Financial Risk Management Objectives and Policies

Objectives and Investment Policies
The funds of the entities held directly or indirectly by PHINMA, Inc. are managed by the PHINMA Group Treasury. As such, the PHINMA Treasury Group manages the funds of the Company and invests in short-term deposits, marketable instruments, corporate promissory notes and bonds, government bonds, listed shares of stocks, and mutual and trust funds denominated in Philippine peso, U.S. dollar and Euro. It is responsible for the sound and prudent management of the Company's financial assets that finance the Company's operations and investments in enterprises.

PHINMA Group Treasury focuses on the following major risks that may affect its transactions:

- Foreign currency 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 Company. An Investment Committee, which comprises some of the Company's BOD, reviews and approves policies, controls and strategies for investments and risk management.

Basic investment policies as approved by the Investment Committee are:

- Safety of principal;
- Duration of investment must be consistent with the respective company's investment horizon based on needs as approved by the Investment Committee;
- Exposure limits:
  - For banks or fund managers: maximum 20% of total fund of each company per bank or fund;
  - For Philippine peso investments: minimal corporate exposure except for registered bonds for non-affiliates;
  - Limits on third currencies outside U.S. dollar, equities and offshore investments are set regularly and reviewed at least once a year by the Investment Committee;
  - For total foreign currencies: maximum 50% of total portfolio;
  - For investments in equities whether directly managed or managed by professional fund managers: limits are set as approved by the Investment Committee and based on current market outlook at the time of review.

Risk Management Process

Foreign Currency Risk
The PHINMA Group Treasury manages holdings of cash and securities not only in Philippine peso but also in U.S. dollar and other foreign currencies. Any depreciation of the U.S. dollar and other currencies against the Philippine peso posts material foreign exchange losses that will diminish the market values of these investments.

Foreign currency risk is managed 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; Trading either by spot conversions and forward transactions on a deliverable or non-deliverable basis to protect values;
- Constant updating of the foreign currency holdings gains and losses to ensure prompt decisions if the need arises;
- Returns being calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The Company's significant foreign currency-denominated financial assets and financial liabilities as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	U.S. Dollar (US$)	**Euro (€)**	U.S. Dollar (US$)	Euro (€)
Financial Assets				
Cash and cash equivalents	**$872**	**€–**	$1,710	€–
Short-term investments	**672**	**–**	8,454	–
Derivative asset	**–**	**–**	197	–
Other receivables	**190**	**–**	194	–
	$1,734	**–**	10,555	–

	2018		2017	
	U.S. Dollar (US$)	**Euro (€)**	U.S. Dollar (US$)	Euro (€)
Financial Liabilities				
Accounts payable and other current liabilities	**(256)**	**(44)**	(497)	(77)
Due to related parties	**(480)**		–	–
	(736)	**(44)**	(497)	(77)
Net foreign currency-denominated assets (liabilities)	**$998**	**(44)**	$10,058	(€77)
Peso equivalent	**₱52,475**	**₱2,654**	₱502,196	(₱4,590)

**In 2017, the Company entered into a forward currency contract with a bank (see Note 36).*

In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rate used were ₱52.58 to US$1.00 and ₱60.31 to €1.00 as at December 31, 2018 and ₱49.93 to US$1.00 and ₱59.61 to €1.00 as at December 31, 2017.

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Company's profit before tax (due to the changes in the fair value of monetary assets and liabilities) in 2018 and 2017. The possible change are based on the survey conducted by management among its banks. There is no impact on the Company's equity other than those already affecting the profit or loss. The effect on profit before tax already includes the impact of derivatives (see Note 36).

Year	Increase (Decrease) in Foreign Exchange Rate	US$	Euro (€)
2018	(₱0.50)	**(₱499)**	**₱22**
	(1.00)	**(998)**	**44**
	0.50	**499**	**(22)**
	1.00	**998**	**(44)**
2017	(₱0.50)	(₱693)	₱77
	(1.00)	(1,385)	38
	0.50	693	(77)
	1.00	1,385	(38)

Credit or Counterparty Risk
Credit or counterparty risk is the r**isk** due to uncertainty in counterparty's ability to meet its obligations.

Credit or counterparty risk is managed through the following:

- Investments are coursed through or transacted with duly accredited domestic and foreign banks and mutual funds up to a maximum of 20% of the Company's investible funds. For UITF and mutual funds, fund placements cannot exceed 10% of the UITF's or mutual funds' total funds. Individual limits are further established for one bank or mutual fund on the basis of their valuation, financial soundness, business performance and reputation or expertise. Banks', UITF's and mutual funds' performance as well as their fund level, investment mix and duration are reviewed at least once a month or as often as required.
- Investments in nonrated securities are subject to a comprehensive credit and business review in coordination with sponsoring dealers or underwriters. For rated corporate bonds and sovereign bonds, credit ratings studies and updates from the major rating agencies are used as references (S & P, Moody's) in addition to a comprehensive credit and business review.

- For temporary investments in related parties, transactions are done on an arms-length basis taking into account the related parties' financial standing and ability to pay. Interest rates are based on a formula that considers the average of the borrowing and lending rates of the parties and maturity dates are strictly complied with.
- Discussions are done on every major investment by Treasury en banc before it is executed subject to the Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and a senior Treasury Officer supervises 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.
- Product manuals on new products are studied and reviewed to ensure that risks are identified and addressed prior to the endorsement of the new product for Investment Committee approval.

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

	2018					
	Neither Past Due nor Impaired			**Past Due but not Impaired**	**Past Due Individually Impaired**	**Total**
	Class A	**Class B**	**Class C**			
Trade and other receivables						
Current:						
Trade receivables	**₱1,712,945**	**₱–**	**₱–**	**₱400,481**	**₱40,922**	**₱2,154,348**
Due from related parties	**–**	**320,642**	**–**	**2,674**	**10,260**	**333,576**
Others	**–**	**183,751**	**–**	**6,798**	**80,152**	**270,701**
Noncurrent						
Trade receivables	**–**	**–**	**–**	**1,123,511**	**13,751**	**1,137,262**
Receivables from third Parties	**–**	**501,266**	**–**	**–**	**–**	**501,266**
	₱1,712,945	**₱1,005,659**	**₱–**	**₱1,533,464**	**₱145,085**	**₱4,397,153**

	2017					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade and other receivables						
Current:						
Trade receivables	₱1,991,626	₱–	₱–	₱591,776	₱25,015	₱2,608,417
Due from related parties	–	20,314	–	–	–	20,314
Others	–	131,987	–	2,584	82,103	216,674
Noncurrent						
Trade receivables	–	–	–	1,123,511	13,751	1,137,262
Receivables from third parties	–	650,627	–	–	–	650,627
	₱1,991,626	₱802,928	₱–	₱1,717,871	₱120,869	₱4,633,294

The Company 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 Company, which comprise cash and cash equivalents, short-term investments, financial assets at FVOCI/AFS investments, financial assets at FVTPL, investments held for trading and derivative instruments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

- Cash and cash equivalents, short-term investments, derivative assets and financial assets at FVTPL/investments held for trading 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/AFS investments 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 Company.

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 Company's maximum exposure to credit risk, as follows:

	2018	2017
Financial Assets at FVTPL	**₱749,191**	₱1,483,519
Financial Assets at FVOCI	**257,995**	293,127
	₱1,007,186	₱1,776,646

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

	2018	2017
Financial Assets at Amortized Cost (Portfolio 1)		
Cash and cash equivalents	**₱1,022,366**	₱1,300,999
Short-term investments	**35,326**	478,362
Under "Receivables"		
Trade receivables	**2,154,348**	2,608,417
Due from related parties	**333,576**	20,314
Others	**270,701**	216,674
Under "Other Noncurrent Assets"		
Trade receivables	**1,137,262**	1,137,262
Receivables from third parties	**501,266**	650,627
	₱5,454,845	₱6,412,655

The Company's maximum exposure to credit risk are as follows:

	2018					2017
	12-month	Lifetime ECL			Total	Total
Grade	Stage 1	Stage 2	Stage 3	Simplified Approach		
High	₱1,057,692	₱–	₱–	₱1,712,945	₱2,770,637	₱3,770,987
Standard	–	–	–	1,005,738	1,005,738	802,928
Substandard	–	–	–	1,533,464	1,533,464	1,717,871
Default	–	–	143,135	1,950	145,085	120,869
Gross carrying amount	1,057,692	–	143,135	4,254,097	5,454,924	6,412,655
Less loss allowance	–	–	143,135	1,950	145,085	120,869
Carrying amount	₱1,057,692	₱–	₱–	₱4,252,147	₱5,309,839	₱6,291,786

Liquidity Risk

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

Liquidity risk is managed through:

- Restricting investments principally to publicly traded securities with a good track record of marketability and dealing only with large reputable domestic and international institutions.
- Continuous monitoring of the weekly and monthly cash flows as well as frequent updates of the annual plans of the Company.
- Investment maturities being spread on a weekly, monthly, and annual basis as indicated in the Company's plans. Average duration of investments should adhere to the investment parameters approved by the Investment Committee.
- When necessary, placements are pre-terminated or securities are liquidated; but this is largely avoided.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31 based on contractual undiscounted payments:

	2018					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	₱–	₱569,534	₱134,106	₱7,940	₱–	₱711,580
Retention payable	–	1,096	–	–	–	1,096
Accrued expenses [a]	19,720	80,376	14,888	–	–	114,984
Accrued interest	–	19,581	59,716	–	–	79,297
Due to related parties	–	785,069	16,175	–	–	801,244
Others [b]	–	54	4,603	–	–	4,657
Due to stockholders	16,651	–	–	–	–	16,651
Short-term loans [d]	–	5,425	410,033	–	–	415,458
Finance lease obligation [c]	–	5,304	11,474	58,380	251,179	326,337
Long-term loans [d]	–	273,692	266,213	2,718,367	3,229,049	6,487,321
Other noncurrent liabilities [e]	1,123,511	–	–	187,267	–	1,310,778
	₱1,159,882	₱1,740,131	₱917,208	₱2,971,954	₱3,480,228	₱10,269,403

[a] *Excluding current portion of vacation and sick leave accruals amounting to ₱6.50 million (see Note 30).*
[b] *Excluding payable to officers and employees amounting to ₱3.53 million.*
[c] *Gross contractual payments.*
[d] *Including contractual interest payments.*
[e] *Excluding noncurrent portion of finance lease obligation amounting to ₱72.30 million (see Note 21).*

	2017					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	₱–	₱487,709	₱19,711	₱123,506	₱–	₱630,926
Retention payable	–	2,867	–	–	–	2,867
Accrued expenses [a]	19,720	166,764	9,397	–	–	195,881
Accrued interest	–	33,496	100,487	–	–	133,983
Accrued directors' and annual incentives	–	19,757	–	–	–	19,757
Due to related parties	–	1,169,560	18,285	–	–	1,187,845
Others [b]	–	450	4,603	–	–	5,053
Due to stockholders	15,300	–	–	–	–	15,300
Finance lease obligation [c]	–	2,810	4,825	58,209	268,524	334,368
Long-term loans [d]	–	229,726	264,453	3,028,992	5,200,731	8,723,902
Other noncurrent liabilities [e]	1,123,511	–	–	618,161	–	1,741,672
	₱1,158,531	₱2,113,139	₱421,761	₱3,828,868	₱5,469,255	₱12,991,554

[a] *Excluding current portion of vacation and sick leave accruals amounting to ₱18.46 million (see Note 30).*
[b] *Excluding payable to officers and employees amounting to ₱1.95 million.*
[c] *Gross contractual payments.*
[d] *Including contractual interest payments.*
[e] *Excluding noncurrent portion of finance lease obligation amounting to ₱63.84 million (see Note 21).*

As at December 31, 2018 and 2017, the profile of financial assets used to manage the Company's liquidity risk is as follows:

	2018				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Loans and receivables:					
Current:					
Cash and cash equivalents	**₱1,022,366**	**₱–**	**₱–**	**₱–**	**₱1,022,366**
Short-term investments	**35,326**	**–**	**–**	**–**	**35,326**
Receivables:					
Trade	**441,403**	**1,712,945**	**–**	**–**	**2,154,348**
Due from related parties	**12,855**	**320,721**	**–**	**–**	**333,576**
Others	**86,952**	**183,749**	**–**	**–**	**270,701**
Deposit receivables*	**–**	**–**	**69,056**	**–**	**69,056**
Noncurrent:					
Trade receivables	**1,137,262**	**–**	**–**	**–**	**1,137,262**
Receivable from third parties	**–**	**–**	**–**	**501,266**	**501,266**
Deposit receivables	**–**	**–**	**–**	**102,346**	**102,346**
Financial assets at FVTPL	**749,191**	**–**	**–**	**–**	**749,191**
Derivative assets	**–**	**4**	**–**	**–**	**4**
Financial assets at FVOCI:					
Quoted	**–**	**–**	**–**	**137,096**	**137,096**
Unquoted	**–**	**–**	**–**	**120,899**	**120,899**
	₱3,485,355	**₱2,217,419**	**₱69,056**	**₱861,607**	**₱6,633,437**

	2017				
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Loans and receivables:					
Current:					
Cash and cash equivalents	₱1,300,999	₱–	₱–	₱–	₱1,300,999
Short-term investments	478,362	–	–	–	478,362
Receivables:					
Trade	616,791	1,991,626	–	–	2,608,417
Due from related parties	–	20,314	–	–	20,314
Others	84,687	131,987	–	–	216,674
Deposit receivables*	–	–	164,747	–	164,747
Noncurrent:					
Trade receivables	1,137,262	–	–	–	1,137,262
Receivable from third parties	–	–	–	650,627	650,627
Deposit receivables	–	–	–	27,930	27,930
Financial assets at FVPL - Investments held for trading	1,483,519	–	–	–	1,483,519
Derivative assets	–	6,520	3,328	–	9,848
AFS Investments:					
Quoted	–	–	–	192,150	192,150
Unquoted	–	–	–	100,977	100,977
	₱5,101,620	₱2,150,447	₱168,075	₱971,684	₱8,391,826

**Excluding nonrefundable deposits amounting to ₱13.52 million and ₱12.24 million as at December 31, 2018 and 2017, respectively.*

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.

Market risk is managed through:

- Constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists or strategy officers are done to get multiple perspectives on interest rate trends or forecasts.
- Updates of the portfolio's local and foreign currency bonds' gains and losses are made as often as necessary.
- "Red Lines" are established then reviewed and revised as the need arises for major movements in the financial markets and are used to determine dealing parameters. Red lines are the strategic yield curves, bond prices or spreads that the Treasury Group uses as guides whether to buy, hold or sell bonds as approved by the Investment Committee or, in cases of high volatility, by the CFO.
- In cases of high volatility, dealers constantly give updates to approving authorities regarding changes in interest rates or prices in relation to strategies.
- Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks.

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 December 31, 2018 and 2017, the Company has fixed rate financial instruments measured at fair value.

The Company's exposure to interest rate risk relates primarily to long-term debt obligations that bear floating interest rate. The Company 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:

PHINMA Renewable
PHINMA Renewable entered into a ₱4.30 billion peso-denominated Term Loan Facility that will be used to partially finance the 54MW San Lorenzo Wind Farm. The loan facility is divided into two tranches amounting to ₱2.15 billion each - DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of fifteen (15) years with semi-annual interest payments starting on the date on which the loan is made. The interest of Tranche A bears a fixed rate for the first ten (10) years and is subject to an interest rate repricing on the last five (5) years.

On April 28, 2016, the Company prepaid a portion of its long-term debt in accordance with the terms of the Agreement as follows:

- the Company shall effect a mandatory prepayment of the loan, without premium or penalty, within three (3) business days from receipt by the Company of any transmission line proceeds;
- prepay the loan to the extent of seventy percent (70%) of the transmission line proceeds;
- the remaining thirty percent (30%) shall be transferred directly into the Company controlled distribution account for further distribution to the Project Sponsor.

PHINMA Energy
In 2014, the Parent Company also availed a total of peso-denominated ₱3.00 billion corporate notes and loan agreements from CBC, SBC and BDO to be used to fund its projects and working capital. SBC has a term of five (5) years with quarterly payments starting on the 5th quarter drawdown. Both BDO and CBC have a term of ten (10) years with quarterly payments starting on the 5th quarter drawdown having fixed interest rates to be repriced for the last three (3) years.

The following table sets out the carrying amount, by maturity of the Company's financial assets that are exposed to interest rate risk:

				2018			
	Interest Rates	**Within 1 year**	**More than 1 year to 2 years**	**More than 2 years to 3 years**	**More than 3 years to 4 years**	**Beyond 4 years**	**Total**
Long-term loans							
PHINMA Renewable							
DBP	**6.25 - 8.36%**	**₱54,410**	**₱57,365**	**₱61,559**	**₱65,766**	**₱580,419**	**₱819,519**
SBC	**6.57 - 6.74%**	**55,348**	**58,904**	**63,112**	**67,333**	**568,572**	**813,269**
PHINMA Energy							
Short-term loan							
BDO	**5.25%**	**400,000**	**–**	**–**	**–**	**–**	**400,000**
Long-term loan							
BDO	**5.81 - 6.55%**	**9,386**	**9,363**	**9,340**	**9,320**	**424,060**	**461,469**
CBC	**5.68 - 7.13%**	**29,966**	**29,949**	**28,553**	**27,949**	**1,272,278**	**1,388,695**
SBC	**8.69%**	**(4,541)**	**927,602**	**–**	**–**	**–**	**923,061**
DBP	**6.00 - 6.09%**	**61,435**	**66,383**	**71,136**	**75,893**	**690,623**	**965,470**
SBC	**6.50 - 6.59%**	**61,435**	**66,383**	**71,136**	**75,893**	**690,605**	**965,452**
Special savings account (SSA) – Peso	**1.60 - 6.90%**	**830,685**	**–**	**–**	**–**	**–**	**830,685**
Special savings account (SSA) – Dollar	**1.50 - 3.00%**	**44,411**	**–**	**–**	**–**	**–**	**44,411**
Short-term investments	**–**	**30,285**	**–**	**–**	**–**	**–**	**30,285**

		2017					
	Interest Rates	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	Beyond 4 years	Total
Long-term loans							
PHINMA Renewable							
DBP	6.25 - 8.36%	₱40,525	₱53,133	₱57,391	₱61,595	₱647,399	₱860,043
SBC	6.57 - 6.74%	42,010	54,650	57,775	61,983	638,868	855,286
PHINMA Energy							
BDO	5.81 - 6.55%	9,407	9,386	9,362	442,720	–	470,875
CBC	5.68 - 7.13%	29,980	29,966	29,950	1,328,777	–	1,418,673
SBC	4.84 - 4.95%	18,950	929,706	–	–	–	948,656
DBP	6.09%	43,032	70,306	75,970	81,409	877,210	1,147,927
SBC	6.59%	43,038	70,310	75,972	81,409	877,188	1,147,917
Special savings account (SSA)	1.125-4.25%	1,179,918	–	–	–	–	1,179,918
Special Deposit Accounts (SDA)	0.45-1.13%	184	–	–	–	–	184
Short-term investments	1.81-2.125%	478,362					478,362
Treasury bills	2.50-2.55%	153,818					153,818

The other financial instruments of the Company that are not included in the preceding table are not subject to interest rate repricing and are therefore not subject to interest rate volatility.

The following tables demonstrate the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Company's profit before tax for the years ended December 31, 2018 and 2017. The possible change are based on the survey conducted by management among its banks. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2018	
	Increase (Decrease) in Basis Points	**Effect on Profit Before Tax Increase (Decrease)**
Long-term loans	**25**	**(₱15,615)**
	(25)	**15,615**
SDA	**25**	**(980)**
	(25)	**980**
SSA	**25**	**1,766**
	(25)	**(1,766)**
Short-term loan	**25**	**980**
	(25)	**(980)**

	2017	
	Increase (Decrease) in Basis Points	Effect on Profit Before Tax Increase (Decrease)
Long-term loans	50	(₱33,755)
	(50)	33,755
SDA	50	1
	(50)	(1)
SSA	50	4,722
	(50)	(4,722)

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 Company's exposure to equity price risk relates primarily to its AFS investments.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

Based on the Company's expectation, the Company's assessment of reasonably possible change was determined to be an increase of 5.93% and 8.75% in 2018 and 2017, respectively, resulting in an increase in equity of ₱3.32 million and ₱8.20 million as at December 31, 2018 and 2017, respectively. The expectation is based on historical changes in the market composite index from 2013 to 2018.

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:

- Weekly 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.
- Monthly portfolio reports are submitted to the CFO that includes an updated summary of global and domestic events of the past month and the balance of the year.
- Quarterly presentations of the investment portfolio are made to the Investment Committee to discuss and secure approvals on strategy changes.
- 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 Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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

During 2014, the Parent Company availed ₱3.00 billion loan agreement from CBC, SBC and BDO and a ₱4.30 billion peso-denominated Term Loan Facility with SBC and DBP. During 2017, the Company availed ₱2.35 billion loan agreement with SBC and DBP (see Note 20). During 2018, the Company availed P0.93 billion loan agreement with SBC. In relation to these agreements, the 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.

The following debt covenants are being complied with by the Company as part of maintaining a strong credit rating with its creditors:

PHINMA Energy

CBC and BDO
(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity
(b) Maximum Debt to Equity ratio of 1.5 times

SBC
(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity
(b) Maximum Debt to Equity ratio of 2.0 times
(c) Minimum Current ratio of 1.0 times

PHINMA Renewable
Under the Omnibus Loan Facility Agreement, PHINMA Renewable must maintain a Historical Debt Service Coverage Ratio of at least 1.20:1.00 and a Debt to Equity ratio of not exceeding 70:30. It also requires equity contributions from its shareholders amounting to ₱328.13 million for retention and contingencies.

Additional covenants prevent PHINMA Renewable from entering into any joint ventures, partnerships, or similar business combinations or arrangements. It also prohibits PHINMA Renewable from making payments of dividends or return of capital.

36. Fair Values

The table below presents the carrying values and fair values of the Company's financial assets and financial liabilities, by category and by class, as at December 31, 2018 and 2017:

	2018			
		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 FVTPL	**₱749,191**	**₱–**	**₱749,191**	**₱–**
Financial assets at FVOCI	**257,995**	**137,096**	**11,500**	**109,399**
Derivative assets*	**4**	**–**	**4**	**–**
Refundable deposits**	**154,010**	**–**	**–**	**136,129**
Receivables from third parties**	**517,757**	**–**	**–**	**518,071**
	₱1,678,957	**₱137,096**	**₱760,695**	**₱763,599**
Liabilities				
Short-term loan	**₱400,000**	**₱–**	**₱–**	**₱400,000**
Long-term debt	**6,336,933**	**–**	**6,114,507**	**–**
Deposit payables and other liabilities****	**4,603**	**–**	**–**	**4,202**
	₱6,741,536	**₱–**	**₱6,114,507**	**₱404,202**

	2017			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments held for trading	₱1,483,519	₱–	₱1,483,519	₱–
AFS investments	293,127	133,540	58,610	100,977
Derivative assets*	9,848	–	9,848	–
Refundable deposits**	192,676	–	–	170,191
Receivables from third parties**	762,675	–	–	763,138
	₱2,741,845	₱133,540	₱1,551,977	₱1,034,306
Liabilities				
Derivative liability***	₱196	₱–	₱196	₱–
Long-term debt	6,849,376	–	6,603,945	–
Deposit payables and other liabilities****	301,191	–	–	274,681
	₱7,150,763	₱–	₱6,604,141	₱274,681

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

Investments Held for Trading/ Financial Assets at FVTPL
Net asset value per unit has been used to determine the fair values of investments held for trading/ financial assets at FVTPL.

AFS Investments/ Financial Asset at FVOCI
Quoted market prices have been used to determine the fair values of quoted AFS investments/ financial assets at FVOCI. In 2017, the fair values of unquoted AFS investments are based on cost since the fair values are not readily determinable. In 2018, the fair values of financial assets at FVOCI are determined based on the discounted free cash flows of the investee.

The fair value of derivative assets of freestanding forward currency transactions is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

Finance Lease Obligation
The fair value of finance lease obligation is no longer determined as it consists of numerous individually insignificant lease agreements and the effect is not expected to be significant.

Derivative Assets

Foreign Currency Forwards
PHINMA Energy entered into a forward foreign currency forward contracts with a bank with an aggregate notional amount of US$8.50 million in 2017. The weighted average fixing rate amounted to ₱51.09 to US$1.00 in 2017. The net fair value of these currency forwards amounted to ₱9.85 million gains as at December 31, 2017. PHINMA Energy did not enter into a foreign currency forward contracts in 2016. The foreign currency forward contracts were settled in 2018.

Embedded Derivatives
The Company has bifurcated embedded derivatives from its fuel purchase contracts. The purchases are denominated in U.S. dollar but the Company agreed to pay in Philippine peso using the average daily Philippine Dealing System weighted average rate of the month prior to the month of billing. These embedded derivatives are attributable to PHINMA Energy.

The Company's outstanding embedded forwards have an aggregate notional amount of US$0.03 million and US$0.34 million as at December 31, 2018 and 2017, respectively. The weighted average fixing rate amounted to ₱52.35 to US$1.00 and ₱50.31 to US$1.00 as at December 31, 2018 and 2017, respectively. The net fair value of these embedded derivatives amounted to ₱0.20 million gains and ₱0.20 million losses at December 31, 2018 and 2017, respectively.

The net movements in fair value changes of the Company's derivative instruments (both freestanding and embedded derivatives) are as follows:

	2018	2017
Balance at beginning of year	**₱9,652**	₱72
Net changes in fair value during the year	**(15,056)**	9,399
Fair value of settled contracts	**5,408**	181
Balance at end of year	**₱4**	₱9,652

The net changes in fair value during the year are included in the "Other income - net" account in the consolidated statements of income (see Note 28).

The fair value of derivative assets is presented under "Other current assets" account in the consolidated statements of financial position (see Note 10).

37. **Operating Segments**

The Company is divided into two reportable operating segments based on the nature of the services provided - Power and Petroleum. 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 consolidated financial statements.

	2018				
	Power	**Petroleum**	**Segment Total**	**Adjustments and Eliminations**	**Consolidated**
Revenue	**₱15,113,601**	**₱–**	**₱15,113,601**	**₱9,792**	**₱15,123,393**
Costs and expenses	**15,428,035**	**116,348**	**15,544,383**	**219,625**	**15,764,008**
Other income (expense) - net					
Interest and other finance charges	**(132,377)**	**–**	**(132,377)**	**(301,272)**	**(433,649)**
Interest and other financial income	**–**	**–**	**–**	**96,851**	**96,851**
Equity in net earnings of associates and joint ventures	**532,460**	**–**	**532,460**	**–**	**532,460**
Gain on derivatives - net	**–**	**–**	**–**	**(15,056)**	**(15,056)**
Gain on sale of PPE	**181**	**–**	**181**	**80**	**261**
Gain on sale of investment	**5,834**	**–**	**5,834**	**–**	**5,834**
Foreign exchange loss – net	**–**	**–**	**–**	**29,329**	**29,329**
Provision for unrecoverable input tax	**(43,712)**	**–**	**(43,712)**	**–**	**(43,712)**
Others	**431**	**–**	**431**	**46,315**	**46,746**
Segment profit	**48,383**	**(116,348)**	**(67,965)**	**(353,586)**	**(421,551)**
Operating assets	**₱16,116,835**	**₱38,550**	**₱16,155,385**	**₱2,769,310**	**₱18,924,695**
Operating liabilities	**₱5,161,610**	**₱16,150**	**₱5,177,760**	**₱5,375,487**	**₱10,553,247**
Capital expenditures	**₱96,938**	**₱4,343**	**₱101,281**	**₱2,923**	**₱104,204**
Capital disposals	**2,367**	**–**	**2,367**	**556**	**2,923**
Investments and advances	**4,322,053**	**–**	**4,322,053**	**631**	**4,322,684**
Depreciation and amortization	**(385,341)**	**(458)**	**(385,799)**	**(19,985)**	**(405,784)**
Provision for income tax	**–**	**–**	**–**	**(171,603)**	**(171,603)**

	2017				
	Power	Petroleum	Segment Total	Adjustments and Eliminations	Consolidated
Revenue	₱17,011,044	₱–	₱17,011,044	₱9,189	₱17,020,233
Costs and expenses	17,238,567	23,437	17,262,004	331,785	17,593,789
Other income (expense) - net					
Interest and other finance charges	(184,075)	–	(184,075)	(329,491)	(513,566)
Interest and other financial income	–	–	–	87,185	87,185
Equity in net earnings of associates and joint ventures	1,024,995	–	1,024,995	–	1,024,995
Gain on derivatives - net	(449)	–	(449)	9,848	9,399
Loss on sale of AFS investments	–	–	–	(17)	(17)
Foreign exchange loss - net	–	–	–	(8,373)	(8,373)
Others	–	–	–	17,423	17,423
Segment profit (loss)	₱612,948	(₱23,437)	₱589,511	(₱546,021)	₱43,490
Operating assets	₱15,654,072	₱77,699	₱15,731,771	₱5,026,762	₱20,758,533
Operating liabilities	₱5,913,821	₱3,612	₱5,917,433	₱5,701,541	₱11,618,974
Capital expenditures	₱114,115	₱130	₱114,245	₱11,647	₱125,892
Capital disposals	2,018	830	2,848	417	3,265
Investments and advances	4,056,971	–	4,056,971	631	4,057,602
Depreciation and amortization	(379,519)	(689)	(380,208)	(19,195)	(399,403)
Benefit from income tax	–	–	–	303,678	303,678

	2016				
	Power	Petroleum	Segment Total	Adjustments and Eliminations	Consolidated
Revenue	₱15,465,866	₱–	₱15,465,866	₱12,007	₱15,477,873
Costs and expenses	14,357,951	81,403	14,439,354	566,155	15,005,509
Other income (expense) - net					
Interest and other finance charges	(303,644)	–	(303,644)	(164,841)	(468,485)
Interest and other financial income	–	–	–	46,077	46,077
Equity in net earnings of associates and joint ventures	886,224	–	886,224	–	886,224
Gain on derivatives	8,741	–	8,741	–	8,741
Gain (loss) on sale of:					
Investments	444,207	–	444,207	–	444,207
Property, plant and equipment	27,731	–	27,731	132	27,863
AFS investments	–	–	–	7	7
Foreign exchange loss - net	–	–	–	(7,208)	(7,208)
Unrecoverable input value-added tax	–	–	–	(2,568)	(2,568)
Others	1,210	–	1,210	34,550	35,760
Segment profit (loss)	₱2,172,384	(₱81,403)	₱2,090,981	(₱647,999)	₱1,442,982
Operating assets	₱16,049,329	₱103,314	₱16,152,643	₱4,475,252	₱20,627,895
Operating liabilities	₱7,941,587	₱6,143	₱7,947,730	₱3,678,621	₱11,626,351
Capital expenditures	₱171,253	₱2,853	₱174,106	₱5,379	₱179,485
Capital disposals	806,963	2,097	809,060	2,419	811,479
Investments and advances	4,018,530	–	4,018,530	631	4,019,161
Depreciation and amortization	(392,410)	(635)	(393,045)	(20,046)	(413,091)
Provision for income tax	–	–	–	(60,451)	(60,451)

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 ventures.

Reconciliation of profit

	2018	2017	2016
Segment total profit (loss) before adjustments and eliminations	**(₱67,965)**	₱589,511	₱2,090,981
Dividend income	**9,117**	8,483	7,433
Rent income	**674**	706	4,574
General and administrative expense	**(219,626)**	(331,785)	(566,156)
Interest and other financial income	**96,851**	87,185	46,077
Interest and other finance charges	**(301,272)**	(329,491)	(164,841)
Other income - net	**60,677**	18,881	24,913
Income (loss) before income tax	**(₱421,544)**	₱43,490	₱1,442,981

Other income - net include foreign exchange gain (loss), gain (loss) on sale of property, plant and equipment and AFS investments/ 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.

Reconciliation of assets

	2018	2017
Segment operating assets	**₱16,155,385**	₱15,731,771
Current assets		
Cash and cash equivalents	**1,022,366**	1,300,999
Receivables and other current assets	**69,781**	659,056
Investments held for trading/ financial assets at FVTPL	**743,739**	1,483,519
Short-term investments	**35,326**	478,362
Noncurrent assets		
Property, plant and equipment	**47,361**	67,258
Investments in an associate, AFS investments/ financial assets at FVOCI and financial assets at FVTPL	**264,078**	293,758
Investment property	**13,085**	13,085
Deferred income tax asset - net	**261,346**	430,280
Other noncurrent assets	**312,228**	300,445
Total assets	**₱18,924,695**	₱20,758,533

Reconciliation of liabilities

	2018	2017
Segment operating liabilities	**₱5,177,760**	₱5,917,433
Current liabilities		
Accounts payable and other current liabilities	**107,502**	359,195
Income and withholding taxes payable	**11,762**	42,308
Due to stockholders	**16,651**	15,300
Short-term loan	**400,000**	–
Current portion of long-term loans	**157,683**	144,406
Noncurrent liabilities		
Long-term loans - net of current portion	**4,546,463**	4,989,640
Pension and other employee benefits	**40,246**	36,110
Deferred income tax liabilities - net	**95,180**	111,387
Other noncurrent liabilities	**–**	3,195
Total liabilities	**₱10,553,247**	₱11,618,974

38. Supplemental Cash Flow Information

The following table shows the Company's non-cash investing and financing activities and corresponding transaction amounts for the years ended December 31, 2018 and 2017:

	2018	2017
Non-cash investing activities:		
Reclassifications to:		
Creditable withholding taxes	**₱704,726**	₱–
Other noncurrent assets	**507,261**	–
Asset held for sale	**34,328**	–
Property and equipment	**1,844**	₱11,295
Investment property	–	40,907
Remeasurement of AFS financial assets	–	(23,049)
Acquisition of property and equipment under finance lease	–	754
Capitalized depreciation expense (see Notes 12 and 17)	–	19

Movement in the Company's liabilities from financing activities are as follows:

	January 1, 2018	**Dividend Declaration**	**Availments**	**Payments**	**Others**	**December 31, 2018**
Current portion of:						
Short-term loans	**₱–**	**₱–**	**₱400,000**	**₱–**	**₱–**	**₱400,000**
Long-term loans	**226,949**	–	–	–	**38,511**	**265,460**
Finance lease obligation	**14,328**	–	–	–	**475**	**14,803**
Dividends payable	**15,300**	**194,598**	–	**(193,247)**	–	**16,651**
Noncurrent portion of:						
Long-term loans	**6,622,427**	–	**930,000**	**(1,445,235)**	**(35,719)**	**6,071,473**
Finance lease obligation	**63,839**	–	–	**(8,153)**	**16,635**	**72,321**
Total liabilities from financing activities	**₱6,942,843**	**₱194,598**	**₱1,330,000**	**(₱1,646,635)**	**₱19,902**	**₱6,840,708**

39. Events After the Reporting Period

On February 7, 2019 PHINMA Inc., PHINMA Corporation and AC Energy Corporation (AC Energy) signed an investment agreement for AC Energy's acquisition of the PHINMA Group's 51.476% stake in PHINMA Energy via a secondary share sale through the Philippine Stock Exchange at a price of ₱1.36 per share subject to adjustments. This transaction is subject to regulatory approval and mandatory tender offer. PHINMA Corporation will sell 1,283,422,198 shares while PHINMA, Inc. will sell 1,233,642,502 shares to AC Energy. As part of the agreement, AC Energy will also subscribe to 2,632,000,000 shares of PHINMA Energy at par value of ₱1.00 per share on closing date.

40. Contingencies

Tax assessments:

a. On September 5, 2017, the CIPP received an FDDA 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, the CIPP filed its request for reconsideration with the Office of the Commissioner. In the opinion of CIPP's management, in consultation with its outside counsel, these proceedings will not have material or adverse effect on the financial statements. The information usually required by PAS 37 is not disclosed on the ground that it can be expected to prejudice the outcome or CIPP's position with respect to these matters. As at March 21, 2019, the case is still pending.

b. On August 20, 2014, PHINMA Energy distributed cash and property dividends in the form of shares in PHINMA Petroleum (see Note 22) after securing SEC's approval of the registration and receipt of Certificate Authorizing Registration (CAR) from the BIR.

On October 22, 2014, PHINMA Energy received from the BIR a Formal Letter of Demand (FLD), assessing PHINMA Energy 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, PHINMA Energy 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 PHINMA Energy 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 PHINMA Energy;
2) PHINMA Energy 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 PHINMA Energy.

On May 27, 2015, PHINMA Energy received from the BIR a Final Decision on Disputed Assessment (FDDA) dated May 26, 2015, denying the protest.

On June 25, 2015, PHINMA Energy 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 cancelled and withdrew the FLD. On January 24, 2019, the CTA denied the BIR's motion for reconsideration.

c. On January 4, 2018, PHINMA Power received a formal letter of demand issued by the BIR demanding payment amounting to ₱19.72 million for deficiency income tax, value-added tax, withholding tax and compromise penalties for the taxable year 2013. On January 5, 2018, PHINMA Power paid the amount of ₱19.72 million as full settlement of the assessment.

Claim for tax refund

On August 15, 2016, PHINMA Renewable filed with the BIR a letter and application for tax credits or refund for the PHINMA Renewable's excess and unutilized input VAT for the period July 1, 2014 to June 30, 2015 amounting to ₱335.76 million attributable to PHINMA Renewable's zero-rated sales. On December 19, 2016, PHINMA Renewable 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, PHINMA Renewable filed with the CTA a Petition for Review. During 2018, PHINMA Renewable and the BIR presented their evidence and arguments. As at March 21, 2019, PHINMA Renewable awaits the CTA's decision.

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
PHINMA Energy Corporation
Level 11, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of PHINMA Energy Corporation and Subsidiaries (collectively, the Company) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this Form 17-A and have issued our report thereon dated March 21, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
[redacted]

March 21, 2019

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

Pro Forma Condensed Consolidated
Financial Information
As at December 31, 2020 and For the Years
Ended December 31, 2020 and 2019

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

The Stockholders and the Board of Directors
AC Energy Corporation

We have completed our assurance engagement to report on the compilation of pro forma condensed consolidated financial information of AC Energy Corporation (formerly AC Energy Philippines, Inc.)(Parent Company) and subsidiaries (together with the Parent Company, the Group) prepared by the Parent Company's management. The pro forma consolidated financial information consists of the pro forma consolidated statement of financial position as at December 31, 2020, the pro forma consolidated statements of comprehensive income, pro forma consolidated statements of changes in equity, and pro forma consolidated statements of cash flows for the years ended December 31, 2020 and 2019 and the related notes. The applicable criteria on the basis of which the management has compiled the pro forma condensed consolidated financial information are described in Note 2 to the pro forma condensed consolidated financial information.

The pro forma condensed consolidated financial information have been compiled by the Parent Company's management to illustrate the impact of the transaction set out in Note 2 on the Group's financial position as at December 31, 2020 as if the transaction had taken place as of this date, and the Group's financial performance and cash flows for the years ended December 31, 2020 and 2019 as if the transaction had taken place at January 1, the beginning of the years presented. As part of this process, information about the transferred companies' financial position, financial performance and cash flows have been extracted from the transferred companies' balances as at December 31, 2020 and for the years ended December 31, 2020 and 2019.

Responsibility for the Pro Forma Condensed Consolidated Financial Information

The Parent Company's management is responsible for compiling the pro forma condensed consolidated financial information on the basis of the applicable criteria set out in Note 2 to the pro forma condensed consolidated financial information.

Auditor's responsibilities

Our responsibility is to express an opinion as required by Section 9, Part II of the Revised Securities Regulation Code Rule 68 about whether the pro forma condensed consolidated financial information have been compiled, in all material respects, by the Parent Company's management on the basis of the applicable criteria set out in Note 2 to the pro forma condensed consolidated financial information.

We conducted our engagement in accordance with Philippine Standard on Assurance Engagements (PSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Philippine Auditing and Assurance Standards Board. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Parent Company's management has compiled, in all material respects, the pro forma condensed consolidated financial information on the basis set out in Note 2 to the pro forma condensed consolidated financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma condensed consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma condensed consolidated financial information.

The purpose of pro forma condensed consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2020 or as at the beginning of the years presented, would have been as presented.

A reasonable assurance engagement to report on whether the pro forma condensed consolidated financial information have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Group's management in the compilation of the pro forma condensed consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma condensed consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the Group, the event or transaction in respect of which the pro forma condensed consolidated financial information have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma condensed consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma condensed consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria set out in Note 2 to the pro forma condensed consolidated financial information.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte
Partner
[redacted]

March 18, 2021

AC ENERGY CORPORATION
(Formerly AC Energy Philippines, Inc.)
AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020
(Amounts in Thousands)

	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Adjustments (Note 3.I) (Unaudited)	Pro Forma Balances (Unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents	₱5,135,474	₱22,941,697	₱28,077,171
Receivables	6,095,019	10,516,700	16,611,719
Fuel and spare parts	1,391,340	–	1,391,340
Financial assets at fair value through other comprehensive income (FVOCI)	–	12,620,756	12,620,756
Current portion of:			
Input value added tax (VAT)	430,139	8,599	438,738
Creditable withholding taxes	649,271	–	649,271
Other current assets	453,233	191	453,424
Total Current Assets	14,154,476	46,087,943	60,242,419
Noncurrent Assets			
Investments in:			
Financial asset at FVOCI	1,211	379,957	381,168
Associates and joint ventures	6,593,492	12,201,595	18,795,087
Other financial assets at amortized cost	–	15,297,105	15,297,105
Property, plant and equipment	31,837,939	11	31,837,950
Investment properties	341,549	–	341,549
Goodwill and other intangible assets	2,537,094	–	2,537,094
Right-of-use assets	2,343,404	–	2,343,404
Deferred income tax assets - net	416,353	–	416,353
Net of current portion:			
Input VAT	1,177,802	–	1,177,802
Creditable withholding taxes	601,840	–	601,840
Other noncurrent assets	3,570,160	4,273,888	7,844,048
Total Noncurrent Assets	49,420,844	32,152,556	81,573,400
TOTAL ASSETS	₱63,575,320	₱78,240,499	₱141,815,819

(Forward)

	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Adjustments (Note 3.I) (Unaudited)	Pro Forma Balances (Unaudited)
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	**₱6,539,227**	**(₱49,038)**	**₱6,490,189**
Short-term loans	**9,438,600**	**(4,803,600)**	**4,635,000**
Current portion of long-term loans	**707,782**	**–**	**707,782**
Current portion of lease liability	**285,001**	**–**	**285,001**
Income and withholding taxes payable	**129,072**	**216,209**	**345,281**
Due to stockholders	**18,272**	**–**	**18,272**
Total Current Liabilities	**17,117,954**	**(4,636,429)**	**12,481,525**
Noncurrent Liabilities			
Long term loans - net of current portion	**21,682,924**	**(136,551)**	**21,546,373**
Lease liabilities - net of current portion	**1,631,628**	**–**	**1,631,628**
Pension and other employee benefits	**50,929**	**–**	**50,929**
Deferred income tax liabilities - net	**127,693**	**3,288**	**130,981**
Other noncurrent liabilities	**1,609,123**	**85,925**	**1,695,048**
Total Noncurrent Liabilities	**25,102,297**	**(47,338)**	**25,054,959**
Total Liabilities	**42,220,251**	**(4,683,767)**	**37,536,484**
Equity			
Capital stock	**13,706,957**	**16,685,801**	**30,392,758**
Additional paid-in capital	**8,692,555**	**69,246,072**	**77,938,627**
Other equity reserves	**(7,541,223)**	**(52,076,178)**	**(59,617,401)**
Unrealized fair value loss on equity instruments at FVOCI	**(8,169)**	**–**	**(8,169)**
Unrealized fair value gain on derivative instruments designated under hedging	**57,409**	**–**	**57,409**
Remeasurement loss on defined benefit plans	**(6,999)**	**–**	**(6,999)**
Accumulated share in other comprehensive loss of associates and joint ventures	**(2,723)**	**–**	**(2,723)**
Retained earnings	**5,167,685**	**–**	**5,167,685**
Treasury shares	**(40,930)**	**–**	**(40,930)**
Total equity attributable to equity holders of the Parent Company	**20,024,562**	**33,855,695**	**53,880,257**
Non-controlling interests	**1,330,507**	**49,068,571**	**50,399,078**
Total Equity	**21,355,069**	**82,924,266**	**104,279,335**
TOTAL LIABILITIES AND EQUITY	**₱63,575,320**	**₱78,240,499**	**₱141,815,819**

See accompanying Notes to the Pro Forma Condensed Consolidated Financial Information (Unaudited)

AC ENERGY CORPORATION
(Formerly AC Energy Philippines, Inc.)
AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Figures)

	Year Ended December 31, 2020		
	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Adjustments (Note 3.II) (Unaudited)	Pro Forma Balances (Unaudited)
REVENUES			
Revenue from sale of electricity	₱20,283,303	₱–	₱20,283,303
Rental income	86,623	–	86,623
Dividend income	–	14,034	14,034
Other revenue	69,525	34,751	104,276
	20,439,451	48,785	20,488,236
COSTS AND EXPENSES			
Cost of sale of electricity	13,420,539	–	13,420,539
General and administrative expenses	2,585,290	432,374	3,017,664
	16,005,829	432,374	16,438,203
INTEREST AND OTHER FINANCE CHARGES	(1,879,868)	(108,218)	(1,988,086)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES	898,513	591,679	1,490,192
OTHER INCOME - NET	908,028	2,643,861	3,551,889
INCOME BEFORE INCOME TAX	4,360,295	2,743,733	7,104,028
PROVISION FOR INCOME TAX			
Current	197,666	206,387	404,053
Deferred	293,116	4,707	297,823
	490,782	211,094	701,876
NET INCOME	₱3,869,513	₱2,532,639	₱6,402,152
Net Income Attributable to:			
Equity holders of the Parent Company	₱3,753,813	₱534,289	₱4,288,102
Non-controlling interests	115,700	1,998,350	2,114,050
	₱3,869,513	₱2,532,639	₱6,402,152
Basic/Diluted Earnings Per Share (Note 4)	₱0.35		₱0.16
NET INCOME	₱3,869,513	₱2,532,639	₱6,402,152
OTHER COMPREHENSIVE INCOME LOSS			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Cumulative translation adjustment	–	(5,980,035)	(5,980,035)
Unrealized fair value losses on derivative instrument designated under hedge accounting - net of tax	72,151	–	72,151
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods			
Net changes in the fair value of equity instruments at FVOCI	(40)	81,757	81,717
Remeasurement gain on defined benefit plan - net of tax	35	–	35
	72,146	(5,898,278)	(5,826,132)
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Unrealized fair value loss on derivative instruments designated as hedges - net of tax	–	(28,077)	(28,077)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods			
Remeasurement loss on defined benefit obligation - net of tax	(616)	(32,998)	(33,614)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	71,530	(5,959,353)	(5,887,823)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱3,941,043	(₱3,426,714)	₱514,329
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	₱3,825,343	(₱5,422,667)	(₱1,597,324)
Non-controlling interest	115,700	1,995,953	2,111,653
	₱3,941,043	(₱3,426,714)	₱514,329

See accompanying Notes to the Pro Forma Condensed Consolidated Financial Information (Unaudited)

	Year Ended December 31, 2019		
	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Adjustments (Note 3.II) (Unaudited)	Pro Forma Balances (Unaudited)
REVENUES			
Revenue from sale of electricity	₱16,096,549	₱–	₱16,096,549
Dividend income	14,741	–	14,741
Rental income	3,115	–	3,115
Other revenue	–	135,606	135,606
	16,114,405	135,606	16,250,011
COSTS AND EXPENSES			
Cost of sale of electricity	15,302,530	–	15,302,530
General and administrative expenses	767,840	259,808	1,027,648
	16,070,370	259,808	16,330,178
INTEREST AND OTHER FINANCE CHARGES	(976,029)	(27,947)	(1,003,976)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES	206,985	834,519	1,041,504
OTHER INCOME - NET	736,249	23,339,346	24,075,595
INCOME BEFORE INCOME TAX	11,240	24,021,716	24,032,956
PROVISION FOR INCOME TAX			
Current	99,250	67,808	167,058
Deferred	(220,883)	–	(220,883)
	(121,633)	67,808	(53,825)
NET INCOME	₱132,873	₱23,953,908	₱24,086,781
Net Income Attributable to:			
Equity holders of the Parent Company	₱57,654	₱23,954,155	₱24,011,809
Non-controlling interests	75,219	(247)	74,972
	₱132,873	₱23,953,908	₱24,086,781
Basic/Diluted Earnings Per Share (Note 4)	₱0.01		₱1.05
NET INCOME	₱132,873	₱23,953,908	₱24,086,781
OTHER COMPREHENSIVE INCOME LOSS			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Cumulative translation adjustment	–	1,660,383	1,660,383
Unrealized fair value losses on derivative instrument designated under hedge accounting - net of tax	(14,742)	–	(14,742)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain on defined benefit plan - net of tax	(7,570)	–	(7,570)
Net changes in the fair value of equity instruments at FVOCI	(27,369)	(16)	(27,385)
	(49,681)	1,660,367	1,610,686
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods			
Remeasurement loss on defined benefit obligation - net of tax	86	–	86
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(49,595)	1,660,367	1,610,772
TOTAL COMPREHENSIVE INCOME (LOSS)	₱83,278	₱25,614,275	₱25,697,553
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	₱8,059	₱25,614,522	₱25,622,581
Non-controlling interest	75,219	(247)	74,972
	₱83,278	₱25,614,275	₱25,697,553

See accompanying Notes to the Pro Forma Condensed Consolidated Financial Information (Unaudited)

AC ENERGY CORPORATION
(Formerly AC Energy Philippines, Inc.)
AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company												
	Capital Stock	Additional Paid-in Capital	Other Equity Reserves	Unrealized Fair Value Gain (Loss) on Equity Instruments at FVOCI	Unrealized Fair Value Gain (Loss) on Derivative instruments designated under hedging	Remeasurement Gain (Loss) on Defined Benefit Plans	Accumulated Share in Other Comprehensive Gain (Loss) of Associates and Joint Ventures	Cumulative Translation Adjustment	Retained Earnings	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCES AT JANUARY 1, 2020 (ACEN)	**₱7,521,775**	**₱83,768**	**₱5,366,480**	**(₱96,584)**	**(₱14,742)**	**₱9,254**	**(₱2,107)**	**₱–**	**₱3,296,295**	**(₱27,704)**	**₱16,136,435**	**₱248,584**	**₱16,385,019**
Dividends declared and paid	–	–	–	–	–	–	–	–	(546,751)	–	(546,751)	(133,121)	(679,872)
Issuance of capital stock	6,185,182	8,473,700	–	–	–	–	–	–	–	–	14,658,882	–	14,658,882
Stock issuance costs	–	(94,782)	–	–	–	–	–	–	–	–	(94,782)	–	(94,782)
Acquisition of treasury shares	–	–	–	–	–	–	–	–	–	(28,657)	(28,657)	–	(28,657)
Reissuance of treasury shares	–	71,402	–	–	–	–	–	–	–	15,431	86,833	–	86,833
Non-controlling interest arising from business combination	–	–	–	–	–	–	–	–	–	–	–	1,099,344	1,099,344
Acquisition under common control	–	158,467	(12,907,703)	88,455	–	(16,288)	–	–	(1,335,672)	–	(14,012,741)	–	(14,012,741)
	6,185,182	8,608,787	(12,907,703)	88,455	–	(16,288)	–	–	(1,882,423)	(13,226)	62,784	966,223	1,029,007
Pro forma net income and other comprehensive income (loss) (Note 3.IV.A)	–	–	–	81,717	72,151	35	(61,691)	(5,977,638)	4,288,102	–	(1,597,324)	2,111,653	514,329
Pro forma adjustments (Note 3.IV.B)	16,685,801	69,246,072	(52,076,178)	–	–	–	–	–	–	–	33,855,695	49,068,571	82,924,266
Other pro forma adjustments (Note 3.IV.C)	–			(81,757)	–	–	61,075	5,977,638	(534,289)	–	5,422,667	(1,995,953)	3,426,714
	16,685,801	69,246,072	(52,076,178)	(81,757)	–	–	61,075	5,977,638	(534,289)	–	39,278,362	47,072,618	86,350,980
PRO FORMA BALANCES AT DECEMBER 31, 2020 (Unaudited)	**₱30,392,758**	**₱77,938,627**	**(₱59,617,401)**	**(₱8,169)**	**₱57,409**	**(₱6,999)**	**(₱2,723)**	**₱–**	**₱5,167,685**	**(₱40,930)**	**₱53,880,257**	**₱50,399,078**	**₱104,279,335**

See accompanying Notes to the Pro Forma Condensed Consolidated Financial Information (Unaudited)

	Attributable to Equity Holders of the Parent Company												
	Capital Stock	Additional Paid-in Capital	Other Equity Reserves	Unrealized Fair Value Gain (Loss) on Equity Instruments at FVOCI	Unrealized Fair Value Gain (Loss) on Derivative instruments designated under hedging	Remeasurement Gain (Loss) on Defined Benefit Plans	Accumulated Share in Other Comprehensive Gain (Loss) of Associates and JointVentures	Cumulative Translation Adjustment	Retained Earnings	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCES AT JANUARY 1, 2019 (ACEN)	₱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
Disposal of financial assets at FVOCI	–	–	–	(40,532)	–	–	–	–	40,532	–	–	–	–
Issuance of shares of stock	2,632,000	–	–	–	–	–	–	–	–	2	2,632,002	–	2,632,002
Acquisition of non-controlling interests	–	–	(130,854)	–	–	–	–	–	–	–	(130,854)	(22,782)	(153,636)
Effects of common control business combination	–	–	5,478,996	(88,455)	–	16,288	–	–	(14,884)	–	5,391,945	150,697	5,542,642
	2,632,000	–	5,348,142	(128,987)	–	16,288	–	–	25,648	2	7,893,093	127,915	8,021,008
Pro forma net income and other comprehensive income (loss) (Note 3.V.A)	–	–	–	(27,385)	(14,742)	(7,570)	86	1,660,383	24,011,809	–	25,622,581	74,972	25,697,553
Pro forma adjustments (Note 3.V.B)	16,685,801	69,246,072	(48,886,887)	–	–	–	–	–	–	–	37,044,986	39,123,377	76,168,363
Other pro forma adjustments (Note 3.V.C)	–	–	–	16	–	–	–	(1,660,383)	(23,954,157)	–	(25,614,524)	247	(25,614,277)
	16,685,801	69,246,072	(48,886,887)	16	–	–	–	(1,660,383)	(23,954,157)	–	11,430,462	39,123,624	50,554,086
PRO FORMA BALANCES AT DECEMBER 31, 2019 (Unaudited)	₱24,207,576	₱69,329,840	(₱43,520,407)	(₱96,584)	(₱14,742)	₱9,254	(₱2,107)	₱–	₱3,296,293	(₱27,704)	53,181,419	39,371,961	92,553,380

See accompanying Notes to the Pro Forma Condensed Consolidated Financial Information (Unaudited)

AC ENERGY CORPORATION
(Formerly AC Energy Philippines, Inc.)
AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 20219
(Amounts in Thousands)

	Year Ended December 31, 2020		
	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Adjustments (Note 3.II) (Unaudited)	Pro Forma Balances (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,360,295**	**₱2,743,733**	**₱7,104,028**
Adjustments for:			
Interest and other finance charges	**1,879,868**	**108,218**	**1,988,086**
Depreciation and amortization	**1,810,707**	**36**	**1,810,743**
Equity in net income of associates and joint ventures	**(898,513)**	**(591,679)**	**(1,490,192)**
Foreign exchange (gain) loss - net	**(361,260)**	**315,501**	**(45,759)**
Interest and other financial income	**(121,512)**	**(1,940,260)**	**(2,061,772)**
Gain on bargain purchase	**(49,970)**	**–**	**(49,970)**
Pension and other employee benefits	**(20,071)**	**–**	**(20,071)**
Dividend income	**–**	**(14,034)**	**(14,034)**
Gains on disposal of investments	**–**	**(867,067)**	**(867,067)**
Provisions for (reversal of):			
Impairment loss on:			
Property, plant and equipment impairment	**381,105**	**–**	**381,105**
Investments in associates and joint venture	**186,513**	**–**	**186,513**
Advances to contractors	**49,884**	**–**	**49,884**
Credit losses	**(32)**	**–**	**(32)**
Loss (gain) on sale of:			
By-product	**(15,354)**	**–**	**(15,354)**
Property, plant and equipment	**4,280**	**–**	**4,280**
Derivatives	**3,414**	**–**	**3,414**
Operating income (loss) before working capital changes	**7,209,354**	**(245,552)**	**6,963,802**
Increase (decrease) in:			
Receivables	**(1,399,141)**	**(2,449,674)**	**(3,848,815)**
Fuel and spare parts	**(426,969)**	**–**	**(426,969)**
Other current assets	**186,337**	**(4,311)**	**182,026**
Other noncurrent assets	**(1,238,150)**	**–**	**(1,238,150)**
Decrease in accounts payable and other current liabilities	**(324,695)**	**(28,993)**	**(353,688)**
Cash generated from (used in) operations	**4,006,736**	**(2,728,530)**	**1,278,206**
Interest received	**–**	**296,002**	**296,002**
Income and withholding taxes paid	**(192,586)**	**(52,331)**	**(244,917)**
Net cash flows from (used in) operating activities	**3,814,150**	**(2,484,859)**	**1,329,291**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	**(6,259,461)**	**–**	**(6,259,461)**
Investments in subsidiaries, net of cash acquired	**(4,026,861)**	**–**	**(4,026,861)**
Investments in joint ventures	**(2,573,300)**	**(280,412)**	**(2,853,712)**
Right-of-use assets	**(378,492)**	**–**	**(378,492)**
Investment properties	**(44,605)**	**–**	**(44,605)**
Deferred exploration costs	**(13,836)**	**–**	**(13,836)**
Loans to related parties	**–**	**(11,488,821)**	**(11,488,821)**
Investments in convertible loans	**–**	**(5,983,388)**	**(5,983,388)**
Financial assets at fair value through profit or loss (FVTPL)	**–**	**(5,474,708)**	**(5,474,708)**
Investments in redeemable preferred shares	**–**	**(4,987,051)**	**(4,987,051)**

(Forward)

	Year Ended December 31, 2020		
	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Adjustments (Note 3.II) (Unaudited)	Pro Forma Balances (Unaudited)
Cash dividends received	**₱446,480**	**₱1,729,954**	**₱2,176,434**
Interest received	**140,450**	**1,368,165**	**1,508,615**
Proceeds from:			
Termination of short-term investments	**100,000**	–	**100,000**
Insurance claim	**35,282**	–	**35,282**
Sale of property, plant and equipment	**2,627**	–	**2,627**
Redemptions of investments in financial assets at FVOCI	–	**7,275,900**	**7,275,900**
Sale of investments in financial assets at FVTPL	–	**6,346,901**	**6,346,901**
Collection of receivables	–	**3,523,334**	**3,523,334**
Increase in other noncurrent assets, non-current portion of input VAT and CWT	**(1,766,094)**	–	**(1,766,094)**
Net cash flows used in investing activities	**(14,337,810)**	**(7,970,126)**	**(22,307,936)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of short-term debt	**10,506,500**	**3,677,775**	**14,184,275**
Availment of long-term debt	**3,807,614**	–	**3,807,614**
Reissuance of treasury shares	**86,833**	–	**86,833**
Issuance of redeemable preferred shares	–	**8,975,317**	**8,975,317**
Capital infusion from non-controlling interest in a subsidiary	–	**768,131**	**768,131**
Payments of:			
Long-term loans	**(4,602,920)**	–	**(4,602,920)**
Interest on short-term, long-term loans	**(1,505,299)**	**(176,802)**	**(1,682,101)**
Short-term loans	**(1,148,944)**	**(8,481,375)**	**(9,630,319)**
Cash dividends	**(679,872)**	–	**(679,872)**
Interest on lease liabilities	**(171,097)**	–	**(171,097)**
Stock issuance costs	**(94,782)**	–	**(94,782)**
Lease liabilities	**(68,670)**	–	**(68,670)**
Treasury shares	**(28,657)**	–	**(28,657)**
Debt issuance cost	**(28,500)**	–	**(28,500)**
Increase in due to stockholders	**1,678**	–	**1,678**
Increase in other noncurrent liabilities	**27,263**	–	**27,263**
Net cash flows from financing activities	**6,101,147**	**4,763,046**	**10,864,193**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(35,261)**	**(1,403,412)**	**(1,438,673)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(4,457,774)**	**(7,095,351)**	**(11,553,125)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**9,593,248**	**30,037,048**	**39,630,296**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱5,135,474**	**₱22,941,697**	**₱28,077,171**

See accompanying Notes to the Pro Forma Condensed Consolidated Financial Information (Unaudited)

	Year Ended December 31, 2019		
	AC Energy Corporation and Subsidiaries (Audited)	Pro Forma Adjustments (Note 3.VII)	Pro Forma Balances (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱11,240	₱24,021,716	₱24,032,956
Adjustments for:			
Depreciation and amortization	1,037,725	–	1,037,725
Interest and other finance charges	976,029	27,947	1,003,976
Equity in net income of associates and joint ventures	(206,985)	(834,519)	(1,041,504)
Interest and other financial income	(116,569)	(1,275,414)	(1,391,983)
Pension and other employee benefits	35,439	–	35,439
Dividend income	(14,741)	–	(14,741)
Foreign exchange (gain) loss - net	(13,793)	30,479	16,686
Provisions for (reversal of):			
Probable losses on Deferred exploration cost	34,493	–	34,493
Credit losses	12,059	–	12,059
Inventory obsolescence	5,554	–	5,554
Loss (gain) on sale of:			
Property, plant and equipment	(294,725)	–	(294,725)
Assets held for sale	(14,289)	–	(14,289)
By-product	(13,226)	–	(13,226)
Derivatives	6,850	–	6,850
Investments	(1,375)	(22,223,693)	(22,225,068)
Inventories	461		461
Operating income (loss) before working capital changes	1,444,147	(253,484)	1,190,663
Increase (decrease) in:			
Receivables	263,401	265,026	528,427
Fuel and spare parts	(188,448)	–	(188,448)
Other current assets	504,819	(3,506)	501,313
Decrease in accounts payable and other current liabilities	(1,192,913)	52,870	(1,140,043)
Cash generated from operations	831,006	60,906	891,912
Income and withholding taxes paid	(227,577)	(44,447)	(272,024)
Net cash flows from operating activities	603,429	16,459	619,888
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investments in subsidiaries, net of cash acquired	2,203,455	(15,905,969)	(13,702,514)
Property, plant and equipment	(496,471)	–	(496,471)
Short term investments	(100,000)	–	(100,000)
Deferred exploration costs	(19,426)	–	(19,426)
Financial assets at FVOCI	–	(20,926,157)	(20,926,157)
Investments in amortized cost	–	(1,564,343)	(1,564,343)
Proceeds from:			
Termination of short-term investments	35,326	–	35,326
Insurance claim	222,789	–	222,789
Sale of property, plant and equipment	337,961	–	337,961
Redemptions of investments in financial assets at FVOCI	255,772	–	255,772
Investments in joint ventures	218,348	31,853,450	32,071,798
Sale of investments in financial assets at FVTPL	779,853	–	779,853
Assets held for sale	45,071	–	45,071
Redemptions of RPS	–	609,204	609,204
Interest received	71,232	1,132,352	1,203,584
Cash dividends received	39,742	–	39,742
Increase in other noncurrent assets, non-current portion of input VAT and CWT	(405,315)	(551,131)	(956,446)
Net cash flows from (used in) investing activities	3,188,337	(5,352,594)	(2,164,257)

(Forward)

	Year Ended December 31, 2019		
	AC Energy Corporation and Subsidiaries (As restated)	Pro Forma Adjustments (Note 3.VII)	Pro Forma Balances (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of long-term debt	₱5,000,000	₱–	₱5,000,000
Issuance of capital stock	2,632,000	69,322,116	71,954,116
Reissuance of treasury shares	3	–	3
Payments of:			
Long-term loans	(1,494,900)	(4,365,962)	(5,860,862)
Interest on short-term, long-term loans	(958,249)	–	(958,249)
Short-term loans	(400,000)	–	(400,000)
Cash dividends	–	(8,134,909)	(8,134,909)
Acquisition of non-controlling	(153,636)	–	(153,636)
Interest on lease liabilities	(69,284)	–	(69,284)
Redemption of shares	–	(17,530,779)	(17,530,779)
Lease liabilities	(49,522)	–	(49,522)
Debt issuance cost	(43,003)	(34,163)	(77,166)
Increase in due to stockholders	(5,405)	–	(5,405)
Increase in other noncurrent liabilities	334,009	(5,476,055)	(5,142,046)
Net cash flows from financing activities	4,792,013	33,780,248	38,572,261
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(12,897)	(13,955)	(26,852)
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,570,882	28,430,158	37,001,040
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,022,366	1,606,890	2,629,256
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱9,593,248	₱30,037,048	₱39,630,296

See accompanying Notes to the Pro Forma Condensed Consolidated Financial Information (Unaudited)

1. Corporate Information and Status of Operations

AC Energy Corporation, formerly AC Energy Philippines, Inc. ("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 and Infrastructure Corporation ("ACEIC", formerly AC Energy, Inc.) signed an investment agreement for ACEIC's acquisition of PHINMA, Inc.'s 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 ACEIC. ACEIC 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 ACEIC. On the same day, ACEIC 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 ACEIC equivalent to 6.19 billion common shares at ₱2.37 per share in exchange for ACEIC's interest in various Philippine companies.

As at December 31, 2020, ACEIC directly owns 81.62% of the ACEN's total outstanding shares of stock.

The direct parent company (or intermediate parent company) of ACEN is ACEIC, a wholly owned subsidiary of Ayala Corporation ("AC"), a publicly-listed company which is 47.3% owned by Mermac, Inc. (ultimate parent company). ACEN is managed by ACEIC under an existing management agreement, which was assigned by PHINMA, Inc. to ACEIC on June 24, 2019 and which assignment was approved by the stockholders on September 17, 2019. ACEN, ACEIC and Mermac, Inc. are all incorporated and domiciled in the Philippines. ACEN and its subsidiaries are collectively referred to as "the Group".

During the regular meeting held on March 18, 2020, the BOD of ACEN approved the consolidation of ACEIC's international business and assets into ACEN via a tax free exchange, whereby ACEIC will transfer its shares of stock in AC Energy International, Inc. (formerly Presage Corporation; "ACE International", ACEIC's subsidiary, a holding company that owns ACEIC's international business and investments) to ACEN in exchange for the issuance to ACEIC of additional primary shares in ACEN (assets-for-shares swap), on terms to be determined by ACEN Executive Committee.

On April 1, 2020, ACEN's Executive Committee, acting on the authority delegated by the Board, approved the terms of the exchange at 16,685,800,533 additional primary shares of ACEN to ACEIC at an issue price of ₱2.97 per share in exchange for property consisting of 100% of ACEIC's shares in ACE International.

On November 11, 2020, the BOD of ACEN approved, among others, the following matters:

i) The terms of the Parent Company's SRO for the issuance of 2,267,580,434 shares at an offer price of ₱2.37 per share, and at an entitlement ratio of 1.11 shares:1 offer share, subject to applicable SEC and other regulatory approvals of the offer, including the offer price and
ii) The offer of an affiliate of GIC Private Limited ("GIC"), Arran Investment Pte Ltd ("Arran"), to invest into ACEN and acquire a 17.5% ownership stake, subject to definitive documentation and satisfaction of agreed conditions. The proposed 17.5% ownership stake is on the basis that ACEN's SRO and follow-on-offering, and the infusion of ACEIC's international business into the Group, have been completed.

On December 11, 2020, ACEN received the confirmation letter from the SEC that the SRO is exempt from registration requirements under Section 8 of the Securities Regulation Code (the "Code") pursuant to Section 10.1 thereof. On December 16, 2020, the PSE approved the application of the Parent Company for the listing of additional shares of up to 2,267,580,434 common shares covering its SRO to all stockholders as of the proposed record date of January 13, 2021.

On December 30, 2020, ACEN and ACEIC signed an Investment Agreement with Arran for the latter's investment into ACEN subject to agreed conditions precedent.

On March 18, 2021, BOD of ACEN approved the re-confirmation of the issuance of 16,685,800,533 additional primary shares of ACEN to ACEIC at an updated issue price of Php5.15 per share in exchange for property consisting of 100% of ACEIC's shares in ACE International, subject to applicable regulatory and shareholders' approvals.

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

The accompanying unaudited pro forma condensed consolidated financial information includes the consolidated accounts of ACEN and its subsidiaries, the pro forma adjustments for the acquisition of ACEIC's offshore companies through share swap transaction which will occur subsequent to December 31, 2020.

<u>Authorization for Issuance of the Pro Forma Condensed Consolidated Financial Information</u>
The unaudited pro forma condensed consolidated financial information were approved and authorized for issue by the Parent Company's BOD on March 18, 2021.

2. Basis of Preparing Pro Forma Consolidated Financial Information

The pro forma condensed consolidated financial information have been prepared in accordance with Section 9, Part II of the Revised Securities Regulation Code Rule 68, (Revised SRC Rule 68).

The pro forma condensed consolidated financial information have been prepared solely for the inclusion in the prospectus prepared by AC Energy Corporation and Subsidiaries in connection with its planned follow-on offering and for no other purpose. The unaudited pro forma condensed consolidated financial information should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2020.

The objective of this unaudited pro forma condensed consolidated financial information is to show what the significant effects on the historical financial information might have been had the transaction described below occurred at an earlier date. However, the unaudited pro forma condensed consolidated financial information is not necessarily indicative of the results of operations or related effects on the consolidated financial statements that would have been attained, had the transaction described below actually occurred at an earlier date. The unaudited pro forma condensed consolidated financial information is not intended to be considered in isolation from, or as a substitute for, the financial position or results of operations prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

All values are rounded to the nearest thousands (‘000), except par values, per share amounts, number of shares and when otherwise indicated.

Significant Transaction

The significant transaction below is expected to occur subsequent to December 31, 2020.

Acquisition of ACEIC’s offshore companies through share swap

ACEN will acquire the entities listed below through the share swap transaction with ACEIC. ACEN will account for the transaction as a business combination involving entities under common control using the pooling-of-interests method as a policy choice that have been applied with similar transaction in the past in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Shares involve common, founders and preferred shares.

	Ownership of AC Energy and Infrastructure Corporation		
Name of Entities to be Transferred	Direct	Indirect	ACEN’s interest after share swap
AC Energy International, Inc. (formerly Presage Corporation, “ACE International”)	100.00	–	100.00
AC Energy Cayman (ACEC) (a)	–	100.00	100.00
AC Investments HK. Ltd.	–	100.00	100.00
AC Renewables Int’l. PTE. Ltd (ACRI)	–	100.00	100.00
ACEHI Netherlands B.V.	–	100.00	100.00
Star Energy Geothermal Salak-Darajat BV(b)	–	19.80	19.80
Star Energy Geothermal Salak Ltd(b)	–	19.80	19.80
Star Energy Geothermal Salak Pratama Ltd(b)	–	19.80	19.80
Star Energy Geothermal Darajat I Ltd(b)	–	19.80	19.80
Star Energy Geothermal Darajat II Ltd(b)	–	19.80	19.80
PT Star Energy Geothermal Suoh Sekincau(b)	–	18.81	18.81
PT Darajat Geothermal(b)	–	18.81	18.81
UPC Renewables Asia III Limited (b) (c)	–	51.00	51.00
UPC Sidrap Bayu Energi(b)(c)	–	36.72	36.72
UPC Sidrap (HK) Limited. (b)	–	11.00	11.00
UPC Sidrap Bayu Energi(b)(c)	–	2.31	2.31
AC Energy Vietnam Investments Pte Ltd.	–	100.00	100.00
BIM Wind Power Joint Stock Company(b)	–	30.00	30.00
AC Energy Vietnam Investments 2 Pte Ltd.	–	100.00	100.00
BIM Energy Joint Stock Company(b)(c)	–	30.00	30.00
BIM Renewable Energy Joint Stock Company(b) (c)	–	30.00	30.00
AMI AC Renewables Corp. (b) (c)	–	50.00	50.00
AMI Energy Khanh Hoa Joint Stock Company(b)	–	50.00	50.00
BMT Energy Renewable Joint Stock Company(b)	–	50.00	50.00
B&T Windfarm Joint Stock Company(b)	–	50.00	50.00
BT1 Windfarm Joint Stock Company	–	50.00	50.00
BT2 Windfarm Joint Stock Company	–	50.00	50.00
AC Energy Vietnam Investments 2 Pte Ltd.	–	100.00	100.00
Asian Wind Power 1 HK Ltd(b)	–	50.00	50.00
Dai Phong JSC(b)	–	50.00	50.00

Name of Entities to be Transferred	Ownership of AC Energy and Infrastructure Corporation Direct	Indirect	ACEN's interest after share swap
Asian Wind Power 2 HK Ltd(b)	–	50.00	50.00
Hong Phong 1(b)	–	50.00	50.00
Vietnam Wind Energy Limited(b)	–	50.00	50.00
SME Energy Joint Stock Company(b)	–	47.37	47.37
Wind Power Lac Hoa Co. Ltd.(b)	–	47.37	47.37
Wind Power Hoa Dong Co. Ltd.(b)	–	47.37	47.37
The Blue Circle(b)	–	25.00	25.00
Asian Wind Power 1 HK Ltd(b)	–	12.50	12.50
Dai Phong JSC(b)	–	12.50	12.50
Asian Wind Power 2 HK Ltd(b)	–	12.50	12.50
Hong Phong 1(b)	–	12.50	12.50
UPC-AC Energy Australia (HK) Ltd(b)	–	50.00	50.00
UPC Australia (HK) Limited(b)	–	48.50	48.50
UPC-AC Renewables Australia Pty Ltd.(b)	–	48.50	48.50
UPC North East Tasmania Pty Ltd.(b)	–	48.50	48.50
UPC Axedale Solar Farm Pty Ltd. (b)	–	48.50	48.50
UPC Robbins Island Pty Ltd.(b)	–	38.80	38.80
UPC New England Solar Farm Hold Co. Pty Ltd.(b)	–	48.50	48.50
NESF Pty Ltd.(b)	–	48.50	48.50
New England Solar Project Trust(b)	–	48.50	48.50
NESF Finco Pty Ltd.(b)	–	48.50	48.50
UPC Stubbo Solar Farm Pty Ltd. (b)	–	48.50	48.50
UPC Valley of the Winds Pty(b)	–	48.50	48.50
UPC South Australia Pty Ltd. (b)	–	48.50	48.50
Rise Renewables Pty Ltd(b)	–	24.74	24.74
Baroota Hydro Project Pty Ltd(b)	–	24.74	24.74
AC Energy Australia Pte. Ltd.	–	100.00	100.00
UAC Energy Holdings Pty. Ltd.	–	100.00	100.00
UAC Energy Subco Pty Ltd.	–	100.00	100.00
Arlington Mariveles Netherlands Holdings Cooperatie UA.	–	100.00	100.00
Arlington Mariveles Netherlands Holding B.V.	–	100.00	100.00
UPC AC Energy Solar Ltd. (b)	–	50.00	50.00
UPC AC Energy Solar Asia Ltd.(b)	–	50.00	50.00
UPC Solar India (HK) II Limited(b)	–	50.00	50.00
Paryapt Solar HoldCo Ltd(a)	–	50.00	50.00
Paryapt Solar Energy Pvt. Ltd.(b)	–	24.50	24.50
Sitara Solar HoldCo Ltd.(a)	–	50.00	50.00
Sitara Solar Energy Pvt. Ltd.(b)	–	24.50	24.50
UPC Solar India Pvt Ltd.	–	50.00	50.00
Calpine Subisco Solar Energy Pvt Ltd	–	50.00	50.00
Calpine Solar HoldCo Ltd	–	50.00	50.00
Calpine Solar Energy Pvt Ltd	–	50.00	50.00
Masaya Solar HoldCo Ltd.	–	51.00	51.00
Masaya Solar Energy Pvt. Ltd.(b)	–	24.50	24.50
AC Energy HK Ltd.	–	100.00	100.00
Masaya Solar Energy Pvt. Ltd.(b)	–	51.00	51.00
UPC-AC Energy Solar Pte. Ltd.	–	50.00	50.00
UPC-AC Energy Solar Asia Pte. Ltd.	–	50.00	50.00
UPC-AC Energy Solar India Pte. Ltd.	–	50.00	50.00
Calpine Solar HoldCo Pte. Ltd.	–	50.00	50.00
Calpine Subisco Solar Energy Pvt Ltd	–	50.00	50.00

a. 100% common shares held by ACRI while redeemable preferred shares are 100% owned by AC Energy Finance International Limited ("ACEFIL"), recognized as non-controlling interest.
b. These companies are accounted for as joint venture and associates by ACEIC.
c. Difference between voting interests and economic interests in these companies pertain to redeemable preference shares which are accounted for as a liability.

Accounting under pooling-of-interests method
In accounting for the business combinations above, the pro forma condensed consolidated financial information reflects the following:

- The consolidated assets and liabilities of ACEN and its subsidiaries are recognized and measured at carrying amounts and the assets and liabilities of the transferred companies are recognized and measured at the carrying amounts as presented in their separate books prior to acquisition. Investments in joint ventures and associates are recognized and measured at the carrying amount presented in the consolidated books of ACRI.
- The equity will solely reflect the equity transactions of ACEN.

3. Pro Forma Adjustments

The unaudited pro forma condensed consolidated financial information are based on the historical information of ACEN as shown in the audited consolidated financial statements as at and for the year ended December 31, 2020, after giving effect to certain assumptions and pro forma adjustments described in the succeeding paragraphs. The pro forma adjustments are based upon available information and certain assumptions that ACEN believes are reasonable under the circumstances.

The unaudited pro forma condensed consolidated financial information do not purport to represent what the results of operations and financial position of the Group would have been had the significant transactions discussed in the succeeding paragraphs occurred as at January 1 of the period presented, nor do they purport to project the results of operations of the Group for any future period or date.

I. Pro forma adjustments in the pro forma consolidated statement of financial position as at December 31, 2020

For the purpose of the pro forma consolidated statement of financial position as at December 31, 2020, the significant transactions are assumed to have occurred on December 31, 2020.

The following pro forma adjustments have been made:

1. Issuance of capital stock by ACEN to ACEIC

   An entry was taken to reflect the issuance of capital stock by ACEN to ACEI for its offshore companies amounting to ₱85,931.88 million, composed of 16,685.80 million common shares at ₱5.15 per share. As a result, the capital stock and additional paid-in capital will increase by ₱16,685.80 million and ₱69,246.07 million, respectively.

2. Consolidation of net assets at book value of transferred offshore companies

   Pro forma adjustments have been made to include the unaudited net assets at book value of the transferred offshore companies and ACEN's indirect subsidiaries as a result of share swap as at December 31, 2020 into the pro forma consolidated statement of financial position.

3. Recognition of negative other equity reserves resulting from the business combination amounting to ₱52,076.18 million.

4. Recognition of non-controlling interests (NCI) amounting to ₱48,142.95 million attributable to redeemable preferred shares issued by AC Cayman. The NCI is held by AC Energy Finance International Limited, an entity under common control of ACEIC.

5. Recognition of NCI for ACRI on its partially owned subsidiary, UAC Energy Holdings Pty Ltd. amounting to ₱925.63 million.

6. Eliminating entries and other pro forma adjustments

   a. Elimination of ACEN's $100 million or ₱5,121.50 million short-term loan payables to ACRI, availed on March 20,2020, with a carrying amount of ₱4,803.60 million as at December 31, 2020.

   b. Elimination of Bayog Wind Power Corp.'s (BWPC) long-term loan payable to ACE International amounting to ₱136.55 million.

   c. Elimination under investment in subsidiaries and capital stock of intra group ownership investment through redeemable preferred shares with ACRI held by AC Cayman and ACE International amounting to ₱47,908.96 million and ₱16,937.60 million, respectively.

   d. Elimination of ACE International's redemption receivable from Gigasol 2, Inc. amounting to ₱95.00 million under receivables and accounts payable and other current liabilities accounts.

II. Pro forma adjustments in the pro forma consolidated statement of comprehensive income for the year ended December 31, 2020

For the purpose of the pro forma consolidated statement of comprehensive income for the year ended December 31, 2020, the transactions are assumed to have occurred on January 1, 2020, which is the beginning of the period presented.

The following pro forma adjustments have been made:

1. Pro forma adjustments have been made to include the unaudited individual statements of comprehensive income of transferred offshore companies and ACEN's indirect subsidiaries as a result of share swap for the year ended December 31, 2020 into the pro forma consolidated statement of comprehensive income except for those entities accounted for as investments in joint ventures and associates for which the equity accounting was applied.

2. Equity in net income from investments in joint ventures and associates were recorded amounting to ₱591.68 million.

3. Eliminating entries and other pro forma adjustments

   a. Pro forma adjustments were made to eliminate the intercompany interest income and expense for loans extended between ACEN and ACRI, and BWPC and ACE International amounting to ₱66.64 million and ₱24.61 million, respectively.

   b. Elimination of unrealized foreign exchange gains and losses arising from U.S. Dollar (USD)-denominated denominated short-term loan of ACEN with ACRI amounting to ₱317.90 million under the other income - net line item.

   c. Elimination of ₱1,828.02 million dividend income of AC Cayman from ACRI.

III. Pro forma adjustments in the pro forma consolidated statement of comprehensive income for the year ended December 31, 2019

For the purpose of the pro forma consolidated statement of comprehensive income for the year ended December 31, 2019, the transactions are assumed to have occurred on January 1, 2019, which is the beginning of the period presented.

The following pro forma adjustments have been made:

1. Pro forma adjustments have been made to include the audited individual statement of comprehensive income of transferred offshore companies and ACEN's indirect subsidiaries as a result of share swap for the year ended December 31, 2019 into the pro forma consolidated statement of comprehensive income, except for those entities accounted for as investments in joint ventures and associates for which the equity accounting was applied.

2. Equity in net income from investments in joint ventures and associates were recorded amounting to ₱834.52 million.

3. Elimination of cash dividends received and dividend income from ACRI's investments in UPC Sidrap (HK) Ltd amounting to ₱307.27 million.

IV. Pro forma adjustments in the pro forma consolidated statement of changes in equity for the year ended December 31, 2020

For the purpose of the pro forma consolidated statement of changes in equity for the year ended December 31, 2020, the transactions are assumed to have occurred on January 1, 2020, which is the beginning of the period presented.

The following pro forma adjustments have been made:

A. Pro forma net income and other comprehensive income

   Pro forma adjustments have been made to include the pro forma net income and other comprehensive income of the transferred companies and ACEN's indirect subsidiaries as reflected in the pro forma consolidated statement of comprehensive income for the year ended December 31, 2020, as discussed in the preceding section.

B. Accounting for business combination through share swap transaction between ACEN and ACEIC

1. Issuance of capital stock by ACEN to ACEIC amounting to ₱85,931.88 million composed of 16,685.80 million common shares at ₱5.15 per share. As a result, the capital stock and additional paid-in capital will increase by ₱16,685.80 million and ₱69,246.07 million, respectively.

2. Recognition of negative other equity reserves resulting from the business combination amounting to ₱52,076.18 million.

3. Recognition of non-controlling interests (NCI) amounting to ₱48,142.95 million attributable to redeemable preferred shares issued by AC Cayman. The NCI is held by AC Energy Finance International Limited, an entity under common control of ACEIC.

4. Recognition of NCI for ACRI on its partially owned subsidiary, UAC Energy Holdings Pty Ltd. amounting to ₱925.63 million.

C. Other pro forma adjustments

In order to tie-up the ending balances of equity in the pro forma consolidated statement of changes in equity to the amounts reflected in the pro forma consolidated statement of financial position as at December 31, 2020, adjustments are made and presented as "Other pro forma adjustments" in the pro forma consolidated statements of changes in equity. Unrealized fair value gain (loss) on equity instruments at FVOCI, retained earnings and non-controlling interests were reduced by ₱81.76 million, ₱534.29 million, and ₱1,995.95 million, respectively, while accumulated share in other comprehensive gain (loss) of associates and joint ventures and cumulative translation adjustment were increased by ₱61.08 million and ₱5,977.64 million, respectively, for the year ended December 31, 2020.

V. Pro forma adjustments in the pro forma consolidated statement of changes in equity for the year ended December 31, 2019

For the purpose of the pro forma consolidated statement of changes in equity for the year ended December 31, 2019, the transactions are assumed to have occurred on January 1, 2019, which is the beginning of the period presented.

The following pro forma adjustments have been made:

A. Pro forma net income and other comprehensive income

Pro forma adjustments have been made to include the pro forma net income and other comprehensive income of the transferred companies and ACEN's indirect subsidiaries as reflected in the pro forma consolidated statement of comprehensive income for the year ended December 31, 2019, as discussed in the preceding section.

B. Accounting for business combination through share swap transaction between ACEN and ACEI

1. Issuance of capital stock by ACEN to ACEI amounting to ₱85,931.88 million composed of 16,685.80 million common shares at ₱5.15 per share. As a result, the capital stock and additional paid-in capital will increase by ₱16,685.80 million and ₱69,246.07 million, respectively.

2. Recognition of negative other equity reserves resulting from the business combination amounting to ₱48,886.89 million.

3. Recognition of NCI amounting to ₱39,123.62 million attributable to redeemable preferred shares issued by AC Cayman. The NCI is held by AC Energy Finance International Limited, an entity under common control of ACEI.

C. Other pro forma adjustments

In order to tie-up the ending balances of equity in the pro forma consolidated statement of changes in equity to the amounts reflected in the pro forma consolidated statement of financial position, adjustments are made and presented as "Other pro forma adjustments" in the pro forma consolidated statements of changes in equity. Retained earnings and cumulative translation adjustment were reduced by ₱23,954.16 million and ₱1,660.38 million respectively, while unrealized fair value losses on equity instruments at FVOCI was increased by ₱0.16 million for the year ended December 31, 2019.

VI. Pro forma adjustments in the pro forma consolidated statement of cash flows for the year ended December 31, 2020

For the purpose of the pro forma consolidated statement of cash flows for the year ended December 31, 2020, the transactions are assumed to have occurred on January 1, 2020, which is the beginning of the period presented.

The following pro forma adjustments have been made:

1. Pro forma adjustments have been made to include the individual statements of cash flows of the transferred offshore companies and ACEN's indirect subsidiaries as a result of share swap for the year ended December 31, 2020 into the pro forma consolidated statement of cash flows, except for those entities accounted for as investments in joint ventures and associates.

2. We considered the effect of the following adjustments to the cash flows of ACEN and the transferred offshore companies which are non-cash transactions:

   a. Elimination of unrealized foreign exchange gain arising from USD-denominated short-term loan with ACRI amounting to ₱317.90 million.

   b. Pro forma adjustments were made to eliminate the intercompany interest income and expense for loans extended between ACEN and ACRI, BWPC and ACE International amounting to ₱66.64 million and ₱24.61 million, respectively.

   c. Elimination of intra group ownership investment through redeemable preferred shares with ACRI held by AC Cayman and ACE International amounting to ₱47,908.96 million and ₱16,937.60 million, respectively.

   d. Elimination of ₱1,828.02 million dividend income of AC Cayman from ACRI.

   e. Elimination of ACEN's $100 million or ₱5,121.50 million short-term loan payables to ACRI, availed on March 20,2020, with a carrying amount of ₱4,803.60 million as at December 31, 2020.

   f. Elimination of BWPC long-term loan payable to ACE International amounting to ₱136.55 million.

   g. Elimination of ACE International's redemption receivable from Gigasol 2, Inc. amounting to ₱95.00 million under receivables and accounts payable and other current liabilities accounts.

VII. Pro forma adjustments in the pro forma consolidated statement of cash flows for the year ended December 31, 2019

For the purpose of the pro forma consolidated statement of cash flows for the year ended December 31, 2019, the transactions are assumed to have occurred on January 1, 2019, which is the beginning of the period presented.

The following pro forma adjustments have been made:

1. Pro forma adjustments have been made to include the individual statement of cash flows of the transferred offshore companies and ACEN's indirect subsidiaries as a result of share swap for the year ended December 31, 2019 into the pro forma consolidated statement of cash flows, except for those entities accounted for as investments in joint ventures and associates.

2. We considered the effect of the following adjustments to the cash flows of ACEN and the transferred offshore companies which are non-cash transactions:

   a. Elimination of cash dividends received and dividend income from its investments in UPC Sidrap (HK) Ltd amounting to ₱307.27 million.

   b. Pro forma adjustments to eliminate the proceeds from and payment of issuance of stocks and deposits from future stock subscriptions involving the transferred offshore companies.

4. **Basic/Diluted Earnings Per Share Computation**

Basic earnings per share (EPS) is computed based on the weighted average number of issued and outstanding common shares during each year. Diluted EPS is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year. When there are no potential common shares or other instruments that may entitle the holder to common shares, diluted EPS is the same as the basic EPS.

For the purpose of the pro forma basic/diluted earnings per share computation as at December 31, 2020 and 2019, the significant transactions are assumed to have occurred on January 1, 2020 and 2019, respectively.

There are no dilutive financial instruments as at December 31, 2020 and 2019, hence, diluted EPS is the same as the basic EPS.

Pro forma basic/diluted EPS of ACEN is computed as follows:

	2020 (Unaudited)	2019 (Unaudited)
	(In Thousands, Except for Number of Shares and Per Share Amounts)	
(a) Pro forma net income attributable to equity holders of the Parent Company	**₱4,288,102**	₱24,011,809
Common shares outstanding at beginning of year	**7,521,774,922**	4,889,774,922

(Forward)

	2020 (Unaudited)	2019 (Unaudited)
	(In Thousands, Except for Number of Shares and Per Share Amounts)	
Weighted average of 16,685,800,533 common shares assumed for the share swap issued at beginning of year	**₱16,685,800,533**	₱16,685,800,533
Weighted average number of:		
Shares issued during the year	**3,244,685,790**	1,316,000,000
Shares buyback during the year	**(10,428,664)**	–
(b) Weighted average number of shares outstanding for the year	**27,441,832,581**	22,891,575,455
Basic/Diluted Earnings Per Share (a/b)	**₱0.16**	₱1.05

Historical basic /diluted EPS of ACEN is computed as follows:

	2020 (Audited)	2019 (Audited)
	(In Thousands, Except for Number of Shares and Per Share Amounts	
(a) Net income attributable to equity holders of the Parent Company	**₱3,753,813**	₱57,654
Common shares outstanding at beginning of year	**7,521,774,922**	4,889,774,922
Weighted average number of:		
Shares issued during the year	**3,244,685,790**	1,316,000,000
Shares buyback during the year	**(10,428,664)**	–
(b) Weighted average number of shares outstanding for the year	**10,756,032,048**	6,205,774,922
Basic/Diluted Earnings/(Loss) Per Share (a/b)	**₱0.35**	₱0.01

ANNEX A

SUMMARY OF LEASE AGREEMENTS

Lessee	Lessor	Expiration Date of Lease	Total Amount of Lease Payments (for the year ended December 31, 2020)
Negros Island Solar Power, Inc.	Roberto J. Cuenca, Sr.; Manapla Sunpower Development Corp.	Nov-2039; Aug-2040	107,562,268
San Carlos Solar Energy, Inc.	San Julio Realty, Inc.	Apr-2038; Sep-2038; Oct-2039	76,890,194
One Subic Power Generation Corp.	Subic Bay Metropolitan Authority	19-Jul-2030	58,687,865
Solarace1 Energy Corp. (recorded as Construction in Progress)	Ayala Land, Inc., Crimson Field Enterprises Inc., and Red Creek Properties Inc.; Power Sector Assets and Liabilities Management Corporation; AP Renewables, Inc.	29-Sep-2040	25,049,880
Monte Solar Energy Inc.	Montenegro Brothers Agricultural Corp.	1-Sep-2040	17,382,608
Guimaras Wind Corporation	Various landowners	17-Jul-2039	16,778,743
Buendia Christiana Holdings, Corp.	Tabangao Realty, Inc.	1-Feb-2043	13,036,620
AC Energy Corporation	Ayala Land, Inc.	31-May-2022	8,733,646
AC Energy Shared Services	Fort Bonifacio Development Corporation	31-Mar-2023	3,787,440
Total			**Php327,909,264**

ANNEX B

List of Permits

A. **AC Energy Corporation (formerly AC Energy Philippines, Inc.)**

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Approval of Increase of Capital Stock	SEC	June 22, 2020	
2.	Certificate of Filing of Amended Articles of Incorporation	SEC	January 5, 2021	
3.	Amended Articles of Incorporation	SEC	January 5, 2021	
4.	Certificate of Filing of Amended By-Laws	SEC	January 5, 2021	
5.	Amended By-Laws	SEC	January 5, 2021	
6.	Business Permit	Makati City	February 8, 2021	December 31, 2021
7.	Business Permit (Extension)	Makati City	February 8, 2021	December 31, 2021
8.	Business Permit	City of Iloilo	January 13, 2021	December 31, 2021
9.	Business Permit	City of Lapu-Lapu	January 21, 2021	December 31, 2021
10.	Environmental Compliance Certificate ("**ECC**")	Department of Environment and Natural Resources ("**DENR**")	September 9, 2016	
11.	Amended Environmental Compliance Certificate	DENR	December 2, 2015	
12.	Amended Environmental Compliance Certificate	DENR	May 28, 2020	
13.	Certificate of Compliance	Energy Regulatory Commission ("**ERC**")	April 10, 2016	April 9, 2021
14.	Registry of Establishment	Department of Labor and Employment ("**DOLE**")	December 16, 2019	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
15.	Amended Environmental Compliance Certificate	DENR	December 21, 2016	
16.	ECC	DENR	July 19, 2016	
17.	Certificate of Registration	DOLE	December 2, 2016	
18.	Endorsement of the City Council of Lapu-Lapu	City Council of Lapu-Lapu	November 2, 2016	
19.	Ancillary Services Procurement Agreement between National Grid Corporation of the Philippines ("**NGCP**") and PHEN	NGCP	July 21, 2017	
20.	ERC Certificate of Compliance (Power Barge 102 Diesel Power Plant)	ERC	March 31, 2016	March 30, 2021
21.	ERC Certificate of Compliance (Power Barge 103 Diesel Power Plant)	ERC	October 25, 2017	Valid for 5 years
22.	Philippine Health Insurance Corporation ("**PhilHealth**") Certification on remittance of premiums	PhilHealth	November 18, 2019	
23.	Retail Electricity Supplier's License (No. 11-2019-0057RS)	ERC	November 20, 2019	November 19, 2022

B. South Luzon Thermal Energy Corporation

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Amended Articles of Incorporation	SEC	November 15, 2013	
2.	Certificate of Incorporation	SEC	July 29, 2011	
3.	By-Laws	SEC	June 29, 2011	
4.	Certificate of Business Retirement No. 21-0373	Makati City	February 11, 2021	
5.	Business Permit No. 2021-00622	City of Calaca, Batangas	February 1, 2021	December 31, 2021
6.	ECC No. 1001-0002 (135 MW Calaca Coal Power Plant and Associated Facilities)	DENR-Environmental Management Bureau ("**EMB**")	April 30, 2010	
7.	Water Permit No. 024438 (other use – employees use)	National Water Resources Board ("**NWRB**")	April 23, 2018	
8.	Water Permit No. 024438 (industrial)	NWRB	March 24, 2015	
9.	ECC No. ECC-R4A-1507-0556	DENR-EMB Regional Office No. IV CALABARZON	September 23, 2015	
10.	ECC No. ECC-R4A-1201-0013	DENR-EMB Regional Office No. IV CALABARZON	January 24, 2012	
11.	Certificate of Compliance No. 16-10-S-01728L	ERC	October 27, 2016	October 26, 2021
12.	Certificate of Compliance No. 19-11-M-00047L	ERC	November 28, 2019	December 8, 2024
13.	Grid Impact Study	NGCP	February 2012	
14.	Decision ERC Case No. 2014-114MC (point to point limited transmission facility)	ERC	June 28, 2016	
15.	Interconnection Facility Study Report			

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
16.	Water Permit No. 023483 (industrial)	NWRB	March 24, 2015	
17.	Water Permit No. 023484 (industrial)	NWRB	March 24, 2015	
18.	Conditional Water Permit No. 02-17-16-042 (other use – employees use)	NWRB	February 17, 2016	
19.	Certification of Non-Issuance of Notice of Coverage No. 210617-0303-NC (TCT No. 055-2014002499/ TD-ARP No. 06-0036-00180)	DAR	October 4, 2017	
20.	Certification of Non-Issuance of Notice of Coverage No. 210617-0302-NC (TCT No. 055-2014002498)	DAR	October 4, 2017	
21.	Order (exemption from CARP Coverage)	DAR Region IV-A CALABARZON	July 1, 2013	
22.	Connection Agreement	NGCP	March 18, 2013	
23.	Transmission Service Agreement	NGCP	May 15, 2015	
24.	Metering Service Agreement	NGCP	December 12, 2014	
25.	Approval of Wholesale Electricity Spot Market (“**WESM**”) Registration (Letter)	Philippine Electricity Marketing Corporation (“**PEMC**”)	May 19, 2014	
26.	Market Participation Agreement	PEMC	May 28, 2014	
27.	Certificate of Non-Overlap	NCIP	February 26, 2020	
28.	Certificate of Registration	DOLE Region IV-A Batangas	October 22, 2014	
29.	Certificate of Registration	PhilHealth	October 16, 2015	
30.	Certification (as Employer)	Social Security System (“**SSS**”)	January 9, 2019	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
31.	Endorsement of Barangay Puting Bato West	Barangay Puting Bato West	January 30, 2020	
32.	Endorsement of Municipality of Calaca, Batangas	Calaca, Batangas	February 13, 2012	
33.	Order (exemption from CARP Coverage)	DAR Region IV-A CALABARZON	August 6, 2013	
34.	Order (exemption from CARP Coverage)	DAR Region IV-A CALABARZON	September 4, 2013	
35.	Order (exemption from CARP Coverage)	DAR Region IV-A CALABARZON	July 12, 2013	
36.	Certification	Office of the Municipal Planning & Development Coordinator of Province of Batangas, Municipality of Calaca	March 24, 2021	

C. Guimaras Wind Corporation (formerly PHINMA Renewable Energy Corporation)

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	September 2, 1994	
2.	Amended Articles of Incorporation	SEC	April 30, 2020	
3.	Amended By-Laws	SEC	April 30, 2020	
4.	Barangay M. Chavez Endorsement	Brgy. M. Chavez, San Lorenzo, Guimaras	December 10, 2011	
5.	Barangay Suclaran Endorsement	Brgy. Suclaran, San Lorenzo, Guimaras	December 1, 2011	
6.	Barangay Cabano Endorsement	Brgy. Cabano, San Lorenzo, Guimaras	December 8, 2011	
7.	Barangay Cabungahan Endorsement	Brgy. Cabungahan, San Lorenzo, Guimaras	November 19, 2011	
8.	Municipality of San Lorenzo, Guimaras Endorsement	San Lorenzo, Guimaras	January 25, 2012	
9.	Province of Guimaras Endorsement	Guimaras	January 30, 2013	
10.	Wind Energy Service Contract No. 2009-10-009	Department of Energy (“**DOE**”)	October 23, 2009	Effective for 25 years from Effective Date
11.	ECC No. R6-0912-380-4220	DENR-EMB	February 18, 2010	
12.	Certificate of Compliance No. 20-02-M-00029V	ERC	February 18, 2020	March 1, 2025
13.	Certificate of Non-Overlap	NCIP Region VI/VII	July 23, 2010	
14.	ERC Case No, 2014-032MC Decision (point to point limited facilites)	ERC	October 15, 2014	
15.	Market Participation Agreement	PEMC	October 31, 2014	
16.	Connection Agreement	NGCP	November 4, 2013	
17.	System Impact Study		January 2013	
18.	Confirmation of Commerciality No. WCC-2013-04-002	DOE	May 16, 2013	
19.	Certificate of Registration	Bureau of Internal Revenue (“**BIR**”)	June 21, 2017	
20.	Certificate of Registration	PhilHealth	July 20, 2017	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
21.	Letter on Approval of Registration as WESM Member	PEMC	October 28, 2014	
22.	Market Participation Agreement	PEMC	TAREC - August 15, 2014 PEMC – October 31, 2014	
23.	Renewable Energy Market Participation Agreement	PEMC	July 21, 2020	
24.	Registry of Establishment	DOLE	December 18, 2015	
25.	Transmission Service Agreement	NGCP	May 15, 2015	
26.	Final Certificate of Approval to Connect	NGCP	May 4, 2015	
27.	Metering Service Agreement	NGCP	May 4, 2015	
28.	ERC Decision on Point-to-Point Trasmission Facilities to Connect	ERC	October 15, 2014	
29.	Certificate of Employer's Registration	Pag-IBIG	March 16, 2021	
30.	Certificate of Registration	SSS	March 17, 2021	

D. Bulacan Power Generation Corporation (formerly PHINMA Power Generation Corporation)

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Amended Articles of Incorporation	SEC	April 22, 2020	
2.	Amended By-Laws	SEC	April 22, 2020	
3.	Business Permit	City of Norzagaray, Bulacan	January 21, 2021	December 31, 2021
4.	Certificate of Business Retirement	Makati City	February 11, 2021	
5.	Business Permit	City of Lapu-Lapu	January 21, 2021	December 31, 2021
6.	ECC for the construction and operation	DENR	January 14, 1998	
7.	Change of Name of ECC Grantee (ECC-CO-9411-003-2017C)	DENR	April 30, 2019	
8.	Wastewater Discharge Permit	DENR-EMB	January 29, 2021	January 29, 2022
9.	Certificate of Compliance	ERC	June 20, 2018	August 4, 2023
10.	Transmission Service Agreement	NGCP	October 31, 2018	February 25, 2028
11.	Metering Service Agreement	NGCP	October 31, 2018	June 25, 2028
12.	Interim Connection Agreement	NGCP	July 31, 2002	
13.	Amendment to the Interim Connection Agreement	NGCP	September 12, 2002	
14.	Ancillary Services Procurement Agreement	NGCP	December 23, 2017	December 22, 2022
15.	Certificate of Membership	SSS	November 4, 1997	
16.	Certificate of Registration	PhilHealth	July 18, 2017	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
17.	Certificate of Registration	DOLE, Bulacan Field Office	October 20, 2017	
18.	Clearance Certificate	Pag-IBIG	October 13, 2020	October 12, 2021
19.	Certificate of Registration	BIR	June 8, 2017	
20.	Market Participation Agreement	PEMC	September 8, 2006	
21.	Supplemental Market Participation Agreement	PEMC and Independent Electricity Market Operator of the Philippines, Inc. (“**IEMOP**”)	October 23, 2018	
22.	Certification regarding registration as Direct WESM Member (Generator Category)	IEMOP	August 5, 2019	
23.	Certification of No-Objection	Baranggay Matictic, Norzagaray	January 9, 1998	
24.	Certification of No-Objection	Municipality of Norzagaray	January 8, 1996	

E. One Subic Power Generation Corporation

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Amended Articles of Incorporation	SEC	December 28, 2017	
2.	Amended By-Laws	SEC	December 28, 2017	
3.	Certificate of Registration and Tax Exemption	Subic Bay Metropolitan Authority	November 25, 2018	November 24, 2021
4.	Wastewater Discharge Permit	DENR-EMB	February 9, 2021	February 9, 2022
5.	Water Rights Permit	NWRB	December 12, 2018	
6.	Exemption Certificate	DENR-EMB	*Undated*	
7.	Memorandum of Agreement between DOE and Udenna Management & Resources Corp.	DOE	*Date illegible*	
8.	Certification as Registered Direct WESM Member (Generator Category)	PEMC	August 5, 2019	
9.	Market Participation Agreement for Direct WESM Members	PEMC	September 3, 2014	
10.	Supplemental Market Participation Agreement	PEMC	October 23, 2018	
11.	Certification of Recognition of Assignment of the Transmission Services Agreement and Metering Services Agreement	NGCP	October 6, 2015	
12.	Transmission Services Agreement between NGCP and One Subic Power Generation Corp.	NGCP	October 27, 2020	
13.	Metering Services Agreement between NGCP and One Subic Power Generation Corp.	NGCP	October 27, 2020	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
14.	Connection Agreement between NGCP and One Subic Power Generation Corp.	NGCP	October 27, 2020	
15.	Certification regarding compliance with all the technical requirements necessary for the connection of its power plant to the grid	NGCP	December 14, 2010	
16.	Certificate of Approval to Connect	NGCP	December 6, 2010	
17.	Status of Service Agreements	NGCP	August 4, 2020	
18.	Certification as a registered Direct WESM Member (Generator Category)	IEMOP	August 5, 2019	
19.	Ancillary Services Procurement Agreement for PHINMA Energy Corporation	NGCP	December 23, 2017	December 22, 2022
20.	Permit to Operate Air Pollution Source and Control Installation	DENR-EMB Regional Office No. III	June 25, 2020	November 30, 2024
21.	Certificate of Registration	Pag-IBIG	February 16, 2011	
22.	Certificate of Registration	PhilHealth	January 19, 2011	
23.	Certificate of Registration	DOLE	April 11, 2011	
24.	Certificate of Registration	BIR	June 12, 2017	
25.	2019 Clearance	SSS	November 13, 2019	
26.	Provisional Authority to Operate	ERC	January 31, 2021	January 30, 2022

F. CIP II Power Corporation

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	June 2, 1998	
2.	Amended By-Laws	SEC	May 16, 2012	
3.	Business Permit	Bacnotan, La Union	January 12, 2021	December 31, 2021
4.	Environmental Compliance Certificate	DENR-EMB	August 2, 2010 Amended: February 21, 2011	
5.	Wastewater Discharge Permit	DENR-EMB	July 3, 2018	July 2, 2023
6.	Endorsement of Sangguiniang Bayan (Bacnotan) Resolution No. 088-2012	Municipality of Bacnotan	August 14, 2012	
7.	Certificate of Compliance	ERC	May 28, 2019	June 7, 2024
8.	Memorandum of Agreement between DOE and CIP II	DOE	March 29, 2012	
9.	Certitification as a register Direct WESM Member (Generator Category)	PEMC	August 5, 2019	
10.	Market Participation Agreement	PEMC	February 18, 2012	
11.	Supplemental Market Participation Agreement	PEMC	October 23, 2018	
12.	Grid Impact Study	NGCP	June 2011	
13.	Transmission Services Agreement	NGCP	January 26, 2015	January 25, 2025
14.	Metering Services Agreement	NGCP	January 26, 2015	January 25, 2025
15.	Ancillary Services Procurement Agreement	NGCP	January 5, 2017	January 4, 2022

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
16.	Facility Study	NGCP	June 19, 2013	
17.	Dispatchable Reserve Test Report	NGCP	October 17, 2019	
18.	Generating Unit Capability Test Report	NGCP	October 17, 2019	
19.	Permit to Operate Air Pollution Source and Control Installation	DENR-EMB	March 29, 2017	May 8, 2022
20.	Certificate of Non-Coverage	DENR EMB	June 25, 2013	
21.	Certificate of Non-Overlap (Control No. RI-LU-CNO-2020-07-122)	NCIP	July 14, 2020	
22.	Certificate of Membership	SSS	September 22, 1998	
23.	Certificate of Employer Registration	Pag-IBIG	January 11, 2019	
24.	Certificate of Registration	PhilHealth	January 11, 2019	
25.	Certificate of Registration	DOLE	June 25, 2014	
26.	Certificate of Registration	BIR	March 10, 2017	
27.	Certification of Public Hearing/Consultation	Barangay Quirino, Municipality of Bacnotan	May 10, 2012	
28.	Zoning Certification	Municipality of Bacnotan	March 19, 2021	

G. ACE Enexor, Inc. (formerly PHINMA Petroleum and Geothermal, Inc.)

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Amended Articles of Incorporation	SEC	November 11, 2019	
2.	Amended By-Laws	SEC	November 11, 2019	
3.	Business Permit	Makati City	February 2, 2021	December 31, 2021
4.	Certificate of Registration	BIR	June 14, 2017	
5.	Service Contract	DOE	September 1, 1973	Exploration period of 7 years from effective date, extendible for 3 years. An additional of 25 years may be added, renewable for a period not exceeding 15 years.

H. Palawan55 Exploration & Production Corporation

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	November 17, 2012	
2.	Articles of Incorporation	SEC	November 17, 2012	
3.	By-Laws	SEC	November 17, 2012	
4.	Business Permit	Makati City	February 9, 2021	December 31, 2021
5.	Certificate of Registration	BIR	December 14, 2012	
6.	Service Contract	DOE	August 5, 2005	50 years from Effective Date

I. ACTA Power Corporation

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Approval of Increase of Capital Stock	SEC	December 29, 2017	
2.	Amended Articles of Incorporation	SEC	December 28, 2017	
3.	Business Permit	Makati City	January 28, 2021	December 31, 2021
4.	Certificate of Registration	BIR	March 7, 2012	

J. Monte Solar Energy, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	July 25, 2014	
2.	Amended Articles of Incorporation	SEC	March 11, 2016	
3.	Amended By-Laws	SEC	March 11, 2016	
4.	Business Permit	City of Bais	February 22, 2021	December 31, 2021
5.	Business Permit	San Carlos City, Negros Occidental	February 1, 2021	December 31, 2021
6.	Certificate of Compliance COC No. 17-02-M-00103V	ERC	February 6, 2017	July 13, 2021
7.	Certificate of Registration (Rule 1020)	DOLE	February 9, 2017	
8.	Certificate of Compliance	ERC	July 14, 2016	July 13, 2021
9.	Endorsement of the Sangguniang Barangay of Tamisu, City of Bais, Negros Oriental	Sangguniang Barangay of Tamisu	June 3, 2014	
10.	Endorsement of the Sangguniang Panlungsod of the City of Bais	Sangguniang Panlungsod of City of Bais	September 17, 2014	
11.	Interconnection Facilities Study	NGCP	February 16, 2016	
12.	Certificate of Non-Overlap	NCIP	August 4, 2015	
13.	Certification of Exclusion from DAR Coverage	DAR	September 7, 2015	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
14.	Memorandum of Agreement	DOE	October 10, 2016	
15.	ECC	DENR-EMB	December 2, 2014	
16.	Metering Service Agreement	NGCP	February 26, 2016	February 25, 2026
17.	System Impact Study	NGCP	February 16, 2016	
18.	Transmission Service Agreement	NGCP	February 26, 2016	February 25, 2026
19.	WESM Registration	PEMC	February 24, 2016	
20.	Certificate of Registration	BIR	February 12, 2015	
21.	Pag-IBIG Registration	Pag-IBIG	February 6, 2015	
22.	PhilHealth Registration	PhilHealth	February 2, 2015	
23.	SSS Employer Registration	SSS	December 2, 2015	
24.	Certificate of Registration	BIR	March 14, 2017	
25.	BOI Registration	BOI	October 14, 2015	October 13, 2025
26.	Market Participation Agreement	PEMC	February 16, 2016	
27.	ERC Decision re: Approval of Operation of Point-to-Point Limited Facilities	ERC	June 6, 2017	
28.	Certificate of Approval to Connect	NGCP	April 5, 2017	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
29.	Confirmation of Commerciality	DOE	December 9, 2015	
30.	Certificate of Registration as an RE Developer	DOE	May 26, 2015	
31.	Solar Energy Service Contract (SESC No. 2014-09-090) between DOE and SACASOL	DOE	September 15, 2014	September 14, 2039
32.	DOE Approval of the Assignment of Solar Energy Service Contract (SESC No. 2014-09-090) between DOE and SACASOL to MONTESOL	DOE	May 20, 2015	
33.	ECC Amendment of ECC dated July 7, 2016	DENR	August 25, 2017	[Amendment does not seem to extend effectivity of previous ECC; hence, ECC expiration is still 5 years from original issuance date, i.e., July 7, 2021]
34.	Certificate of Approval of Increase of Capital Stock	SEC	June 22, 2020	

K. Visayas Renewables Corporation

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	June 24, 2015	
2.	Amended Articles of Incorporation	SEC	February 9, 2017	
3.	By-Laws	SEC	June 2, 2015	
4.	Business Permit No. 27445	Makati City	February 2, 2021	December 31, 2021
5.	Certificate of Registration	BIR	October 3, 2018	

L. Manapla Sun Power Development Corp.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	December 16, 2014	
2.	Articles of Incorporation	SEC	December 16, 2014	
3.	By-Laws	SEC	December 16, 2014	
4.	Certificate of Registration	BIR	February 12, 2015	
5.	Business Permit	City of Bacolod	March 1, 2021	December 31, 2021

M. Viage Corporation

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	August 22, 2005	
2.	By-Laws	SEC	July 29, 2005	
3.	Amended Articles of Incorporation	SEC	July 20, 2007	
4.	Certificate of Registration	BIR	November 15, 2005	
5.	Business Permit No. 17208	Makati City	February 5, 2021	December 31, 2021

N. Philippine Wind Holdings Corp.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Amended Articles of Incorporation	SEC	December 5, 2013	
2.	Amended By-Laws	SEC	December 5, 2013	
3.	Business Permit	Taguig City	February 8, 2021	December 31, 2021
4.	Certificate of Registration	BIR	July 27, 2016	

O. Ilocos Wind Energy Holding Co., Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	December 16, 2009	
2.	Amended Articles of Incorporation	SEC	January 5, 2011	
3.	By-Laws	SEC	December 16, 2009	
4.	Certificate of Registration	BIR	January 20, 2010	
5.	Business Permit	City of Taguig	February 8, 2021	December 31, 2021

P. North Luzon Renewable Energy Corp.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	May 31, 2006	
2.	Amended Articles of Incorporation	SEC	August 10, 2016	
3.	Amended By-Laws	SEC	February 17, 2014	
4.	Certificate of Good Standing	SEC	September 10, 2019	
5.	Business Permit	Makati City	February 5, 2021	December 31, 2021
6.	Business Permit	Municipality of Pagudpud, Ilocos Norte	January 26, 2021	December 31, 2021
7.	ECC No. ECC-R1-0907-138-9999	DENR-EMB Regional Office No. 1	July 23, 2009 First Amendment dated July 26, 2013	
8.	Hazardous Waste Generator Registration Certificate No. GR-R1-28-00016	DENR-EMB Regional Office No. 1	17 May 2017	
9.	Discharge Permit No. WWDP-16E-01IN11-039	DENR-EMB Regional Office No. 1	July 22, 2016	May 10, 2021
10.	Wastewater Discharge Permit	DENR-EMB Regional Office No. 1	July 22, 2016	May 10, 2021
11.	Water Permit No. 024972 (other use – washing/firefighting)	NWRB	September 26, 2019	
12.	Water Permit No. 024971 (other use – firefighting)	NWRB	September 26, 2019	
13.	Endorsement of San Juan, Pasuquin, Ilocos Norte	Barangay San Juan, Pasuquin, Ilocos Norte	September 10, 2013	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
14.	Endorsement of Barangay 55-A Barit, Laoag, Ilocos Norte	Barangay 55-A Barit, Laoag, Ilocos Norte	January 5, 2013	
15.	Endorsement of Barangay Santa Matilde	Barangay Sta. Matilde, Pasuquin, Ilocos Norte	September 21, 2013	
16.	Endorsement of Barangay Tanap, Burgos, Ilocos Norte	Barangay Tanap, Burgos, Ilocos Norte	July 21, 2009	
17.	Endorsement of Barangay 55-B Salet-Bulangon, Laoag, Ilocos Norte	Barangay 55-B Salet-Bulangon, Laoag, Ilocos Norte	June 9, 2009	
18.	Endorsement of Barangay Caparispisan, Pagudpud, Ilocos Norte	Barangay Caparispisan, Pagudpud, Ilocos Norte	September 3, 2006	
19.	Endorsement of Barangay Carusikin, Pasuquin, Ilocos Norte	Barangay Carusikin, Pasuquin, Ilocos Norte	September 16, 2013	
20.	Endorsement of Barangay Santa Catalina	Barangay Santa Catalina, Pasuquin, Ilocos Norte	September 14, 2013	
21.	Endorsement of Barangay Tadao	Barangay Tadao, Pasuquin, Ilocos Norte	September 21, 2013	
22.	Endorsement of Municipality of Bacarra, Ilocos Norte	Bacarra, Ilocos Norte	October 1, 2009	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
23.	Endorsement of Municipality of Bangui, Ilocos Norte	Bangui, Ilocos Norte	June 15, 2009	
24.	Endorsement of Municipality of Burgos, Ilocos Norte	Burgos, Ilocos Norte	December 11, 2006	
25.	Endorsement of Pagudpud, Ilocos Norte	Pagudpud, Ilocos Norte	February 23, 2007	
26.	Endorsement of Laoag, Ilocos Norte	Laoag, Ilocos Norte	June 26, 2013	
27.	Endorsement of the Province of Ilocos Norte	Province of Ilocos Norte	August 11, 2014	
28.	Provisional Authority to Operate	ERC	Effectivity Date: December 18, 2020 Issue Date: December 2, 2020	17 December 2021
29.	Market Participation Agreement	PEMC	August 6, 2014	
30.	Supplemental Market Participation Agreement	PEMC IEMOP	NLREC – October 17, 2018 PEMC – December 3, 2018 IEMOP – December 3, 2018	
31.	Renewable Energy Market Participation Agreement	PEMC	July 21, 2020 Effectivity Date: April 30, 2020	
32.	Grid Impact Study	NGCP	January 2009	
33.	System Impact Study	NGCP	April 2014	
34.	81MW Caparispisan Wind Energy Project	ATEA, Inc.	June 30, 2014	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
	Facilities Study Amendment			
35.	Transmission Service Agreement	NGCP	December 15, 2015 Effective Date: November 26, 2014	November 25, 2024
36.	Metering Service Agreement	NGCP	May 15, 2015 Effective Date; November 26, 2014	November 25, 2024
37.	Connection Agreement	NGCP	January 4, 2011	Until the 25^{th} anniversary of the date of interconnection or February 28, 2012
38.	Decision in ERC Case No 2013-057 MC – In the Matter of the Application for Authority to Develop, Own and Operate Dedicated Point-to-Point Facilities from Northern Luzon UPC Asia Corporation (NLUPC) Wind Energy Project in Pagudpud, Ilocos Norte to Laoag City Substation of the National Grid Corporation of the Philippines (NGCP), with Prayer for Provisional Authority	ERC	June 2, 2014	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
39.	Provisional Certificate of Approval to Connect	NGCP	November 7, 2014	
40.	Certificate of Non-Overlap Control No. R1-IN-CNO-07-01-05	NCIP	January 15, 2007	
41.	Certificate of Non-Overlap Control No. R1-IN-CNO-07-01-03	NCIP	January 15, 2007	
42.	Certificate of Non-Overlap Control No. R1-IN-CNO-07-01-04	NCIP	January 15, 2007	
43.	Certificate of Non-Overlap Control No. R1-IN-CNO-07-01-06	NCIP	January 15, 2007	
44.	Certificate of Non-Overlap Control No. R1-IN-CNO-07-01-07	NCIP	January 15, 2007	
45.	Certificate of Non-Overlap Control No. R1-INPO-CNO-07-04-13	NCIP	April 10, 2007	
46.	Certificate of Non-Overlap Control No. R1-INPO-CNO-2009-11-22	NCIP	November 5, 2009	
47.	Certificate of Non-Overlap No. R1-PPO-CNO-07-12-32	NCIP	December 12, 2007	
48.	Forest Land Use Agreement No. 01-2009 Caparispisan	DENR	May 20, 2009	May 20, 2034
49.	Forest Landuse Agreement Transmission Line Right-of-Way (TLROW) (FLAg) No. 01-2010	DENR	June 11, 2010	June 10, 2035

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
50.	Forest Landuse Agreement Transmission Line Right-of-Way (TLROW) (FLAg) No. 01-2010 (Amended 1)	DENR	September 6, 2013	June 10, 2035
51.	Forest Landuse Agreement Transmission Line Right-of-Way (TLROW) (FLAg) No. 04-2013	DENR	September 24, 2013	September 25, 2038
52.	Wind Energy Service Contract No. 2009-09-005	DOE	September 14, 2009	Effective for 25 years from Effective Date
53.	Certificate of Registration WESC 2009-09-005	DOE	July 23, 2009	
54.	Certificate of Registration WESC 2009-09-005	DOE	November 7, 2016	
55.	Declaration of Commerciality	DOE	June 17, 2013	
56.	Confirmation of Commerciality	DOE	July 2, 2013	
57.	Certificate of Registration	SSS	October 17, 2019	
58.	Certificate of Employer's Registration	Pag-IBIG	December 9, 2016	
59.	Certificate of Registration	PhilHealth	June 16, 2014	
60.	Certificate of Registration	DOLE	March 26, 2015	
61.	Certificate of Registration	BIR	November 29, 2017	

Q. ACE Renewables Philippines, Inc. (formerly Moorland Philippine Holdings, Inc.)

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Amended Articles of Incorporation	SEC	November 25, 2019	
2.	Amended By-laws	SEC	November 25, 2019	
3.	Business Permit No. 27443	Makati City	February 2, 2021	December 31, 2021
4.	Certificate of Registration	BIR	March 8, 2011	

R. Northwind Power Development Corporation

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	June 15, 2000	
2.	Amended Articles of Incorporation	SEC	January 10, 2018	
3.	Amended By-Laws	SEC	April 8, 2005 April 11, 2008	
4.	Business Permit	Makati City	February 5, 2021	December 31, 2021
5.	Business Permit	Municipality of Bangui, Ilocos Norte	January 20, 2021	December 31, 2021
6.	ECC No. 010012-180036-1405	DENR Regional Officer No. 1 – San Fernando, La Union	December 18, 2000 First Amendment issued on March 4, 2013	
7.	ECC No. R01-1311-0192	DENR-EMB Regional Office No 1, San Fernando, La Union	November 11, 2013	
8.	Wastewater Discharge Permit No. DP-R01-19-03575	DENR-EMB Regional Office No. 1	November 8, 2019	November 8, 2024
9.	Special Permit to Construct	Philippine Ports Authority (“**PPA**”)	October 14, 2004	Not stated
10.	Endorsement of Barangay Masikil, Bangui, Ilocos Norte	Barangay Masikil, Bangui, Ilocos Norte	November 13, 2000	
11.	Endorsement of Barangay Baruyen, Bangui, Ilocos Norte	Barangay Baruyen, Bangui, Ilocos Norte	November 13, 2000	
12.	Endorsement of Barangay Taguiporo, Bangui, Ilocos Norte	Barangay Taguiporo, Bangui, Ilocos Norte	November 13, 2000	
13.	Endorsement of Barangay Manayon, Bangui, Ilocos Norte	Barangay Manayon, Bangui, Ilocos Norte	November 13, 2000	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
14.	Endorsement of Barangay Abaca, Bangui, Ilocos Norte	Barangay Abaca, Bangui, Ilocos Norte	November 13, 2000	
15.	Endorsement of the Municipality of Bangui, Ilocos Norte	Bangui, Ilocos Norte	October 29, 2013	
16.	Endorsement of Municipality of Bangui, Ilocos Norte	Municipality of Bangui, Ilocos Norte	October 29, 2013	
17.	Endorsement of the Province of Ilocos Norte	Province of Ilocos Norte	August 4, 2014	
18.	Provisional Authority to Operate 33MW Phase I and II Bangui Bay Wind Farm	ERC	Effective Date: December 15, 2020 Issue Date: November 18, 2020	December 14, 2021
19.	Provisional Authority to Operate 18.9MW Phase III Bangui Bay Wind Farm	ERC	Effective Date: October 20, 2020 Issue Date: October 14, 2020	October 19, 2021
20.	Approval of WESM Registration of Additional Facility Ref No. MLO/PEMC-2014/718	PEMC	October 27, 2014	
21.	Market Participation Agreement	PEMC	April 25, 2008	
22.	Renewable Energy Market Participation Agreement	PEMC	21 July 2020	
23.	Grid Impact Study	NTC	January 2008	
24.	System Impact Study	NGCP	April 2014	
25.	Facilities Study	NGCP	March 31, 2014	
26.	Transmission Service Agreement	NGCP	December 16, 2015	November 25, 2024

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
27.	Transmission Service Agreement	NGCP	January 26, 2019	February 25, 2030
28.	Metering Services Agreement	NGCP	January 26, 2019	January 25, 2029
29.	Connection Agreement	NTC	April 5, 2005	
30.	Connection Agreement	NGCP	November 17, 2014	Has a term of 10 years from date of execution
31.	Decision in ERC Case No. 2010- 062 MC	ERC	April 10, 2012	
32.	Certificate of Non-Overlap	NCIP	July 18, 2013	
33.	Foreshore Lease Agreement	DENR	September 19, 2003	Lease for 25 years from and including the 19th day of September 2003
34.	Wind Energy Service Contract No. 2012-07-058	DOE	February 26, 2013	Effective for 25 years from July 31, 2007
35.	Confirmation of Commerciality No. WCC-2013-10-008 (Phase III)	DOE	October 30, 2013	
36.	Amended Confirmation of Commerciality No. WCC-2013-10-008-A (Phase III)	DOE	September 10, 2014	
37.	Certificate of Registration No. WESC 2012-07-058	DOE	February 26, 2013	
38.	Certificate of Registration	DOLE	February 2016	
39.	Certificate of Registration	BIR	December 12, 2008	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
40.	Wastewater Discharge Permit	DENR-EMB	November 8, 2019	November 8, 2024
41.	Certification	Pag-IBIG	November 6, 2019	
42.	Certificate of Registration	PhilHealth	October 16, 2019	
43.	Certificate of Registration	SSS	October 17, 2019	

S. San Julio Land Development Corp.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	June 20, 2014	
2.	Amended Articles of Incorporation	SEC	March 6, 2015	
3.	By-Laws	SEC	June 20, 2014	
4.	Business Permit No. 27441	Makati City	February 2, 2021	December 31, 2021
5.	Certificate of Registration	BIR	October 3, 2018	

T. LCC Bulk Water Supply, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1	Articles of Incorporation	SEC	January 21, 2014	
2	By-Laws	SEC	Date received unreadable	
3	Business Permit	San Carlos City, Negros Occidental	February 1, 2021	December 31, 2021
4	ECC No. ECC-OL-R06-2018-0142	DENR-EMB	April 22, 2018	
5	Certificate of Registration	BIR	February 4, 2014	
6	Certificate of No Objection	Barangay Cubay, La Carlota City, Negros Occidental	January 22, 2018	
7	Employer Registration	SSS	Received: December 6, 2019	
8	Zoning Certification	City of La Carlota, Negros Occidental	January 23, 2018	
9	Conditional Water Permit No. 09-25-20-131 (other use – bulk water supply)	NWRB	September 25, 2020	September 25, 2021
10	Conditional Water Permit No. 09-25-20-132 (other use – bulk water supply)	NWRB	September 25, 2020	September 25, 2021
11	Conditional Water Permit No. 09-25-20-133 (other use – bulk water supply)	NWRB	September 25, 2020	September 25, 2021
12	Certificate of Employer's Registration	Pag-IBIG	July 16, 2020	
13	Registry of Establishment	DOLE	October 8, 2020	
14	Certificate of Registration	PhilHealth	March 17, 2020	

U. MCV Bulk Water Supply, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	January 21, 2014	
2.	Articles of Incorporation	SEC	January 21, 2014	
3.	By-Laws	SEC	January 21, 2014	
4.	Business Permit	San Carlos City, Negros Occidental	February 1, 2021	December 31, 2021
5.	Endorsement of Brgy. Sta. Teresa, Manapla, Negros Occidental	Brgy. Sta. Teresa, Manapla, Negros Occidental	February 5, 2020	
6.	ECC No. ECC-OL-R06-2018-0331	DENR-EMB	August 17, 2018	
7.	Certificate of Registration	BIR	February 5, 2014	
8.	Registry of Establishment	DOLE	January 27, 2020	
9.	Certificate of No Objection	Santa Teresa, Manapla, Negros Occidental	February 5, 2018	
10.	Certificate of Registration	Pag-IBIG	July 16, 2020	
11.	Certificate of Registration	PhilHealth	November 28, 2019	
12.	Employer Registration	SSS	Received: October 11, 2019	
13.	Zoning Certification	Municipality of Mananpla	September 25, 2017	

V. ACE Endevor, Inc. (formerly AC Energy Development Inc.)

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Amended Articles of Incorporation	SEC	January 20, 2020	
2.	Amended By-Laws	SEC	January 20, 2020	
3.	Certificate of Registration	BIR	October 4, 2018	
4.	Business Permit	Makati City	February 9, 2021	December 31, 2021
5.	Certificate of Filing of Amended By-laws	SEC	January 20, 2020	
6.	Registry of Establishment	DOLE	October 17, 2018	
7.	Certificate of Registration	SSS	July 22, 2020	
8.	Certificate of Registration	PhilHealth	March 17, 2021	

W. Pagudpud Wind Power Corporation

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	December 9, 2009	
2.	Amended Articles of Incorporation	SEC	February 9, 2018	
3.	By-Laws	SEC	December 9, 2009	
4.	Certificate of Registration	BIR	October 7, 2011	

X. Bayog Wind Power Corp.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	January 13, 2010	
2.	Amended Articles of Incorporation	SEC	July 18, 2016	
3.	By-Laws	SEC	October 1, 2014	
4.	ECC No. ECC-OL-R01-2015-0049	DENR-EMB	November 20, 2015 – with first amendment dated August 15, 2016	
5.	Certificate of Non-Coverage CNC-OL-R01-2015-11-07598	DENR-EMB	November 4, 2015	
6.	ECC No. ECC-OL-R01-2016-0072	DENR-EMB	May 18, 2016	
7.	ECC No. ECC-OL-R01-2021-0001	DENR-EMB	January 1, 2021	
8.	Endorsement of Barangay Bacsil, Bangui, Ilocos Norte	Barangay Bacsil, Bangui, Ilocos Norte	November 6, 2015	
9.	Endorsement of Barangay Ligaya, Pagudpud, Ilocos Norte	Barangay Ligaya, Pagudpud, Ilocos Norte	November 15, 2015	
10.	Endorsement of Barangay Nagbalagan, Bangui, Ilocos Norte	Barangay Nagbalagan, Bangui, Ilocos Norte	November 16, 2015	
11.	Endorsement of Barangay Caparispisan, Pagudpud, Ilocos Norte	Barangay Caparispisan, Pagudpud, Ilocos Norte	December 15, 2015	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
12.	Endorsement of Barangay Abaca, Bangui, Ilocos Norte	Barangay Abaca, Bangui, Ilocos Norte	December 28, 2015	
13.	Endorsement of Barangay Poblacion No. 1, Pagudpud, Ilocos Norte	Barangay Poblacion No. 1, Pagudpud, Ilocos Norte	January 15, 2016	
14.	Endorsement of Barangay San Lorenzo, Bangui, Ilocos Norte	Barangay San Lorenzo, Bangui, Ilocos Norte	January 18, 2016	
15.	Endorsement of Barangay Saud, Pagudpud, Ilocos Norte	Barangay Saud, Pagudpud, Ilocos Norte	March 6, 2016	
16.	Endorsement of Barangay Burayoc, Pagudpud, Ilocos Norte	Barangay Burayoc, Pagudpud, Ilocos Norte	March 20, 2016	
17.	Endorsement of Barangay Poblacion 2, Pagudpud, Ilocos Norte	Barangay Poblacion 2, Pagudpud, Ilocos Norte	April 3, 2016	
18.	Endorsement of Barangay Tarrag, Pagudpud, Ilocos Norte	Barangay Tarrag, Pagudpud, Ilocos Norte	May 22, 2016	
19.	Endorsement of Barangay Caunayan, Pagudpud, Ilocos Norte	Barangay Caunayan, Pagudpud, Ilocos Norte	June 15, 2014	
20.	Endorsement of Barangay Caunayan, Pagudpud, Ilocos Norte	Barangay Caunayan, Pagudpud, Ilocos Norte	August 16, 2015	
21.	Endorsement of Barangay Subec, Pagudpud, Ilocos Norte	Barangay Subec, Pagudpud, Ilocos Norte	June 15, 2014	
22.	Endorsement of the Municipality of Pagudpud, Ilocos Norte	Municipality of Pagudpud, Ilocos Norte	December 23, 2016	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
23.	System Impact Study	NGCP	August 1, 2016	
24.	Facilities Study		July 2016	
25.	Connection Agreement	NGCP	November 16, 2017	January 25, 2027
26.	Certificate of Non-Overlap	NCIP	January 15, 2007	
27.	Transfer of Forest Land use Agreement (Wind Energy Project) Flag No. 02-2009 issued to Northern Luzon Renewable Energy Corporation (NLREC) (Formerly Northern Luzon UPC Asia Corporation) in favor of Bayog Wind Power Corporation (BWPC) located in Balaoi, Pagudpud, Ilocos Norte, covering 277.17 hectares	DENR	April 18, 2016	
28.	Forest Land Use Agreement (FLAg) No. 02-2016	DENR	June 24, 2016	June 24, 2041
29.	Forest Land Use Agreement (FLAg) No. 03-2016	DENR	June 24, 2016	June 24, 2041
30.	Forest Land Use Agreement (FLAg) No. 02-2009	DENR	May 20, 2009	May 20, 2034
31.	Wind Energy Service Contract (WESC No. 2014-06-073)	DOE	August 18, 2014	Until 25 years from Execution Date
32.	Wind Energy Service Contract (WESC No. 2010-02-038)	DOE	February 1, 2010	25 years from February 1, 2010, upon

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
			Assignment to Bayog Wind approved by DOE on December 9, 2015	submission of Declaration of Commercia lity
33.	Revised Declaration of Commerciality	DOE	October 29, 2018	
34.	Further Revised Declaration of Commerciality	DOE	May 28, 2019	
35.	Certificate of Registration No. WESC 2010-02-038	DOE	December 9, 2015	
36.	Certificate of Registration No. WESC 2014-06-073	DOE	undated	
37.	Certificate of Registration	BIR	March 12, 2010	
38.	Amended Confirmation of Commerciality No. WCC-2013-10-010	DOE	December 23, 2019	
39.	Business Permit	Laoag City	January 7, 2021	December 31, 2021
40.	Certificate of Employer's Registration	Pag-IBIG	March 5, 2020	
41.	Certificate of Registration	PhilHealth	February 24, 2020	
42.	Certificate of Registration	SSS	February 17, 2020	
43.	Certificate of Registration	DOLE	November 12, 2018	

a. **SCC Bulk Water Supply, Inc.**

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Articles of Incorporation	SEC	September 9, 2015	
2.	By-Laws	SEC	September 9, 2015	
3.	Business Permit	San Carlos City, Negros Occidental	February 2, 2021	December 31, 2021
4.	Water Permit	NWRB	September 21, 2005	
5.	Certificate of Registration	BIR	October 9, 2015	
6.	Registry of Establishment	DOLE	January 27, 2020	
7.	Employer Data Form	Pag-IBIG		
8.	Employer Registration	SSS	Received: March 4, 2018	
9.	Certificate of Registration	PhilHealth	March 17, 2021	

Y. Solienda Inc.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	November 29, 2016	
2.	Articles of Incorporation	SEC	November 28, 2016	
3.	By Laws	SEC	November 28, 2016	
4.	Business Permit No. BP-2021-02581-0	San Carlos, Negros Occidental	February 2, 2021	December 31, 2021
5.	Certificate of Registration	BIR	December 14, 2016	

Z. HDP Bulk Water Supply Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	October 20, 2017	
2.	Articles of Incorporation	SEC	October 20, 2017	
3.	By-Laws	SEC	October 20, 2017	
4.	Business Permit	San Carlos City, Negros Occidental	February 2, 2021	December 31, 2021
5.	Water Permit	NWRB	April 7, 2011	
6.	Certificate of Registration	BIR	October 20, 2017	
7.	Registry of Establishment	DOLE	May 17, 2018	
8.	Certificate of Employer's Registration	Pag-IBIG	July 16, 2020	
9.	Employer Data Record	PhilHealth	April 23, 2018	
10.	Employer Registration	SSS	April 16, 2018	
11.	Certificate of Registration	PhilHealth	April 23, 2018	

AA. Ingrid Power Holdings, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	June 7, 2018	
2.	Articles of Incorporation	SEC	June 7, 2018	
3.	By-Laws	SEC	June 7, 2018	
4.	Business Permit	Makati City	February 2, 2021	December 31, 2021
5.	Certificate of Registration	BIR	September 28, 2018	
6.	ECC	DENR-EMB	February 26, 2019	
7.	Certificate of Endorsement	DOE	July 1, 2019	
8.	Certificate of Non-Overlap	NCIP	February 27, 2019	
9.	Endorsement of Barangay Malaya	Sangguniang barangay of Malaya, Pililla, Rizal	March 20, 2018	
10.	Endorsement of the Municipality of Pililla	Sangguniang Bayan of Pililla, Rizal	August 13, 2019	
11.	Facility Study	NGCP	April 12, 2019	
12.	Amendment to the Facility Study	NGCP	December 15, 2020	
13.	System Impact Study	NGCP	January 24, 2019	
14.	Amendment to the System Impact Study	NGCP	January 19, 2021	
15.	Connection Agreement between NGCP and Ingrid Power Holdings, Inc.	NGCP	February 9, 2021	September 25, 2030

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
16.	Registry of Establishment	DOLE	January 28, 2020	
17.	Certificate of Registration	Pag-IBIG	February 14, 2020	
18.	Certificate of Registration	SSS	January 30, 2020	
19.	Certificate of Registration	PhilHealth	January 30, 2020	
20.	No Objection Certification	Rizal Provincial Government	March 9, 2020	
21.	Sangguniang Panlalawigan Resolution (No Objection)	Rizal Provincial Government	July 6, 2020	
22.	Development Permit	Municipality of Pililla	July 28, 2020	

BB.Gigasol2 Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	March 13, 2017	
2.	Amended Articles of Incorporation	SEC	November 26, 2019	
3.	Certificate of Approval of Increase of Capital Stock	SEC	November 26, 2019	
4.	By-Laws	SEC	March 13, 2017	
5.	Business Permit No. 07402	Makati City	January 26, 2021	December 31, 2021
6.	Certificate of Registration	BIR	April 3, 2018	

CC. SolarAce1 Energy Corp.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	March 20, 2017	
2.	Certificate of Approval of Increase of Capital Stock	SEC	October 15, 2020	
3.	Certificate of Filing of Amended Articles of Incorporation	SEC	October 15, 2020	
4.	By-Laws	SEC	March 20, 2017	
5.	Business Permit	Makati City	February 3, 2021	December 31, 2021
6.	Certificate of Registration	BIR	March 20, 2017	
7.	Barangay Certificate of No Objection	Barangay San Andres, Municipality of Alaminos, Province of Laguna	April 10, 2018	
8.	Endorsement of Barangay San Andres, Municipality of Alaminos, Province of Laguna	Barangay San Andres, Municipality of Alaminos, Province of Laguna	February 19, 2018	
9.	Endorsement of Barangay San Juan, Municipality of Alaminos, Province of Laguna	Barangay San Juan, Municipality of Alaminos, Province of Laguna	April 8, 2018	
10.	ECC No. ECC-R4A-1807-0211	DENR	July 30, 2018	[deemed expired if not implemente

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
				d within five (5) years from date of issuance]
11.	Amended ECC No. ECC-R4A-1807-0211	DENR	September 14, 2020	
12.	Endorsement of the Municipality of Alaminos, Province of Laguna	Office of the Sangguniang Bayan, Municipality of Alaminos, Province of Laguna	September 9, 2019	
13.	Certificate of Registration	BIR	April 3, 2018	
14.	Certificate of Non-Overlap	NCIP	November 7, 2019	
15.	Solar Energy Service Contract	DOE	January 11, 2021	November 5, 2044
16.	DAR Exemption Order	DAR	September 1, 2009	
17.	Certificate of Finality	DAR - Bureau of Agrarian Legal Assistance	October 26, 2009	
18.	Registry of Establishment	DOLE	January 28, 2020	
19.	Certificate of Registration	SSS	January 30, 2020	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
20.	Certificate of Registration	PhilHealth	August 15, 2018	
21.	Certificate of Registration	Pag-IBIG	February 14, 2020	
22.	System Impact Study	NGCP	May 12, 2020	
23.	Interconnection Facility Study	NGCP	June 22, 2020	
24.	Zoning Certification	Municipality of Alaminos, Laguna	February 20, 2018	
25.	Endorsement of the Sangguniang Bayan of Alaminos, Laguna	Sangguniang Bayan of Alaminos, Laguna	May 20, 1997	

DD. SolarAce2 Energy Corp.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	March 20, 2017	
2.	Articles of Incorporation	SEC	March 20, 2017	
3.	By-Laws	SEC	March 20, 2017	
4.	Business Permit	Makati City	February 9, 2021	December 31, 2021
5.	Certificate of Registration	BIR	April 3, 2018	

EE. Gigasol1, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	March 13, 2017	
2.	Articles of Incorporation	SEC	March 13, 2017	
3.	By-Laws	SEC	March 13, 2017	
4.	Certificate of Registration	BIR	April 4, 2018	
5.	Business Permit No. 07401	Makati City	January 26, 2021	December 31, 2021

FF. Gigasol3, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	March 13, 2017	
2.	Articles of Incorporation	SEC	March 13, 2017	
3.	By-Laws	SEC	March 13, 2017	
4.	Business Permit No. 07403	Makati City	January 26, 2021	December 31, 2021
5.	Endorsement of the Sangguniang Barangay of Cauyan, Palauig, Zambales	Barangay Council of Barangay Cauyan, Palauig, Zambales	August 9, 2019	
6.	Endorsement of the Sangguniang Barangay of Salaza, Palauig, Zambales	Barangay Council of Barangay Salaza, Palauig, Zambales	August 16, 2019	
7.	Endorsement of the Sangguniang Bayan of Municipality of Palauig, Zambales	Sangguniang Bayan of Municipality of Palauig, Zambales	November 13, 2019	
8.	ECC No. ECC-OL-R03-2020-0059 (50MW Solar Power Project in Palauig, Zambales)	DENR	January 27, 2020	Automatically revoked if the project is not commenced within five (5) years from the date of its issuance or if the project operation is suspended or stopped for a period of five

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
				(5) years or more
9.	Solar Energy Operating Contract (SEOC No. 2020-02-560)	DOE	February 27, 2020	February 26, 2045
10.	BOI Registration (COR No. 2020-116)	BOI	July 10, 2020	
11.	Certificate of Registration	BIR	April 3, 2018	
12.	Certificate of Registration	SSS	December 27, 2018	
13.	Certificate of Registration	PhilHealth	August 15, 2018	
14.	Employer Registration	Pag-IBIG	January 23, 2020	
15.	Registry of Establishment	DOLE	January 28, 2020	
16.	System Impact Study	NGCP	October 28, 2020	
17.	Certificate of Non-Overlap	NCIP	October 30, 2020	
18.	Provisional Certificate of Approval to Connect	NGCP	January 30, 2021	
19.	Provisional Certificate of Approval to Connect	NGCP	February 12, 2021	
20.	Registration Approval Form	IEMOP	February 2, 2021	
21.	Order Granting the Application for Exclusion from CARP Coverage Involving a Parcel of Land Located at Brgy. Salaza, Palauig,	DAR	December 18, 2000	

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
	Zambales with TCT No. T-33853			
22.	Order Granting the Application for Exclusion from CARP Coverage Involving Two Parcels of Land Located at Brgy. Salaza, Palauig, Zambales	DAR	October 26, 1998	
23.	Implementation Order	DAR	March 30, 2001	
24.	Permit to Drill No. 2020-289	NWRB	September 28, 2020	March 27, 2021

GG. AC La Mesa Solar, Inc.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	September 20, 2016	
2.	Articles of Incorporation	SEC	September 20, 2016	
3.	By-Laws	SEC	September 20, 2016	
4.	Business Permit	Makati City	January 28, 2021	December 31, 2021
5.	Solar Energy Service Contract	Department of Energy	February 26, 2019	Effective for 25 years from Effective Date
6.	Certificate of Registration	BIR	April 13, 2018	

HH. AC Subic Solar, Inc.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	September 20, 2016	
2.	Articles of Incorporation	SEC	September 20, 2016	
3.	By-Laws	SEC	September 20, 2016	
4.	Business Permit	Makati City	January 28, 2021	December 31, 2021
5.	Certificate of Registration	BIR	April 13, 2018	
6.	Solar Energy Service Contract	DOE	December 23, 2019	Effective for 25 years from Effective Date

II. AC Laguna Solar, Inc.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	September 20, 2016	
2.	Articles of Incorporation	SEC	September 20, 2016	
3.	By-Laws	SEC	September 20, 2016	
4.	Business Permit	Makati City	January 28, 2021	December 31, 2021
5.	Certificate of Registration	BIR	April 13, 2018	
6.	Solar Energy Service Contract	DOE	December 23, 2019	Effective for 25 years from Efective Date

JJ. Bataan Solar Energy, Inc.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	July 27, 2016	
2.	Articles of Incorporation	SEC	July 27, 2016	
3.	By-Laws	SEC	July 27, 2016	
4.	Business Permit	Makati City	February 2, 2021	December 31, 2021
5.	Certificate of Registration	BIR	August 23, 2016	
6.	Endorsement of Barangay Batangas-II, Municipality of Mariveles, Province of Bataan	Barangay Batangas-II, Municipality of Mariveles, Province of Bataan	August 4, 2017	
7.	Certificate of Non-Overlap	NCIP	July 26, 2019	
8.	Certificate of Registration	DOE	September 14, 2017	
9.	Solar Energy Service Contract	DOE	September 14, 2017	Effective for 25 years from Effective Date
10.	Certificate of Non-Coverage	DENR	January 9, 2020	
11.	BOI Registration (COR No. 2020-191)	BOI	October 1, 2020	
12.	Confirmation of Commerciality	DOE	June 26, 2020	
13.	Distribution Impact Study Approval	Distribution Utility - PENELCO	May 21, 2018	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
14.	Sangguniang Bayan Resolution No. 146-2019	Sanggguniang Bayan of Municipality of Mariveles, Province of Bataan	September 24, 2019	
15.	Municipal Ordinance No. 2019-152	Sanggguniang Bayan of Municipality of Mariveles, Province of Bataan	September 24, 2019	
16.	Sangguniang Panlalawigan Resolution No. 5	Sangguniang Panlalawigan of Bataan	January 6, 2020	

KK. Santa Cruz Solar Energy, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	July 13, 2016	
2.	Articles of Incorporation	SEC	July 13, 2016	
3.	By-Laws	SEC	July 13, 2016	
4.	Business Permit No. BP-2021-02516-0	San Carlos City	February 2, 2021	December 31, 2021
5.	Certificate of Registration	BIR	July 13, 2016	
6.	Solar Energy Service Contract	DOE	February 13, 2020	Effective for 25 years from Effective Date
7.	Certificate of Registration	PhilHealth	March 15, 2021	
8.	System Impact Study	NGCP	November 6, 2020	
9.	Environmental Compliance Certificate (San Marcelino Solar Power Plant Project)	DENR	September 22, 2020	
10.	Amendment to Environmental Compliance Certificate dated September 22, 2020	DENR	January 21, 2021	
11.	Environmental Compliance Certificate (San Marcelino 230kV Transmission Line Project)	DENR	December 3, 2020	
12.	Certificate of Non-Overlap	NCIP	December 18, 2020	

13.	Special Land Use Permit No. R3-OCZ-SLUP-12092023-07	DENR	December 10, 2020	December 9, 2023
14.	Endorsement of Municipality of San Marcelino	Sangguniang Bayan of San Marcelino	November 6, 2020	
15.	Endorsement of Barangay Sta. Fe	Sangguniang Barangay of Sta. Fe	October 9, 2020	
16.	Endorsement of Barangay San Rafael	Sangguniang Barangay of San Rafael	October 12, 2020	
17.	Endorsement of Barangay San Pablo	Sangguniang Barangay of San Pablo	October 6, 2020	
18.	Registry of Establishment	DOLE	Undated	

LL. Ingrid2 Power Corp.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	October 14, 2019	
2.	Articles of Incorporation	SEC	October 14, 2019	
3.	By-Laws	SEC	October 14, 2019	
4.	Business Permit No. 03042	Makati City	February 9, 2021	December 31, 2021
5.	Certificate of Registration	BIR	October 14, 2019	

MM. Ingrid3 Power Corp.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	October 14, 2019	
2.	Articles of Incorporation	SEC	October 14, 2019	
3.	By-Laws	SEC	October 14, 2019	
4.	Business Permit No. 03043	Makati City	February 9, 2021	December 31, 2021
5.	Certificate of Registration	BIR	October 14, 2019	

NN. Ace Shared Services, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Registration	BIR	December 12, 2019	
2.	Business Permit No. 27447	City Government of Makati	February 12, 2021	December 31, 2021
3.	Certificate of Incorporation	SEC	December 05, 2019	
4.	Articles of Incorporation	SEC	November 18, 2019	
5.	By Laws	SEC	November 18, 2019	
6.	Certificate of Registration	SSS	January 28, 2020	
7.	Certificate of Registration	PhilHealth	January 22, 2020	
8.	Employer Data Form	Pag-IBIG	February 13, 2020	
9.	Registry of Establishment	DOLE	January 3, 2020	

OO. Amihan Renewable Energy Corp.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Registration	BIR	December 12, 2019	
2.	Certificate of Incorporation	SEC	January 16, 2017	
3.	Articles of Incorporation	SEC	January 16, 2017	
4.	By-Laws	SEC	January 16, 2017	
5.	Business Permit No. 2021-012815000-0553	Municipality of Pagudpud	January 26, 2021	December 31, 2021
6.	Certificate of Registration	BIR	January 16, 2017	

PP. Buendia Christiana Holdings Corp.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Registration	BIR	November 08, 2019	
2.	Certificate of Incorporation	SEC	May 10, 2019	
3.	Certificate of Filing of Amended Articles of Incorporation	SEC	August 20, 2020	
4.	Certificate of Approval of Increase of Capital Stock	SEC	August 20, 2020	
5.	Certificate of Filing of Amended By-Laws	SEC	October 27, 2020	
6.	Business Permit No. 27440	City Government of Makati	February 2, 2021	December 31, 2021

QQ. Giga Ace 1, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Registration	BIR	November 29, 2019	
2.	Business Permit No. 00212	City Government of Makati	January 28, 2021	December 31, 2021
3.	Certificate of Incorporation	SEC	November 14, 2019	
4.	Articles of Incorporation	SEC	November 08, 2019	
5.	By-Laws	SEC	November 08, 2019	

RR. Giga Ace 2, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Registration	BIR	November 29, 2019	
2.	Business Permit No. 00213	City Government of Makati	January 28, 2021	December 31, 2021
3.	Certificate of Incorporation	SEC	November 14, 2019	
4.	Articles of Incorporation	SEC	November 14, 2019	
5.	By-Laws	SEC	November 14, 2019	

SS. Giga Ace 3, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Registration	BIR	November 29, 2019	
2.	Business Permit No. 00205	City Government of Makati	January 28, 2021	December 31, 2021
3.	Certificate of Incorporation	SEC	November 14, 2019	
4.	Articles of Incorpoation	SEC	November 14, 2019	
5.	By-Laws	SEC	November 14, 2019	

TT.Giga Ace 4, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Registration	BIR	November 29, 2019	
2.	Business Permit No. 00220	City Government of Makati	January 28, 2021	December 31, 2021
3.	Certificate of Incorporation	SEC	November 14, 2019	
4.	Articles of Incoporation	SEC	November 14, 2019	
5.	By-Laws	SEC	November 14, 2019	
6.	Sangguninang Barangay Resolution No. 5 Series of 2020	San Andres, Alaminos Laguna Sanggunian	June 05, 2020	
7.	Certificate of Non-Overlap	NCIP	July 1, 2020	
8.	Environmental Compliance Certificate	DENR-EMB	September 09, 2020	
9.	Municipal Resolution	Sangguniang Bayan	July 06, 2019	
10.	Certificate of Registration	PhilHealth	October 6, 2020	
11.	Registry of Establishment	DOLE	November 3, 2020	

UU. Giga Ace 5, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Registration	BIR	November 29, 2019	
2.	Business Permit No. 00206	City Government of Makati	January 28, 2021	December 31, 2021
3.	Certificate of Incorporation	SEC	November 14, 2019	
4.	Articles of Incorporation	SEC	November 14, 2019	
5.	By-Laws	SEC	November 14, 2019	

VV. Giga Ace 6, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Registration	BIR	November 29, 2019	
2.	Business Permit No. 00207	City Government of Makati	January 28, 2021	December 31, 2021
3.	Certificate of Incorporation	SEC	November 14, 2019	
4.	Articles of Incorporation	SEC	November 14, 2019	
5.	By-Laws	SEC	November 14, 2019	

WW. Giga Ace 7, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	November 14, 2019	
2.	Articles of Incorporation	SEC	November 8, 2019	
3.	By-Laws	SEC	November 8, 2019	
4.	Business Permit No. 00219	City of Makati	January 28, 2021	December 31, 2021
5.	Certificate of Registration	BIR	November 29, 2019	

XX. Giga Ace 8, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	November 14, 2020	
2.	Certificate of Registration	BIR	November 29, 2019	
3.	Articles of Incorporation	SEC	November 14, 2019	
4.	By-laws	SEC	November 14, 2019	
5.	Business Permit No. 00218	Makati City	January 28, 2021	December 31, 2021

YY. Giga Ace 9, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	November 14, 2019	
2.	Articles of Incorporation	SEC	November 8, 2019	
3.	By-Laws	SEC	November 8, 2019	
4.	Business Permit No. 217	Makati City	January 28, 2021	December 31, 2020
5.	Certificate of Registration	BIR	November 29, 2019	
6.	Barangay Resolution No. 2, series of 2021	Barangay Binugao, Toril District, Davao City	January 20, 2021	
7.	Barangay Resolution No. 8, series of 2021	Barangay Binugao, Toril District, Davao City	January 20, 2021	

ZZ.Giga Ace 10, Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	November 14, 2019	
2.	Articles of Incorporation	SEC	November 8, 2019	
3.	By-Laws	SEC	November 8, 2019	
4.	Business Permit	Makati City	January 28, 2021	December 31, 2021
5.	Certificate of Registration	BIR	November 29, 2019	Certificate of Registration

AAA. SolarAce3 Energy Corp.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	October 14, 2019	
2.	Articles of Incorporation	SEC	October 14, 2019	
3.	By-Laws	SEC	October 14, 2019	
4.	Business Permit No. 27450	Makati City	February 2, 2021	December 31, 2021
5.	Certificate of Registration	BIR	October 15, 2019	

BBB. SolarAce4 Energy Corp.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	October 14, 2019	
2.	Articles of Incorporation	SEC	October 14, 2019	
3.	By-Laws	SEC	October 14, 2019	
4.	Certificate of Registration	BIR	October 14, 2019	
5.	Business Permit	Makati City	February 2, 2021	December 31, 2021

CCC. GigaWind1 Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Registration	BIR	October 14, 2019	
2.	Business Permit No. 00209	Makati City	January 28, 2021	December 31, 2021
3.	Certificate of Incorporation	SEC	October 14, 2019	
4.	Articles of Incporation	SEC	October 14, 2019	
5.	By-Laws	SEC	October 14, 2019	
6.	Certificate of Registration No. WESC 2020-09-116	DOE	January 11, 2021	
7.	Wind Energy Service Contract No. 2020-09-116	DOE	January 11, 2021	Effective for 25 years from Effective Date

DDD. GigaWind2 Inc.

No.	Permit / License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Registration	BIR	October 14, 2019	
2.	Business Permit No. 00210	Makati City	January 28, 2021	December 31, 2021
3.	Certificate of Incorporation	SEC	October 14, 2019	
4.	Articles of Incporation	SEC	October 14, 2019	
5.	By-Laws	SEC	October 14, 2019	

EEE. San Carlos Solar Energy, Inc. (SACASOL)

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation, SEC-approved Articles of Incorporation and By-laws, and DOE 1st Endorsement	SEC	April 17, 2013	
2.	Certificate of Filing of Amended Articles of Incorporation - September 3, 2014, including the Amended Articles of Incorporation, DOE 1st Endorsement, 2014 GIS, 2013 AFS	SEC	September 3, 2014	
3.	Certificate of Filing of Amended By-laws dated September 3, 2014, including Amended By-laws	SEC	September 3, 2014	
4.	Certificate of Approval fo Increase of Capital Stock dated September 3, 2014	SEC	September 3, 2014	
5.	Certificate of Amended Articles of Incorporation dated October 5, 2015, including Amended Articles of Incorporation	SEC	October 5, 2015	
6.	Certificate of Filing of Amended By-laws dated October 5, 2015, including the Amended By-laws	SEC	October 5, 2015	
7.	Certificate of Approval of Increase of Capital Stock dated October 5, 2015	SEC	October 5, 2015	
8.	Mayor's Permit	San Carlos City	January 27, 2021	December 31, 2021
9.	Barangay Resolution	Barangay Punao, San Carlos City	February 21, 2013	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
10.	Sangguniang Panlungsod Resolution	Sangguniang Panlungsod, San Carlos City	March 7, 2013	
11.	Certification	National Irrigation Administration ("**NIA**")	February 3, 1995	
12.	Amended Environmental Compliance Certificate	DENR	September 23, 2013	
13.	Environmental Compliance Certificate	DENR	July 11, 2013	
14.	Building Permit	San Carlos City	October 29, 2013	
15.	Letter of No Objection	Department of Public Works and Highways ("**DPWH**")	April 22, 2014	
16.	Certificate of Registration	DOE	October 29, 2013	
17.	Certificate of Endorsement	DOE	[2014]	
18.	Letter of confirmation	DOE	February 25, 2014	
19.	Confirmation of Commerciality	DOE	March 3, 2014	
20.	Letter of confirmation	DOE	May 7, 2014	
21.	Certificate of Compliance	ERC	June 9, 2019	June 8, 2024
22.	Amended Confirmation of Commerciality	DOE	January 12, 2015 [last digit illegible]	
23.	Memorandum of Agreement	DOE	May 16, 2014	
24.	Confirmation of Commerciality	DOE	March 3, 2014	
25.	Amended Confirmation of Commerciality	DOE	January 12, 2015 [last digit illegible]	
26.	Certificate of Non-Overlap	NCIP	January 17, 2014	
27.	Certificate of Compliance	ERC	September 8, 2019	September 7, 2024

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
28.	Certificate of Compliance	ERC	April 29, 2016	5 years from date of issuance
29.	Certificate of Approval to Connect	NGCP	May 7, 2014	
30.	Connection Agreement	NGCP	May 7, 2014	
31.	Letter of confirmation	DOE	May 7, 2014	
32.	Certificate of Compliance	ERC	May 28, 2019	June 8, 2024
33.	Metering Service Agreement	NGCP	July 3, 2014	
34.	Transmission Service Agreement	NGCP	June 2, 2014	
35.	Certificate of Compliance	ERC	May 28, 2019	September 7, 2024
36.	Approval of WESM Registration	PEMC	May 20, 2014	
37.	Market Participation Agreement	PEMC	March 4, 2014	
38.	Barangay Resolution	Barangay Punao, San Carlos City	July 7, 2014	
39.	Resolution of Sangguniang Panlungsod	Sangguniang Panlungsod, San Carlos City	August 14, 2014	
40.	Environmental Compliance Certificate	DENR	August 29, 2014	
41.	Confirmation of Commerciality	DOE	December 11, 2014	
42.	Solar Energy Service Contract	DOE	October 30, 2013	Effective for 25 years from Effective Date
43.	Certificate of Endorsement	DOE	[2015]	
44.	Confirmation of Commerciality	DOE	December 11, 2014	
45.	Amendment to Grid Interconnection Agreement	Northern Negros Electric Cooperative, Inc.	May 27, 2015	
46.	Transmission Service Agreement	NGCP	October 22, 2015	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
47.	Metering Service Agreement	NGCP	November 3, 2015	
48.	Provisional Certificate of Approval to Connect	NGCP	August 18, 2015	
49.	Certificate of Compliance	ERC	May 4, 2016	5 years from date of issuance
50.	Certificate of Compliance	ERC	June 27, 2017	5 years from date of issuance
51.	Approval of WESM Registration	PEMC	September 17, 2015	
52.	BIR Certificate of Registration	BIR	June 7, 2017	
53.	Registry of Establishment	DOLE	[illegible]	
54.	Certificate of Employer's Registration	Pag-IBIG	July 16, 2020	
55.	Certificate of Registration	SSS	July 22, 2020	
56.	Permit to Operate	DENR	April 25, 2017	November 30, 2021
57.	Certificate of Non-Overlap	NCIP	May 18, 2015	
58.	CENRO Certification that no trees will be affected	CENRO	September 7, 2015	
59.	Certificate of Non-Coverage	DENR	September 11, 2015	
60.	System Impact Study	NGCP	March 6, 2014	
61.	ECC-2021-001R	Province of Negros Occidental	January 12, 2021	January 25, 2022
62.	ECC-2021-002R	Province of Negros Occidental	January 12, 2021	January 25, 2022
63.	Establishment Report	Regional Tripartite Wages and Productivity Board	January 26, 2018	
64.	Certificate of Accreditation of Pollution Control Officer	DENR	October 4, 2019	October 3, 2022
65.	BIR Importer Clearance Certificate	BIR	March 20, 2015	
66.	Fire Safety Inspection Certificate	Bureau of Fire Protection	April 24, 2020	April 24, 2021

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
67.	Certificate of Registration	BOC	August 7, 2020	August 7, 2021
68.	Certificate of Occupancy	San Carlos City	July 30, 2015	
69.	Certificate of Filing of Amended By-laws	SEC	October 5, 2015	
70.	Certificate of Incorporation	SEC	April 17, 2013	
71.	Certificate of Registration	PhilHealth	March 17, 2021	
72.	Provisional Authority to Operate	ERC	January 14, 2021	January 18, 2022

FFF. Negros Island Solar Power, Inc. (ISLASOL)

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	SEC Certificate of Incorporation	SEC	November 5, 2014	
2.	Articles of Incorporation	SEC	November 5, 2014	
3.	Certificate of Filing of Amended Articles of Incorporation, with the Amended Articles of Incorporation	SEC	June 17, 2015	
4.	Certificate of Revision of the Title of Amended By-laws	SEC	June 17, 2015	
5.	Certificate of Filing of Amended Articles of Incorporation, with the Amended Articles of Incorporation	SEC	January 11, 2016	
6.	Certificate of Filing of Amended By-laws, with the Amended By-laws	SEC	January 11, 2016	
7.	Certificate of Approval of Increase of Capital Stock, with Amended By-laws	SEC	January 11, 2016	
8.	Barangay Resolution	Barangay Cubay, City of La Carlota, Province of Negros Occidental	December 3, 2014	
9.	City Resolution	Office of the Sangguniang Panlungsod, City of La Carlota	n.a.	
10.	Barangay Resolution	Barangay Sta. Teresa, Municipality of Manapla, Province of Negros Occidental	May 5, 2014	
11.	Barangay Resolution	Barangay Sta. Teresa, Municipality of Manapla, Province of Negros Occidental	May 5, 2015	
12.	Municipality Resolution	Municipality of Manapla, Province of Negros Occidental	June 3, 2015	
13.	Municipality Resolution	Municipality of Manapla	January 28, 2015	
14.	Municipality Resolution	Municipality of Manapla	January 28, 2014	
15.	Environmental Compliance Certificate	DENR	April 24, 2015	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
16.	Letter approval of amendment of project proponent in connection with Environmental Compliance Certificate dated April 24, 2015	DENR	July 27, 2016	
17.	Environmental Compliance Certificate	DENR	July 11, 2014	
18.	Letter approval of amendment of area of Environmental Compliance Certificate	DENR	January 30, 2015	
19.	Letter approval of amendment of area of Environmental Compliance Certificate	DENR	May 28, 2015	
20.	BIR Certificate of Registration	BIR	July 2, 2015	
21.	DOE Certificate of Registration	DOE	September 11, 2015	
22.	DOE Approval of Assignment of Solar Energy Service Contract from SACASOL to ISLASOL	DOE	August 27, 2015	
23.	DOE Certificate of Endorsement on Capital Equipment Importation under R.A. No. 9513	DOE	November 5, 2015	
24.	DOE Confirmation of Commerciality	DOE	December 9, 2015	
25.	Certificate of Endorsement re: Consistency of Manapla Solar Power Plant with PDP	DOE	May 19, 2016	
26.	Provisional Certificate of Apprroval to Connect ISLASOL re: 27.2 MWp AC “ISLASOL II” San Enrique Switching Station	NGCP	January 25, 2015	
27.	Provisional Certificate of Apprroval to Connect ISLASOL re: 27.2 MWp AC “ISLASOL II” Solar Power Plant Project	NGCP	February 16, 2016	
28.	Provisional Certificate of Apprroval to Connect ISLASOL re: 27.2 MWp AC “ISLASOL II” Solar Power Plant Project	NGCP	March 2, 2016	
29.	Provisional Certificate of Apprroval to Connect ISLASOL re: 27.2 MWp AC “ISLASOL II” Solar Power Plant Project	NGCP	March 4, 2016	
30.	Confirmation of Commerciality	DOE	March 14, 2016	
31.	Confirmation of Commerciality	DOE	November 10, 2015	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
32.	ERC Certificate of Compliance	ERC	June 5, 2017	Valid for 5 years
33.	Connection Agreement between NGCP and ISLASOL	NGCP	[2015]	
34.	Metering Service Agreement between NGCP and ISLASOL	NGCP	September 29, 2016	
35.	Provisional Certificate of Approval to Connect ISLASOL III	NGCP	February 5, 2016	
36.	Provisional Certificate of Approval to Connect ISLASOL III	NGCP	February 19, 2016	
37.	Provisional Certificate of Approval to Connect ISLASOL III	NGCP	February 24, 2016	
38.	Provisional Certificate of Approval to Connect ISLASOL III	NGCP	March 7, 2016	
39.	Transmission Service Agreement between NGCP and ISLASOL	NGCP	October 20, 2016	
40.	ERC Certificate of Compliance	ERC	April 29, 2016	
41.	PEMC Approval of Registration of ISLASOL	PEMC	February 29, 2016	
42.	Market Participation Agreement for Direct WESM Members	PEMC	February 16, 2016	
43.	Approval of WESM Registration of ISLASOL III Solar Power Plant as Additional Facility of ISLASOL	PEMC	March 2, 2016	
44.	PEMC Acknowledgment of Start of WESM Participation	PEMC	October 18, 2016	
45.	Connection Agreement between NGCP and ISLASOL	NGCP	May 24, 2016	
46.	Metering Service Agreement between NGCP and ISLASOL	NGCP	October 7, 2016	
47.	Metering Service Agreement between NGCP and ISLASOL	NGCP	[2016]	
48.	Transmission Service Agreement between NGCP and ISLASOL	NGCP	[2016]	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
49.	Transmission Service Agreement between NGCP and ISLASOL	NGCP	October 20, 2016	
50.	ERC Certificate of Compliance	ERC	July 10, 2017	
51.	Provisional Certificate of Approval to Connect ISLASOL II	NGCP	January 15, 2016	
52.	Provisional Certificate of Approval to Connect ISLASOL II	NGCP	January 16, 2016	
53.	Provisional Certificate of Approval to Connect ISLASOL II	NGCP	March 2, 2016	
54.	Provisional Certificate of Approval to Connect ISLASOL II	NGCP	March 4, 2016	
55.	Certificate of Approval to Connect ISLASOL II	NGCP	July 22, 2016	
56.	Certificate of Approval to Connect ISLASOL	NGCP	September 16, 2016	
57.	Certificate of Approval to Connect ISLASOL II	NGCP	November 8, 2016	
58.	Provisional Certificate of Approval to Connect ISLASOL III	NGCP	February 5, 2016	
59.	Provisional Certificate of Approval to Connect ISLASOL III	NGCP	February 19, 2016	
60.	Provisional Certificate of Apprroval to Connect ISLASOL III	NGCP	February 24, 2016	
61.	Provisional Certificate of Approval to Connect ISLASOL III	NGCP	March 7, 2016	
62.	Certificate of Approval to Connect ISLASOL	NGCP	February 22, 2017	
63.	Certificate of Approval to Connect ISLASOL III	NGCP	August 2, 2017	
64.	Certificate of Approval to Connect ISLASOL III	NGCP	January 25, 2018	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
65.	MARO Certification that lot is within Agro-Industrial Zone	DAR	August 19, 2015	
66.	Certificate of Eligibility for Reclassification of Agricultural Lands	DAR	June 23, 2015	
67.	PARO Clearance re: right of retention of landowners (Lot 321-B)	DAR	July 11, 2012	
68.	PARO Clearance re: right of retention of landowners (Lot 322-B)	DAR	July 11, 2012	
69.	Endorsement of Application for Land Conversion	Office of the Governor, Province of Negros Occidental	August 27, 2015	
70.	MARO Letter of No Objection to Application for Conversion	DAR	August 18, 2015	
71.	Endorsement of Application for Land Conversion	Office of Mayor, Municipality of Manapla	August 17, 2015	
72.	PARO Letter of No Objection to Application for Conversion	DAR	August 19, 2015	
73.	DAR Conversion Order	DAR	October 23, 2017	
74.	BIR Certificate of Registration	BIR	July 2, 2015	
75.	Certificate of Registration No. ECC-2021-039R	Province of Negros Occidental, Provincial Environment Management Office	February 5, 2021	January 25, 2022
76.	Certificate of Registration No. ECC-2021-037R	Province of Negros Occidental, Provincial Environment Management Office	February 5, 2021	January 25, 2022
77.	Business Permit	Municipality of Manapla	February 1, 2021	December 31, 2021
78.	Establishment Report	Regional Tripartite Wages and Productivity Board	January 26, 2018	
79.	Audited Financial Statements for 2018	BIR	April 29, 2019	
80.	Certificate of Registration	Pag-IBIG	July 16, 2020	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
81.	Certificate of Registration	SSS	July 22, 2020	
82.	City Ordinance No. 2014-007	Sangguniang Panlungsod of City of La Carlota	January 27, 2014	
83.	Certificate of Registration	PhilHealth	March 17, 2021	

GGG. Greencore Power Solutions 3, Inc.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	October 17, 2018	
2.	Certificate of Filing of Amended Articles of Incorporation	SEC	August 27, 2020	
3.	Business Permit	Municipality of Arayat, Province of Pampanga	January 6, 2021	December 31, 2021
4.	DAR Order No. LUCC 1220-0470, series of 2020 re: Land Use Conversion from Agricultural to Industrial Use (Solar Power Plant)	DAR	June 17, 2015	
5.	Certification re: application for ECC of proposed Citicore Renewable Energy Corporation	DENR	September 30, 2020	
6.	ECC No. ECC-OL-R03-2020-0558	DENR-EMB	November 13, 2020	
7.	Facilities Study	NGCP	November 6, 2020	
8.	Certificate of Non-Overlap	NCIP	September 17, 2020	
9.	Municipal Ordinance No. 5, series of 2020	Office of the Sangguniang Bayan, Municipality of Arayat, Pampanga	March 30, 2020	
10.	Municipal Ordinance No. 15, series of 2020	Office of the Sangguniang Bayan, Municipality of Arayat, Pampanga	October 12, 2020	
11.	Municipal Ordinance No. 10-2020	Office of the Sangguniang Bayan, Municipality of Mexico, Pampanga	September 7, 2020	
12.	Sangguniang Panlalawigan Resolution No. 6550	Sangguniang Panlalawigan of Pampanga	November 23, 2020	

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
13.	Sangguniang Panlalawigan Resolution No. 6241	Sangguniang Panlalawigan of Pampanga	June 16, 2020	
14.	Sangguniang Panlalawigan Resolution No. 6485	Sangguniang Panlalawigan of Pampanga	October 12, 2020	
15.	Endorsement of Barangay Buenavista, Mexico, Pampanga	Sangguniang Barangay of Buenavista	June 29, 2020	
16.	Endorsement of Barangay San Antonio, Arayat, Pampanga	Sangguniang Barangay of San Antonio	February 19, 2020	
17.	System Impact Study	NCGP	July 22, 2020	
18.	Solar Energy Service Contract No. 2019-12-558	DOE	December 23, 2019	Effective for 25 years from Effective Date
19.	DOE Approval of Assignment of Solar Energy Service Contract No. 2019-12-558 from Citicore Renewable Energy Corporation to Greencore Power Solutions 3, Inc.	DOE	February 24, 2021	
20.	Certificate of Registration	BIR	October 17, 2018	

HHH. Solar Philippines Central Luzon Corporation

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	March 2, 2017	
2.	Articles of Incorporation	SEC	March 2, 2017	
3.	By-Laws	SEC	March 2, 2017	
5.	Certificate of Registration	BIR	May 12, 2017	
7.	ECC	DENR-EMB	December 17, 2020	
9.	Endorsement of Barangay Armenia, Tarlac	Sangguniang Barangay of Armenia	October 11, 2019	
10.	Endorsement of Barangay Balanti, Tarlac	Sangguniang Barangay of Balanti, Tarlac	October 12, 2019	
11.	Endorsement of the City of Tarlac	Sangguniang Panlungsod of Tarlac	January 15, 2019	
12.	Business Permit	City of Makati	February 11, 2021	December 31, 2021

III. Ingrid4 Power Corp.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	January 27, 2021	
2.	Articles of Incorporation	SEC	January 27, 2021	
3.	By-Laws	SEC	January 27, 2021	
4.	Certificate of Registration	BIR	February 23, 2021	

JJJ. Ingrid6 Power Corp.

No.	Permit or License	Approving or Issuing Government Agency	Issue Date	Expiration
1.	Certificate of Incorporation	SEC	March 9, 2021	
2.	Articles of Incorporation	SEC	March 9, 2021	
3.	By-Laws	SEC	March 9, 2021	

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