

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

Important: You must read the following before continuing. The following applies to the offering circular following this page (“**Offering Circular**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF NOTES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED THEREIN.

Confirmation of the Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the notes, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the electronic mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, forward deliver this Offering Circular to any other person or reproduce this Offering Circular in any manner whatsoever.

EU MIFID II PRODUCT GOVERNANCE / TARGET MARKET: The Pricing Supplement (as defined in the Offering Circular) in respect of any Notes may include a legend entitled “EU MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “**MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**EU MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Sole Arranger nor the Dealers (each as defined in the Offering Circular) nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET: The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Sole Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIIPS / IMPORTANT — EEA RETAIL INVESTORS: If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EEA Retail Investor in the European Economic Area (the “**EEA**”). For these purposes, an “**EEA Retail Investor**” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**EU Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to EEA Retail Investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any EEA Retail Investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PRIIPS / IMPORTANT — UK RETAIL INVESTORS: If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom (the “**UK**”). For these purposes, a “**UK Retail Investor**” means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK

domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”), subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”), subject to amendments made by the Prospectus (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/1234) (as may be amended or superseded from time to time). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to UK Retail Investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK Retail Investor in the UK may be unlawful under the UK PRIIPs Regulation.

The materials relating to the offering of Notes to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of BPI Capital Corporation, Credit Suisse (Singapore) Limited, Deutsche Bank AG, Singapore Branch, Goldman Sachs (Singapore) Pte., Morgan Stanley Asia (Singapore) Pte. and UBS AG Singapore Branch (collectively, the “**Dealers**”) or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer (as defined in the Offering Circular) in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Dealers, any person who controls any Dealer, or any director, officer, employee or agent of any Dealer, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the any Dealer.

You are responsible for protecting against viruses and other destructive items. Your use of this document in electronic form is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR

ACEN Finance Limited

(incorporated with limited liability in the Cayman Islands)

U.S.\$1,500,000,000 Medium Term Note Programme unconditionally and irrevocably guaranteed by



AC Energy Corporation

(incorporated with limited liability in the Republic of the Philippines)

Under the Medium Term Note Programme described in this Offering Circular (the “**Programme**”), ACEN Finance Limited (the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”) unconditionally and irrevocably guaranteed (the “**Guarantee**”) by AC Energy Corporation (the “**Company**” or the “**Guarantor**”). The Issuer is a special purpose company which is a wholly-owned subsidiary of the Company.

Notes to be issued under the Programme may comprise (i) dated Notes or (ii) undated Notes (the “**Undated Notes**”). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$1,500,000,000 (or its equivalent in other currencies), subject to increase as described herein. The terms and conditions of the dated Notes and the terms and conditions of the Undated Notes are set out herein under “*Terms and Conditions of the Notes other than Undated Notes*” and “*Terms and Conditions of the Undated Notes*”, respectively.

The Notes of each Series issued in bearer form (“**Bearer Notes**”) will be represented on issue by a temporary global note in bearer form (each a “**Temporary Bearer Global Note**”) or a permanent global note in bearer form (each a “**Permanent Bearer Global Note**”) as indicated in the applicable Pricing Supplement. Notes in registered form (“**Registered Notes**”) will be represented by a global note in registered form (each a “**Registered Global Note**” and together with any Temporary Bearer Global Notes and Permanent Bearer Global Notes, the “**Global Notes**”), one Registered Global Note being issued in respect of each Noteholder’s entire holding of Notes in registered form of one Series. Global Notes may be deposited on the relevant issue date with a common depository on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “*Form of the Notes*.” The applicable Pricing Supplement will specify that definitive Notes will be made available in certain limited circumstances.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Summary of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

Investing in the Notes involves certain risks. See “Risk Factors” beginning on page 115 for a discussion of certain factors to be considered in connection with an investment in the Notes.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and quotation of any Notes to be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. There is no guarantee that an application to the SGX-ST will be approved. Such permission will be granted when such Notes have been admitted on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Notes, the Issuer or the Company or its subsidiaries. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche of Notes will be set out in a pricing supplement (the “**Pricing Supplement**”) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST on or before the date of issue of the Notes of such Tranche. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers. The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealers. The Issuer may also issue unlisted Notes. Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear and Clearstream, Luxembourg.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or delivered within the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. Registered Notes are subject to certain restrictions on transfer, see “*Subscription and Sale*.”

The Issuer may agree with any Dealer and The Hongkong and Shanghai Banking Corporation Limited (the “**Trustee**”) that Notes may be issued in a form not contemplated by the terms and conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

This Offering Circular is not a prospectus for the purpose of EU Regulation (EU) 2017/1129 or for the purposes of such regulation as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

Sole Arranger

BPI CAPITAL

Dealers

(in alphabetical order)

BPI CAPITAL
GOLDMAN SACHS

CREDIT SUISSE
MORGAN STANLEY

DEUTSCHE BANK
UBS

Offering Circular dated 31 August 2021

In this Offering Circular, references to the “**Company**”, “**ACEN**”, the “**Guarantor**” or “**Group**” are references to AC Energy Corporation and its consolidated subsidiaries and associates and joint ventures, as the context requires. References to the “**Issuer**” are references to ACEN Finance Limited. References to the “**Conditions**” shall mean, in the case of dated Notes, the Terms and Conditions of the Notes other than Undated Notes and in the case of the Undated Notes, the Terms and Conditions of the Undated Notes, as the context requires.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer and the Guarantor, having made all reasonable enquiries, confirm that: (i) this Offering Circular contains all information with regard to the Issuer, the Guarantor and to the Notes and the Guarantee which is material in the context of the issue, subscription and sale of the Notes; (ii) such information is true and accurate and not misleading; (iii) the opinions and intentions expressed in the Offering Circular with regard to the Company are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Company, the Notes and the Guarantee the omission of which would, in the context of the issue and offering of the Notes and the delivery of the Guarantee, make any statement in the Offering Circular misleading; (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements; and (vi) the Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This Offering Circular has been prepared by the Issuer and the Guarantor for use in connection with the offer and sale of Notes outside the United States. The Issuer, the Guarantor and the Dealers reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or any other jurisdiction where it is unlawful to do so.

No person has been or is authorized to give any information or to make any representation concerning the Issuer, the Company, the Notes or the Guarantee other than as contained herein or any other information supplied in connection with the Programme or the Notes and, if given or made by any other person, such information or representation should not be relied upon as having been authorized by the Issuer, the Guarantor, BPI Capital Corporation (the “**Sole Arranger**”) and BPI Capital Corporation, Credit Suisse (Singapore) Limited, Deutsche Bank AG, Singapore Branch, Goldman Sachs (Singapore) Pte., Morgan Stanley Asia (Singapore) Pte. and UBS AG Singapore Branch¹ (collectively, the “**Dealers**”), The Hongkong and Shanghai Banking Corporation Limited in its capacity as trustee (the “**Trustee**”) or the Agents (as defined in the Conditions). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Company or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Guarantor, the Dealers, the Trustee or the Agents or their respective affiliates or legal advisers to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful.

None of the Sole Arranger, the Dealers, the Trustee or the Agents has separately verified the information contained herein. In this Offering Circular, no representation, warranty or undertaking, express or implied, is made or given by the Dealers, the Trustee or the Agents or their respective affiliates or legal advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Dealers, the Trustee or the Agents or their respective affiliates or legal advisers, and no responsibility or liability is accepted by the Dealers, the Trustee or the Agents or their respective affiliates or legal advisers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information in connection with the Programme, the Notes, their distribution or the offering of the Notes. Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by either the Issuer, the Company, the Dealers, the Trustee or the Agents

¹ UBS AG is incorporated in Switzerland with limited liability. UBS AG has a branch registered in Singapore (UEN S98FC5560C).

or their respective affiliates or legal advisers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or an invitation by or on behalf of the Issuer, the Guarantor, the Dealers, the Trustee or the Agents to any person to subscribe for or to purchase any Notes. Investors may not reproduce or distribute this Offering Circular in whole or in part, and investors may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering an investment in the Notes. Investors agree to the foregoing by accepting delivery of this Offering Circular.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Sole Arranger, the Dealers, the Trustee, and the Agents expressly do not undertake to review the financial condition or affairs of the Issuer and the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Guarantor since the date hereof or thereof or the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein or therein is correct as of any date subsequent to the date hereof or thereof or the date upon which this Offering Circular has been most recently amended or supplemented. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

To the fullest extent permitted by law, none of the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisors accepts any responsibility for the contents of this Offering Circular. Each of the Dealers, the Trustee and the Agents or any of their respective affiliates, directors or advisors accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisors undertakes to review the financial condition or affairs of the Issuer or the Company during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Dealers, the Trustee or the Agents.

In making an investment decision, investors must rely on their own examination of the Issuer, the Company and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Dealers, the Trustee, or the Agents or any person affiliated with the Dealers, the Trustee, or the Agents in connection with its investigation of the accuracy of such information or its investment decision.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in the United States or in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor, the Sole Arranger, the Dealers, the Trustee, or the Agents represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Notes may not be offered or sold within the United States. In particular, no action has been taken by the Issuer, the Guarantor, any of the Sole Arranger, the Dealers, the Trustee, or the Agents which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and

neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, Singapore, the People's Republic of China, the Cayman Islands, and the Philippines, see "*Subscription and Sale*". If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

None of the Issuer, the Guarantor, the Sole Arranger, the Dealers, the Trustee, and the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person (as defined in to Section 275(2) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or

- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SFA: Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000, as amended (including by the Financial Services Act 2012 (“**FSA**”)) (“**FSMA**”) with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See “*Subscription and Sale*”.

EU MiFID II PRODUCT GOVERNANCE/TARGET MARKET: The Pricing Supplement (as defined in the Offering Circular) in respect of any Notes may include a legend entitled “EU MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “**MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**EU MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Sole Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET: The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Sole Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIIPS / IMPORTANT — EEA RETAIL INVESTORS: If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EEA Retail Investor in the European Economic Area (the “**EEA**”). For these purposes, an “**EEA Retail Investor**” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**EU Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to EEA Retail Investors in the EEA has been

prepared and therefore offering or selling the Notes or otherwise making them available to any EEA Retail Investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PRIIPS / IMPORTANT — UK RETAIL INVESTORS: If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom (the “UK”). For these purposes, a “UK Retail Investor” means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”), subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement the Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA (the “UK Prospectus Regulation”), subject to amendments made by the Prospectus (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/1234) (as may be amended or superseded from time to time). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to UK Retail Investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK Retail Investor in the UK may be unlawful under the UK PRIIPs Regulation.

WARNING — The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

In connection with the offering of any Series of Notes, each Dealer is acting or will act for the Issuer in connection with the offering and no one else and will not be responsible to anyone other than the Issuer for providing the protections afforded to clients of that Dealer nor for providing advice in relation to any such offering.

THE NOTES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION (THE “PHILIPPINE SEC”) UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES (THE “SRC”). ANY FUTURE OFFER OR SALE OF THE NOTES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE SRC.

For a description of other restrictions, see “*Subscription and Sale*” and the applicable Pricing Supplement.

CERTAIN DEFINITIONS

In this Offering Circular, References to the “**Philippines**” are to the Republic of the Philippines and to the “**United States**” or “**U.S.**” are to the United States of America, its territories and possessions, any State of the United States and the District of Columbia. References to “**Philippine Pesos**” or to “**₱**” are to the lawful currency of the Republic of the Philippines and references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America. References to the “**BSP**” are to the *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. The Company publishes its financial statements in Philippine Pesos. Certain terms used herein are defined in the “*Glossary of Selected Terms*” contained elsewhere in this Offering Circular.

This Offering Circular contains translations of certain amounts into U.S. Dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Philippine Peso amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Philippine Pesos to U.S. dollars have been made at a rate of ₱48.544 = U.S.\$1.00, being the rate for the conversion of U.S. dollars with Pesos quoted in the BSP Daily

Reference Exchange Rate Bulletin on 30 June 2021. On 27 August 2021, the rate quoted on the Reference Exchange Rate Bulletin was U.S.\$1.00 = ₱49.903.

PRESENTATION OF FINANCIAL INFORMATION

The Company's audited consolidated financial statements as of and for each of the years ended 31 December 2020, 2019 and 2018 included in this Offering Circular have been prepared in accordance with the Philippine Financial Reporting Standard ("PFRS") and the unaudited interim condensed consolidated financial statements as of 30 June 2021 (with comparative figures as of 31 December 2020) and for the six months periods ended 30 June 2021 and 2020 included in this Offering Circular have been prepared in accordance with Philippine Accounting Standards 34, *Interim Financial Reporting* ("PAS 34"). Except for certain items in PFRS 15 applicable to the real estate industry, PFRS is substantially based on International Financial Reporting Standards.

The Company's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated to give effect to the ACEIC Philippine Transaction (as defined in this Offering Circular) as of 1 July 2019 following receipt of regulatory approval in respect of the increase in the Company's capital stock necessary to effect such transaction on 22 June 2020. In addition, the Company's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 and the comparative figures as of 31 December 2020 have been restated to give effect to the ACEIC International Transaction (as defined in this Offering Circular) as of 1 July 2019 following receipt of regulatory approval in respect of the second increase in the Company's capital stock necessary to effect such transaction on 7 June 2021. Accordingly, the Company's audited consolidated financial statements as of and for the years ended 31 December 2020 and 2019 are not entirely comparable with the Company's audited consolidated financial statements as of and for the year ended 31 December 2018, and the Company's unaudited interim condensed consolidated financial statements as of 30 June 2021 (with comparative figures as of 31 December 2020) and for the six months ended 30 June 2021 and 2020 are not entirely comparable with the Company's audited consolidated financial statements as of and for the years ended 31 December 2020, 2019 and 2018.

This Offering Circular also includes unaudited pro forma condensed consolidated financial information as of 31 December 2020 and for the years ended 31 December 2020 and 2019. The unaudited pro forma condensed consolidated information has been prepared in accordance with Section 9, Part II of the Revised Securities Regulation Code Rule 68. The unaudited pro forma condensed consolidated financial information was derived from the audited consolidated financial statements of the Company as of 31 December 2020 and for the years ended 31 December 2020 and 2019, prepared in compliance with PFRS.

The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. The pro forma financial information does not purport to represent what the results of operations and financial position of the Company and its subsidiaries would actually have been had the transactions described in Notes 2 and 3 to the unaudited pro forma condensed consolidated financial information occurred as of 1 January or 31 December of each of the periods presented, as the case may be, nor do they purport to project the results of operations of the Company and its subsidiaries for any future period or date.

SGV & Co. has expressed an opinion about whether the pro forma information has been compiled, in all material respects, by the management of ACEN on the basis of the criteria as set out in Note 2 to the unaudited pro forma financial information. SGV & Co. conducted the 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 Council. The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, SGV & Co. does not provide any assurance that the actual outcome of the event or transaction as of 1 January or 31 December of each of the periods presented, as the case may be, would have been as presented. The degree of reliance on its report on the compilation of pro forma financial information included in a prospectus should be restricted in light of the limited nature of the procedures applied.

The financial information included in this Offering Circular has been derived from the consolidated financial statements of the Company. Unless otherwise indicated, the description of the business activities of the Company in this Offering Circular is presented on a consolidated basis.

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

NON-PFRS FINANCIAL MEASURES

This Offering Circular contains references to Earnings Before Interest, Taxes, Depreciation, and Amortization (“**EBITDA**”). EBITDA is a supplemental measure of the performance and liquidity of the Company that is not required by, or presented in accordance with, PFRS. Further, EBITDA is not a measurement of the financial performance or liquidity of the Company under PFRS and should not be considered as an alternative to net income, gross revenues or any other performance measure derived in accordance with PFRS or as an alternative to cash flow from operations or as a measure of the liquidity of the Company. EBITDA represents Income before Net Income Tax before interest expense and depreciation and amortization and excludes noncash expenses/losses (i.e., impairment provisions) and other income items (i.e., interest income, mark-to-market gains, and net foreign exchange gains). Because there are various calculation methods, the Company’s presentation of EBITDA may not be comparable to similarly titled measures used by other companies.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and other data used in this Offering Circular 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, the Guarantor, the Sole Arranger, the Dealers, the Trustee or the Agents. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the Sole Arranger, the Dealers, the Trustee or the Agents 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.

ENFORCEABILITY OF FOREIGN JUDGMENTS

ACEN is organized under the laws of the Philippines and a substantial portion of its assets are located in the Philippines. The Company has consented to service of process in the United Kingdom. It may be difficult for investors to effect service of process outside of the Philippines upon the Company. Moreover, it may be difficult for investors to enforce judgments against the Company outside the Philippines in any actions pertaining to the Notes. In addition, substantially all of its directors and senior management reside in the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Moreover, the Philippines enacted Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, to facilitate the enforcement of arbitral awards in the Philippines. Judgments obtained against the Company in any foreign court may be recognized and enforced by the courts of the Philippines in an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. The independent action generally would not require a re-trial or re-examination of the issues, provided the following conditions are satisfied, namely, that: (i) the court rendering the judgment had jurisdiction in accordance with its jurisdictional rules, (ii) the relevant persons had notice of the proceedings, (iii) the judgment was not obtained by collusion or fraud or based on a clear mistake of law or fact, and (iv) the judgment was not contrary to public policy, law, morals or good customs in the Philippines. Section 48 of Rule 39 of the Rules of Court provides that a judgment or final order of a tribunal of a foreign country having jurisdiction to give the judgment or final order: (a) in case of a judgment or final order upon specific property, is conclusive upon the title to that property; and (b) in case of a judgment or final order against a person, is presumptive evidence of a right between the parties and their successors in interest by a subsequent title. In either case, the judgment or final order may be repelled if there is a defect relating to jurisdiction or notice to the other party, collusion, fraud or clear mistake of law or fact. In addition, Article 17 of the Civil Code of the Philippines provides that the judgment must not be contrary to laws that have for their object public order, public policy and good customs in the Philippines. Furthermore, Philippine courts have held that a foreign judgment is presumed to be valid and binding in the country from which it issues, until the contrary is shown, and the party contesting the foreign judgment has the burden of overcoming the presumption of its validity.

The Issuer is an exempted company incorporated under the laws of the Cayman Islands with limited liability. The Issuer has consented to service of process in the United Kingdom. It may be difficult for investors to effect service of process outside of the Cayman Islands upon the Issuer. Moreover, it may be difficult for investors to enforce judgments against the Issuer outside the Cayman Islands in any actions pertaining to the Notes. In addition, most of the directors and the officers of the Issuer are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Cayman Islands predicated upon the laws of jurisdictions other than the Cayman Islands.

Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United Kingdom or the Philippines, judgments obtained in such jurisdictions will be recognized and enforced in the Courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgments are given by foreign courts of competent jurisdictions; impose on the judgment debtor a liability to pay a liquidated sum for which the judgments have been given; are final; are not in respect of taxes, a fine or a penalty; and were not obtained in a manner and are not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements and other information that involves risks, uncertainties and assumptions. Forward-looking statements are statements that concern plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, those that are identified by the use of words such as “anticipates”, “believes”, “can”, “could”, “estimates”, “expects”, “intends”, “may”, “likely”, “plans”, “predicts”, “projects”, “seeks”, “should”, “target”, “would”, “will”, and similar expressions or variations of such expressions. Such forward-looking statements include, without limitation, statements relating to expansion plans, changes in tariffs, capacity levels, the competitive environment in which the Company operates, general economic and business conditions, political, economic and social developments in the jurisdictions in which the Company operates, changes in governmental regulations relating to the businesses which the Company engages in, liability for remedial action under environmental regulations, the cost and availability of adequate insurance coverage and financing, changes in interest rates and other factors beyond the Company’s control. Risks and uncertainties that could affect the Company include, without limitation:

- risks associated with the strategic expansion into new geographic markets, or expansion into new businesses in which the Company may have little or no prior experience;
- instability in the social, political and economic conditions in the countries in which the Company operates, particularly in the Philippines;
- changes in Philippine, global or regional economic conditions that could affect the businesses that the Company engages in and the demand for the products and services that the Company provides;
- risks associated with the COVID-19 pandemic and its ongoing impact;
- the need for unexpected capital expenditures and difficulties in raising additional financing to fund future capital expenditures, acquisitions and other general corporate activities;
- changes in regulations and increases in regulatory burdens in the jurisdictions in which the Company operates, including those pertaining to operational, health, safety and environmental standards and those pertaining to import or export controls, duties, levies or taxes, either in international markets or in the Philippines;
- changes in foreign currency conversion rates;
- hazards customary to the power production industry and power generation operations, such as unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, interconnection problems or other developments, environmental incidents, or electric transmission constraints and the possibility that insurance would be inadequate to cover losses as a result of such hazards;
- competition in the power industry;
- other risks related to the businesses, the industries or the regions in which the Company operates;
- risks relating to the Notes and the Guarantee; and
- risks relating to the Notes issued as Green Bonds.

Should one or more of such risks and uncertainties materialize, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements. Any forward-looking statement or information contained in this Offering Circular speaks only as of the date the statement was made.

All of the Company's forward-looking statements made herein and elsewhere are qualified in their entirety by the risk factors discussed in "*Risk Factors*". These risk factors and statements describe circumstances that could cause actual results to differ materially from those contained in any forward-looking statement in this Offering Circular.

The Issuer, the Company, the Sole Arranger, the Dealers, the Trustee and the Agents assume no obligation to update any information contained in this Offering Circular or to publicly release any revisions to any forward-looking statements to conform those statements to actual events, results or circumstances, or to reflect that the Company became aware of any such events or circumstances, that occur after the date of this Offering Circular, subject to compliance with all applicable laws.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

- (i) all amendments and supplements to this Offering Circular; and
- (ii) the most recently published audited consolidated annual financial statements and, the most recently published unaudited interim condensed consolidated financial statements of the Company, in each case together with the audit or review reports (if any) prepared in connection therewith and made available via SGXNET or PSE EDGE;

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Any published unaudited interim financial statements of the Company which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited or subject to review by the auditors of the Company. Accordingly, there can be no assurance that, had an audit or review been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance upon them.

The Company will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Company at its office set out at the end of this Offering Circular.

SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer and the Company has given an undertaking to the Sole Arranger and the Dealers that in the event of a change in the condition of the Issuer or the Company which is material in the context of the Programme or the issue of any Notes or if the Offering Circular shall otherwise come to contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading or if it is necessary at any time to amend the Offering Circular to comply with, or reflect changes in, the laws or regulations of the Cayman Islands or the Philippines, the Issuer and the Company shall update or amend the Offering Circular (following consultation with the Sole Arranger who will consult with the Dealers) by the publication of a supplement to it or a new Offering Circular, in each case in a form approved by the Dealers.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer, subject to compliance with all relevant laws, regulations, and directives, may from time to time issue Notes denominated in any currency, as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer, the Guarantor and the relevant Dealer prior to the issue of the Notes and will be set out in the Conditions endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*.”

This Offering Circular and any supplement will only be valid for listing Notes on the SGX-ST in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.\$1,500,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined by the Issuer (or an agent appointed by it), as of the date on which agreement is reached for the issue of Notes on the basis of the spot rate for the sale of the U.S. dollar against the purchase of that Specified Currency in the London foreign exchange market quoted by a leading international bank selected by the Issuer (or an agent appointed by it) on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the amount of the subscription price paid); and
- (c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the nominal amount of those Notes.

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In connection with the issue of any Tranche of Notes under the Programme, the Dealer(s) (if any) named as the stabilising manager(s) or persons acting on behalf of any Stabilising Manager(s) (the “Stabilising Manager(s)”)

in the applicable Pricing Supplement may over-allot the Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date of the Notes. However, there is no obligation on such Stabilising Manager(s) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

SUMMARY OF THE PROGRAMME

The following is a general summary of the terms of the Notes issued under the Programme. The following summary is qualified in its entirety by the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in “Terms and Conditions of the Notes other than Undated Notes”, “Terms and Conditions of the Undated Notes” and “Form of the Notes.” In addition, the term “Conditions” when used in this overview shall mean, in the case of dated notes, the Terms and Conditions of the Notes other than Undated Notes and, in the case of Undated Notes, the Terms and Conditions of the Undated Notes.

Issuer	ACEN Finance Limited
Guarantor	AC Energy Corporation
Description	Medium Term Note Programme
Sole Arranger	BPI Capital Corporation
Dealers	BPI Capital Corporation, Credit Suisse (Singapore) Limited, Deutsche Bank AG, Singapore Branch, Goldman Sachs (Singapore) Pte., Morgan Stanley Asia (Singapore) Pte. and UBS AG Singapore Branch and any other Dealers appointed in accordance with the Programme Agreement (as defined under “ <i>Subscription and Sale</i> ”).
Certain Restrictions	Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.
	Notes having a maturity of less than one year
	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale</i> ”.
Trustee.....	The Hongkong and Shanghai Banking Corporation Limited
Principal Paying Agent	The Hongkong and Shanghai Banking Corporation Limited
Registrar and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited
Programme Size	U.S.\$1,500,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) in aggregate nominal amount of Notes outstanding at any time. The Issuer and the Company may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution	<p>Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.</p> <p>The Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of the Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue date. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be specified in the Pricing Supplement.</p>
Currencies	<p>Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer, the Company and the relevant Dealer.</p>
Listing	<p>Application has been made to from the SGX-ST for permission to deal in, and quotation of, any Notes to be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. There is no guarantee that an application to the SGX-ST will be approved. Such permission will be granted when such Notes have been admitted to the Official List. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Company and the relevant Dealer in relation to each Series.</p> <p>The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.</p> <p>So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, should such an event occur, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.</p> <p>Unlisted Notes may also be issued.</p> <p>The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).</p>
Notes Issued as Green Bonds	<p>The Issuer and the Guarantor may agree at the relevant issue date of any Notes designated as Green Bonds (as described in “<i>Use of Proceeds</i>”) to allocate the net proceeds towards the financing and/or refinancing of Eligible Green Projects (as defined in “<i>Use of Proceeds</i>”) in accordance with certain prescribed eligibility criteria described under ACEN’s Green Bond Framework. See “<i>Green Bond Framework</i>”. It would not be a default under the Green Bonds if (i) the Issuer were to fail to comply with such undertaking or were to fail to allocate the proceeds in the manner specified in the applicable Pricing Supplement and/or (ii) any Second Party Opinion issued in connection</p>

	with such Green Bonds were to be withdrawn. Any failure to allocate the net proceeds of any Series of Green Bonds and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with respect to such Green Bonds may affect the value and/or trading price of the Green Bonds and/or may have consequences for certain investors with portfolio mandates to invest in green assets. See “ <i>Risk Factors—Risks Relating to the Notes issued as Green Bonds.</i> ”
Form of Notes	The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes or <i>vice versa</i> .
Denomination of Notes	Notes will be issued in such denominations as may be agreed between the Issuer, the Company and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “ <i>Certain Restrictions—Notes having a maturity of less than one year</i> ”.
Governing Law.....	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Clearing System	Euroclear, Clearstream, Luxembourg, and/or any other clearing system, as specified in the applicable Pricing Supplement (see “ <i>Form of the Notes</i> ”).
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, Singapore, the People’s Republic of China, the Cayman Islands, and the Philippines and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “ <i>Subscription and Sale</i> ”).
United States Selling Restrictions	Regulation S Category, as specified in the applicable Pricing Supplement. TEFRA C/TEFRA D may be applicable for Notes issued in bearer form that has original maturity exceeding one year, as specified in the applicable Pricing Supplement.
Risk Factors.....	There are certain factors that may affect the Issuer ability to fulfil its obligations under the Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Further Issues	The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the issue date, issue price, and amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes of the relevant Series.

Issuer LEI..... 54930080P6CVPPSROL50
 Guarantor LEI 549300LGUZQ61GQQXQ60

SUMMARY OF TERMS OF THE NOTES OTHER THAN UNDATED NOTES

Maturities Such maturities as may be agreed between the Issuer, the Company and the relevant Dealer and indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer, the Company or the relevant Specified Currency.

Issue Price Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Status of the Notes The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4.2, unsecured obligations of the Issuer and will rank *pari passu* among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Status of the Guarantee The Guarantee constitutes the direct, unconditional, unsecured and unsubordinated and (subject to Condition 4.2) unsecured obligation of the Guarantor and will at all times rank *pari passu* in right of payment with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Fixed Rate Notes Fixed interest will be payable on such date or dates as may be agreed between the Issuer, the Company and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Company and the relevant Dealer.

Floating Rate Notes..... Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate or such other benchmark as may be specified in the applicable Pricing Supplement) as adjusted for any applicable margin; or
- (c) on such other basis as may be agreed between the Issuer, the Company and the relevant Dealer.

Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer, the Company and the relevant Dealer may agree.
Other provisions in Floating Rate Notes and Index Linked Interest Notes	<p>Floating Rate Notes and Index Linked Interest Notes may also have a relation to maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer, the Company and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer, the Company and the relevant Dealer.</p>
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer, the Company and the relevant Dealer may agree.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Other Notes	The Issuer and the Company may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Conditions, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Redemption	<p>The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than (i) in specified instalments, if applicable; (ii) for taxation and regulatory reasons; (iii) following an Event of Default (as defined in Condition 10.1) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “<i>Certain Restrictions—Notes having a maturity of less than one year</i>” above.</p>
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the applicable Pricing Supplement and subject to Condition 7.3 and Condition 7.4.
Negative Pledge	The Notes will contain a negative pledge provision, each as described in Condition 4.2.

Other Covenants..... The terms of the Notes will contain covenants that will, among other things, restrict the ability of the Issuer, the Company and, in some cases, certain of the Company’s subsidiaries to:

- incur or guarantee additional indebtedness;
- create or incur certain liens;
- create or permit to exist any restrictions on the payment of dividends to the Company by certain of the Company’s subsidiaries;
- enter into unrelated businesses or engage in certain activities; and
- consolidate or merge with other entities.

Events of Default For a description of events that would permit acceleration of repayment of principal and interest on the Notes, see “*Terms and Conditions of the Notes other than Undated Notes—Events of Default and Enforcement—Events of Default.*”

SUMMARY OF TERMS OF THE UNDATED NOTES

No Fixed Maturity The Undated Notes have no fixed redemption date and the Issuer shall only have the right to redeem or purchase them in accordance with the Conditions of the Undated Notes. Holders of Undated Dates have no right to require the Issuer to redeem the Undated Notes except in accordance with the Conditions as specified in the applicable Pricing Supplement.

Status of the Undated Notes The Undated Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4.1, unsecured obligations of the Issuer and will rank *pari passu* among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

Status of the Guarantee The Guarantee constitutes the direct, unconditional, unsecured and unsubordinated and (subject to Condition 4.1) unsecured obligation of the Guarantor and will at all times rank *pari passu* in right of payment with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

Interest..... The Undated Notes shall be fixed rate notes.

Negative Pledge The Undated Notes will contain a negative pledge provision, each as described in Condition 4.1.

Redemption The Undated Notes are perpetual notes in respect of which there is no fixed redemption date.

Redemption at the option of the Issuer.....	<p>Subject to applicable law, the Issuer may redeem the Undated Notes (in whole but not in part) on:</p> <ul style="list-style-type: none"> • the First Redemption Date as specified in the applicable Pricing Supplement; or • any Interest Payment Date falling after the First Redemption Date.
Redemption due to a Gross-up Event.....	<p>If the Issuer or the Guarantor satisfies the Trustee that a Gross up Event has occurred, the Issuer may redeem the Undated Notes (in whole but not in part) at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Noteholders in accordance with Condition 14 and to the Trustee and the Principal Paying Agent in writing.</p> <p>“Gross-up Event” means that as a result of any change in, or amendment to, the laws or treaties (or any rules or regulations thereunder) of any Relevant Jurisdiction, or any change in or amendment to any official interpretation or application of those laws, treaties or rules or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date (i) the Issuer (or, if the Guarantor was called, the Guarantor) has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 at a rate greater than the applicable withholding tax rate on the Issue Date; and (ii) the payment obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor, taking reasonable measures available to it.</p>
Redemption due to a Change of Control	<p>If a Change of Control Event occurs, each Noteholder shall have the right (“Change of Control Put Right”), at its option, to require the Issuer to repurchase all (but not some only) of its Undated Notes on the Change of Control Put Date, (i) at any time prior to the First Redemption Date at the Special Redemption Price, or (ii) on or at any time after the First Redemption Date, at the Redemption Price.</p>
Redemption for a Tax Event	<p>If a Tax Event occurs, the Issuer may redeem the Undated Notes (in whole but not in part) at the Redemption Price, in each case on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Noteholders in accordance with Condition 14 and to the Trustee and the Principal Paying Agent in writing.</p> <p>A “Tax Event” means that the Issuer and/or the Guarantor receives an opinion from an internationally recognized law firm, accounting firm, or practitioner experienced in taxation that, due to a change in law, rule, regulation or official interpretation, there is more than an insubstantial risk that the Issuer will no longer be able to obtain a deduction for the purposes of corporations tax of the Relevant Jurisdiction for any payment of interest in respect of any interest under the Undated Notes.</p>
Redemption for Minimal Outstanding Amounts	<p>In the event that the Issuer, the Guarantor and/or any Subsidiary of the Guarantor has, individually or in aggregate, purchased (and not resold) or redeemed Notes equal to or in excess of 75% of the aggregate principal amount of the Notes issued on the Issue Date, the Issuer may redeem the remaining Notes (in whole but not in part) at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar</p>

days' irrevocable notice of redemption to the Noteholders in accordance with Condition 14 and to the Trustee and the Principal Paying Agent in writing.

Events of Default..... For a description of events that would permit acceleration of repayment of principal and interest on the Undated Notes, see “*Terms and Conditions of the Undated Notes—Events of Default and Enforcement—Events of Default.*”

TERMS AND CONDITIONS OF THE NOTES OTHER THAN UNDATED NOTES

The following are the Terms and Conditions of the Notes other than Undated Notes (the “Conditions”) which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and not so agreed, such definitive Note will have endorsed thereon or attached thereto such Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by ACEN Finance Limited (the “**Issuer**”), and constituted by a trust deed dated 31 August 2021 (such trust deed as modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”) made between the Issuer, AC Energy Corporation as guarantor (the “**Guarantor**”) and The Hongkong and Shanghai Banking Corporation Limited (the “**Trustee**,” which expression shall include any successor as Trustee).

References herein to the “**Notes**” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “**Global Note**”), units of each Specified Denomination in the currency specified therein or, if none is specified, the currency in which the Notes are denominated (the “**Specified Currency**”);
- (ii) any Global Note in bearer form (a “**Bearer Global Note**”);
- (iii) any Global Note in registered form (a “**Registered Global Note**”);
- (iv) definitive Notes in bearer form (“**Definitive Bearer Notes**”, and together with Bearer Global Notes, the “**Bearer Notes**”) issued in exchange for a Bearer Global Note; and
- (v) definitive Notes in registered form (“**Definitive Registered Notes**”, and together with the Registered Global Notes, the “**Registered Notes**”), whether or not issued in exchange for a Registered Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an agency agreement dated 31 August 2021 (such agency agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) and made between the Issuer, the Guarantor, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (the “**Principal Paying Agent**,” which expression shall include any successor principal paying agent) and any additional paying agents appointed in accordance with the Agency Agreement (together with the Principal Paying Agent, the “**Paying Agents**,” which expression shall include any additional or successor paying agents) and as transfer agent (the “**Transfer Agent**,” which expression shall include any additional or successor transfer agents appointed in accordance with the Agency Agreement) and The Hongkong and Shanghai Banking Corporation Limited as registrar (the “**Registrar**,” which expression shall include any successor registrar and, together with the Paying Agents and Transfer Agents, the “**Agents**”).

Interest bearing Definitive Bearer Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons (“**Coupons**”) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Conditions and may specify other terms and conditions which shall, to the extent so specified or to

the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the “**applicable Pricing Supplement**” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to “**Noteholders**” or “**holders**” in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “**Receiptholders**” shall mean the holders of the Receipts and any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series with such Tranche of Notes and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, (unless this is a Zero Coupon Note) Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available (i) for inspection during normal business hours, with prior written notice, at the registered office for the time being of the Trustee (being Level 24, HSBC Main Building, 1 Queen’s Road Central, Hong Kong) and at the specified office of each of the Principal Paying Agent and the other Paying Agents and (ii) electronically via e-mail written request to hkcorporate.trust.queries@hsbc.com.hk. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be in bearer form and/or in registered form and, in the case of definitive Notes, will be serially numbered, in the currency (the “**Specified Currency**”) and the denominations (the “**Specified Denomination(s)**”) specified in the applicable Pricing Supplement. Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

Prior to the issuance of any Bearer Notes hereunder, the Issuer and the Guarantor will confirm with their counsel that all documents used in connection with the issuance of such Bearer Notes have been reviewed, revised and updated to the extent necessary to ensure that such documents properly allow for the issuance of Bearer Notes in accordance with U.S. federal income tax law.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/ Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons and (if applicable) Receipts and Talons attached unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in the books of the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held by a common depository on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer or registered holder of the relevant Global Note shall be treated by the Issuer, the Guarantor, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and any Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes, as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Guarantor, the Trustee and the Principal Paying Agent.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Notes in definitive form only in the authorized

denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for Euroclear or Clearstream, Luxembourg shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of Euroclear or Clearstream, Luxembourg or to a successor of Euroclear or Clearstream, Luxembourg or such successor's nominee.

2.2 Transfers of Registered Notes Generally

Registered Notes may not be exchanged for Bearer Notes and *vice versa*.

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorized denominations set out in the applicable Pricing Supplement). In order to effect any such transfer: (i) the holder or holders must (a) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer, the Guarantor, the Trustee, the Registrar, or as the case may be, the relevant Transfer Agent may prescribe (such initial regulations being set out in Schedule 4 to the Agency Agreement), which may be changed by the Issuer and the Guarantor with the prior written approval of the Registrar and the Trustee. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of Transfer upon Partial Redemption

In the event of a partial redemption of Notes under Condition 7.3, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, that is called for partial redemption.

2.4 Costs of Registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Guarantor, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity, pre-funding or security as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it.

2.5 Closed Periods

No Noteholder may require the transfer of a Definitive Registered Note to be registered during the period of 15 days ending on the due date for any payment of principal, premium or interest on that Note.

The Issuer shall not be required in the event of a partial redemption of Notes under Condition 7:

- (a) to register the transfer of Definitive Registered Notes (or parts of such Notes) during the period beginning on the 65th day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or
- (b) to register the transfer of any Definitive Registered Note, or part of a Definitive Registered Note, called for redemption.

3. STATUS OF THE NOTES AND THE NOTES GUARANTEE

3.1 Status of the Notes

The Notes, and any relative Receipts and Coupons, are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.2) unsecured obligations of the Issuer and rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3.2 Status of the Notes Guarantee

Under the Trust Deed, the Guarantor unconditionally and irrevocably guarantees the due and punctual payment of all sums from time to time payable by the Issuer in respect of its obligations under the Notes and the Trust Deed (the "**Notes Guarantee**"). The Notes Guarantee is the direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.2) unsecured obligation of the Guarantor and ranks *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

The Guarantor, in the Trust Deed, (a) agrees that its obligations under the Notes Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Trust Deed and (b) waives its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Notes Guarantee. Moreover, if at any time any amount paid under a Note, the Trust Deed or the Agency Agreement is rescinded or must otherwise be restored, the rights of the Noteholders under the Notes Guarantee will be reinstated with respect to such payments as though such payment had not been made. All payments under the Notes Guarantee will be made in U.S. dollars.

4. COVENANTS

4.1 Limitation on Guarantees Provided by Material Subsidiaries

The Guarantor will not permit any Material Subsidiary, directly or indirectly, to Guarantee any Relevant Indebtedness of the Issuer or the Guarantor ("**Guaranteed Indebtedness**"), unless:

- (a) such Material Subsidiary simultaneously executes and delivers a supplemental trust deed to the Trust Deed providing for a Subsidiary Guarantee of payments in respect of the Notes by such Material Subsidiary on an equal and rateable basis with such Guarantee and up to the maximum amount of such Guarantee for so long as such Guarantee remains effective; and
- (b) such Material Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or the Guarantor as a result of any payment by such Material Subsidiary under such Guarantee until the Notes have been paid in full.

Notwithstanding the foregoing, in connection with any Guarantee of Relevant Indebtedness of the Issuer or Guarantor made by a Subsidiary prior to becoming a Material Subsidiary, such Subsidiary shall comply with the requirements of these Conditions 4.1(a) and 4.1(b) as soon as practicable after becoming a Material Subsidiary.

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes or the Notes Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Notes or the Notes Guarantee, as the case may be, or (B) is subordinated in right of payment to the Notes or the Notes Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Notes or the Notes Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Notes Guarantee.

A Subsidiary Guarantee given by a Material Subsidiary may be released in certain circumstances, including:

- (a) upon repayment in full of the Notes;
- (b) upon the release of any Guarantee of any Relevant Indebtedness of the Issuer or Guarantor which results in such Material Subsidiary no longer guaranteeing any other Relevant Indebtedness of the Issuer or Guarantor; or
- (c) upon (i) the sale of such Material Subsidiary in compliance with the terms of the Trust Deed and the Notes resulting in such Material Subsidiary no longer being a Material Subsidiary, or (ii) the Material Subsidiary ceasing to be such pursuant to the definition of “Material Subsidiary”. No release of a Material Subsidiary from its Subsidiary Guarantee shall be effective against the Trustee or the Noteholders until the Issuer and the Guarantor have delivered to the Trustee an Officer Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the Trust Deed.

4.2 Negative Pledge

Except for Permitted Liens, so long as any Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or permit to subsist any Lien upon the whole or any part of the property, assets or revenues, present or future, of the Issuer or the Guarantor, respectively, to secure any Relevant Indebtedness (as defined below) or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer’s obligations under the Notes and the Trust Deed (a) are secured equally and rateably therewith, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution of the Noteholders.

4.3 Limitation on Indebtedness

- (a) The Issuer and the Guarantor will not, and the Guarantor will procure that no Material Subsidiary will, Incur any Indebtedness (including Acquired Indebtedness) if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom on a *pro forma* basis, the ratio of Net Debt to Total Equity of the Guarantor would exceed 2.5 to 1.0.
- (b) Notwithstanding the foregoing, the Issuer, the Guarantor and any Material Subsidiary may Incur each and all of the following:
 - (i) Indebtedness under the Notes and the Notes Guarantee;
 - (ii) Indebtedness outstanding on the Issue Date of the first Tranche of Notes;
 - (iii) Indebtedness (“**Permitted Refinancing Indebtedness**”) issued in exchange for, or the net proceeds of which are used to refinance, refund, renew, redeem, replace, defease or

discharge, then outstanding Indebtedness Incurred under Conditions 4.3(a) or 4.3(b)(i), (ii) or (iii) hereunder, and any refinancings thereof; in each case in an amount not to exceed the amount so exchanged, refinanced, refunded, renewed, redeemed, replaced, defeased or discharged (plus premiums, accrued interest, fees and expenses); provided that Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes shall only be Permitted Refinancing Indebtedness if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes;

- (iv) Indebtedness pursuant to Hedging Obligations entered into in the ordinary course of business and not for speculative purposes and designed to protect the Issuer, the Guarantor or any Material Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (v) Indebtedness represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations, or for the purpose of financing all or a portion of the purchase price of, or in connection with the acquisition (whether through the direct purchase of property, plant or equipment or the Capital Stock of any Person owning such property, plant or equipment), construction, improvement or development of, real or personal, movable or immovable, property, assets, concessions or licenses, to be used in a Permitted Business provided that the aggregate amount of Indebtedness at any time outstanding under this Condition 4.3(b)(v) shall not exceed 15% of Total Assets;
- (vi) Subordinated Indebtedness of the Issuer, the Guarantor or any Material Subsidiary owed to any of its Affiliates (excluding Subsidiaries), provided that such Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding: (x) does not provide for cash payments of interest thereon at any time during the period beginning on the Issue Date and ending on the Stated Maturity of the Notes; or (y) provides for cash payments of interest thereon only to the extent that, as of the date of the first such proposed cash interest payment, the outstanding principal amount of such Indebtedness, including any accrued pay-in-kind, discount or similar interest thereon, could be Incurred under Condition 4.3(a);
- (vii) Indebtedness with a maturity of one year or less used by the Issuer, the Guarantor or any Material Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this Condition 4.3(b)(vii) at any time outstanding does not exceed U.S.\$30.0 million (or the Dollar Equivalent thereof) in the aggregate;
- (viii) Guarantees of Indebtedness of the Issuer, the Guarantor or any Subsidiary to the extent that the Guaranteed Indebtedness was permitted to be incurred by another provision of this Condition 4.3;
- (ix) Indebtedness in respect of workers' compensation claims, self-insurance obligations, performance, surety and similar bonds, bankers acceptances, completion guarantees and similar obligations, and reimbursement obligations with respect thereto, in the ordinary course of business;
- (x) Indebtedness constituting reimbursement obligations with respect to letters of credit, trade guarantees, bank guarantees or similar obligations issued in the ordinary course of business

to the extent that such letters of credit or guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the thirtieth Business Day following receipt by the Issuer, the Guarantor or any Material Subsidiary of a demand for reimbursement;

- (xi) Indebtedness arising from agreements of the Issuer, the Guarantor or any Material Subsidiary providing for customary indemnification, adjustment of purchase price or similar obligations, in each case, Incurred in connection with the disposition of any business, or assets, or Capital Stock of a Subsidiary; provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Issuer, the Guarantor or any Material Subsidiary in connection with such disposition;
 - (xii) Indebtedness arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is repaid in full or otherwise extinguished within five Business Days of Incurrence;
 - (xiii) Indebtedness of any Person outstanding on the date on which such Person becomes a Material Subsidiary of the Guarantor or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer, the Guarantor or any Material Subsidiary (other than Indebtedness Incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Material Subsidiary of the Guarantor or was otherwise acquired by the Issuer or the Guarantor or any Material Subsidiary); provided, however, with respect to this Condition 4.3(b)(xiii), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be Incurred, the Issuer or the Guarantor, as the case may be, would have been able to Incur at least U.S.\$1.00 of additional Indebtedness in compliance with Condition 4.3(a) after giving pro forma effect to the incurrence of such Indebtedness pursuant to this Condition 4.3(b)(xiii) or (ii) Net Debt to Total Equity of the Guarantor would not be more than it was immediately prior to giving pro forma effect to the Incurrence of such Indebtedness pursuant to this Condition 4.3(b)(xiii);
 - (xiv) Indebtedness of the Issuer, Guarantor, or any Material Subsidiary owed to the Issuer, Guarantor or any Subsidiary; provided that (A) (i) any event or circumstance which results in any Subsidiary owed any Indebtedness pursuant to this Condition 4.3(b)(xiv) ceasing to be a Subsidiary or (ii) any subsequent transfer of such Indebtedness to a Person other than the Issuer, the Guarantor or any Subsidiary shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this Condition 4.1(b)(xiv) and (B) if the Issuer or the Guarantor is the obligor of such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, in the case of the Issuer, or the Notes Guarantee, in the case of the Guarantor;
 - (xv) Limited Recourse Project Financing;
 - (xvi) Indebtedness not otherwise permitted by Condition 4.3 in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed U.S.\$30.0 million (or the Dollar Equivalent thereof).
- (c) For the purposes of determining any particular amount of Indebtedness under this Condition 4.3, Guarantees of Indebtedness or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of such particular amount shall not be included.

- (d) The Issuer or the Guarantor will not Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Issuer or the Guarantor, unless such Indebtedness is contractually subordinated in right of payment to the Notes, on substantially identical terms; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or the Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior priority basis.
- (e) Notwithstanding any other provision of this Condition 4.3, the maximum amount of Indebtedness that may be Incurred pursuant to this Condition 4.3 will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rate of currencies. With respect to any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar equivalent principal amount (or accreted value, as applicable) of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; provided that if such Indebtedness is incurred to renew, refund, refinance, replace, defease or discharge other Indebtedness denominated in a foreign currency, and such renewal, refunding, refinancing, replacement, defeasance or discharge would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date thereof, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount (or accreted value, as applicable) of such Indebtedness does not exceed the principal amount (or accreted value, as applicable) of such Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.
- (f) For purposes of determining compliance with this Condition 4.3, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under Condition 4.3(a) hereunder, the Issuer, in its sole discretion, will classify, and from time to time may reclassify, such item of Indebtedness.
- (g) The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock, will not be deemed to be an Incurrence of Indebtedness.

4.4 Limitation on Dividend and Other Restrictions Affecting Material Subsidiaries

Subject to laws of general application in relation to the payment of dividends, the Issuer and the Guarantor will not, and will not permit any Material Subsidiaries to create or otherwise cause or permit to exist any restrictions on dividend payments by Material Subsidiaries to the Guarantor.

The foregoing does not apply to restrictions on dividend payments:

- (a) existing in agreements as in effect on the Issue Date of the first Tranche of Notes (including the Trust Deed and these Conditions) and in any amendments, restatements, modifications, supplements, extensions, refinancings, refundings, renewals or replacements of any of the foregoing agreements; provided that such restrictions in any such amendment, restatement, modification, supplement, extension, refinancing, refunding, renewal or replacement, taken as a whole, are not materially more restrictive, with respect to such dividend restriction, than those restrictions that are then in effect and that are being amended, restated, modified, supplemented, extended, refinanced, refunded, renewed or replaced;
- (b) existing under or by virtue of Permitted Refinancing Indebtedness; provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

- (c) existing under or by virtue of the Notes or the Notes Guarantee;
- (d) existing under or by virtue of Non-Recourse Debt or Limited Recourse Project Financing;
- (e) existing under or by reason of applicable law, rule, regulation, or order;
- (f) existing under any instrument with respect to any Person (including any Subsidiary) or the property or assets of such Person at the time such Person becomes or is merged with or into a Material Subsidiary or at the time any property or assets of any Person are acquired by any Material Subsidiary, existing at the time of such acquisition and in each case not incurred in contemplation thereof, and any extensions, refinancings, renewals or replacements thereof; provided that such restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no less favourable in any material respect to the Noteholders than those restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (g) arising from, or agreed to, in the ordinary course of business or existing by virtue of any Lien with respect to any property or assets of the Issuer, the Guarantor or any Material Subsidiary;
- (h) existing with respect to a Material Subsidiary, and imposed pursuant to an agreement that has been entered into for the sale or other disposition of such Material Subsidiary or the sale or disposition of all or substantially all of property and assets of such Material Subsidiary;
- (i) contained in credit agreements, financing agreements, trust deeds, indentures or other agreements or instruments relating to Indebtedness incurred by Material Subsidiaries subsequent to the Issue Date and not in violation of Condition 4.3 above, and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements, if the restrictions are customary for a financing of that type or are not materially more restrictive, taken as a whole, than those contained in the Notes and the Note Guarantees;
- (j) existing in customary provisions in joint venture agreements, shareholder agreements and other similar agreements not prohibited by these Conditions, to the extent such restrictions relate to the activities or assets of a Material Subsidiary that is party to such joint venture, shareholder or similar agreement and if the restrictions are customary for an agreement of that type; and
- (k) existing under or by virtue of restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business.

4.5 Limitation on Consolidation, Merger and Sales of Assets

So long as any Note remains outstanding, neither the Issuer nor the Guarantor will consolidate with, or merge with or into, another Person, permit any Person to merge with it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Subsidiaries' properties and assets (calculated in their entirety) unless:

- (a) the Issuer or the Guarantor shall be the continuing Person, or the continuing Person shall expressly assume all obligations of the Issuer or the Guarantor, as the case may be, under the Notes, the Notes Guarantee and the Trust Deed, as applicable; and
- (b) immediately after giving effect to such Merger on a *pro forma* basis, no Event of Default shall have occurred and be continuing or would result therefrom.

4.6 Limitation on the Guarantor's Business Activities

The Guarantor will not, directly or indirectly, engage in any business other than a Permitted Business. The engagement by a Subsidiary of the Guarantor in a business that is not a Permitted Business shall not be deemed to be an indirect engagement in such business by the Guarantor.

4.7 Provision of Financial Statements and Reports

- (a) The Guarantor will furnish to the Trustee and, upon request, any Noteholder:
 - (i) as soon as they are available, but in any event within 120 calendar days after the end of the Financial Year of the Guarantor, copies of its financial statements (on a consolidated basis) in respect of such Financial Year (including at least a statement of income, statement of financial position and statement of cash flows) audited by a member firm of an internationally recognized firm of independent auditors; and
 - (ii) as soon as they are available, but in any event within 60 calendar days after the end of each quarterly period (other than the final period of a Financial Year) of the Guarantor, copies of its unaudited financial statements (on a consolidated basis) in respect of such quarterly period or (in the case of the second quarter of each Financial Year) the relevant semi-annual period (including at least a statement of income, statement of financial position and statement of cash flows).
- (b) In addition, the Guarantor will provide to the Trustee (1) within 120 days after the end of each fiscal year, an Officer Certificate (X) stating the ratio of Net Debt to Total Equity of the Guarantor (as of the end of such fiscal year) and showing in reasonable detail the calculation of such ratio, and (Y) setting out a list of Material Subsidiaries as of the end of such fiscal year, including in details of any acquisition and/or disposals thereof, as well as details of any Subsidiary which became or ceased to be a Material Subsidiary during such fiscal year; and (2) as soon as possible and in any event within 30 days after the Guarantor becomes aware or should reasonably become aware of the occurrence of a Potential Event of Default, an Officer Certificate setting forth the details of the Potential Event of Default, and the action which the Guarantor proposes to take with respect thereto.

4.8 Suspension Of Certain Covenants

If on any date following the Issue Date of any Notes issued pursuant to these Conditions, any such Notes have a rating of Investment Grade from at least two Rating Agencies and no Potential Event of Default or Event of Default has occurred and is continuing (a "**Suspension Event**"), then, beginning on that day and continuing until such time, if any, at which such Notes cease to have a rating of Investment Grade from at least two of the Rating Agencies, the following Conditions will be suspended and will no longer apply:

- (a) Condition 4.1 (*Limitation on Guarantees Provided by Material Subsidiaries*);
- (b) Condition 4.3 (*Limitation on Indebtedness*); and
- (c) Condition 4.4 (*Limitation on Dividend and Other Payment Restrictions Affecting Material Subsidiaries*),

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or the Guarantor properly taken in compliance with the Conditions during the continuance of the Suspension Event.

4.9 Definitions

In these conditions:

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Material Subsidiary or Indebtedness of a Material Subsidiary assumed in connection with the acquisition of assets from such Person by such Material Subsidiary and not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Material Subsidiary or such acquisition.

“Affiliate” means, with respect to any Person, any other Person (a) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, or (b) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (a) of this definition. For purposes of this definition, **“control”** (including, with correlative meanings, the terms **“controlling,” “controlled by”** and **“under common control with”**), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for business in Hong Kong, Singapore, New York and Makati.

“Capital Stock” means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date of the first tranche of Notes or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding (i) any debt security convertible or exchangeable into such equity and (ii) any perpetual capital securities, subordinated capital securities or other similar instruments (or portions thereof) that are classified as equity under PFRS.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with PFRS, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the capitalized amount of any rental obligations under a Capitalized Lease in accordance with PFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of penalty.

“Commodities Agreement” means any forward, option or futures contract or other similar agreement or arrangement designed to protect against fluctuations in the price of fuel, electricity or other commodities or raw materials.

“Common Stock” means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the Issue Date of the first Tranche of Notes, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement, currency option or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise is (a) required to be redeemed prior to the Stated Maturity of the Notes, (b) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (c) convertible into or exchangeable for Capital Stock referred to in clause (a) or (b) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that (i) any Capital Stock that would not

constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of a “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “change of control” provisions applicable to such Capital Stock are no more favourable to the holders of such Capital Stock than the provisions contained in Condition 7.5 and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the repurchase of the Notes as are required to be repurchased pursuant to Condition 7.5; and (ii) any class or series of debt securities or Preferred Stock convertible or exchangeable into Common Stock, the terms of which allow for a cash payment in lieu of Common Stock upon conversion or exchange in the event that the issue or distribution of Common Stock to the holder thereof will cause such Person to violate foreign ownership regulations applicable in the Cayman Islands or the Philippines from time to time shall not constitute Disqualified Stock provided that any such cash payments are made with the proceeds of the sale of Equity Interests of such Person to an unaffiliated Person.

“**Dollar Equivalent**” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the reference exchange rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by Bangko Sentral ng Pilipinas on the date of determination.

“**Equity Interests**” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“**Extraordinary Resolution**” has the meaning given to it in the Trust Deed.

“**Financial Year**” means a financial year of the Issuer and the Guarantor, for the time being ending on December 31.

“**Fitch**” means Fitch Ratings Ltd. or any successor to the rating agency business thereof.

“**Guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term “**Guarantee**” shall not include endorsements for collection or deposit in the ordinary course of business. The term “**Guarantee**” used as a verb has a corresponding meaning.

“**Hedging Obligation**” means of any Person means the obligations of such Person pursuant to any Currency Agreement, Interest Rate Agreement or Commodities Agreement.

“**Incur**” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “**Incurrence**,” “**Incurred**” and “**Incurring**” have meanings correlative with the foregoing. Notwithstanding the foregoing, existing Indebtedness of a Subsidiary which becomes a Material Subsidiary in accordance with these Conditions solely by reason of exceeding the thresholds for gross revenue or total assets set out in the first paragraph of the definition of “**Material Subsidiary**” shall not be deemed “**Incurred**” or an “**Incurrence**.”

“Indebtedness” of a Person means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with PFRS, be treated as a Capitalized Lease Obligation (other than any concession-related leases);
- (e) the issue of Disqualified Stock valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any;
- (f) any Hedging Obligation;
- (g) any counter-indemnity obligation in respect of a Guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (h) the amount of any liability of a Person in respect of any Guarantee or indemnity for any of the items referred to in paragraphs (a) to (g) above, of other Persons,

if and to the extent any of the preceding items would appear as a liability on the balance sheet of the specified Person prepared in accordance with PFRS or the equivalent relevant local accounting standard, and so that where the amount of Indebtedness is required to be calculated, no amount shall be taken into account more than once in the same calculation and, where the amount is to be calculated on a consolidated basis in respect of a corporate group, monies borrowed or raised, or other indebtedness, as between members of such group shall be excluded.

Notwithstanding the foregoing, **“Indebtedness”** shall not include any capital commitments, purchase commitments or similar obligations Incurred in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; provided that such obligation is not reflected on the statement of financial position of the Issuer or the Guarantor (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the statement of financial position will not be deemed to be reflected on such statement of financial position).

For the purposes of determining the amount of Indebtedness, (i) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with PFRS; (ii) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to pre-fund the payment of the interest on such Indebtedness shall be deemed not to be **“Indebtedness”** so long as such money is held to secure the payment of such interest; and (iii) any lease (including any Capitalized Lease Obligation) relating to the purchase of power as an IPP administrator (or similar role) shall be deemed not to be Indebtedness.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Investment Grade” means a rating of **“AAA”**, **“AA”**, **“A”** or **“BBB”**, as modified by a **“+”** or **“-”** indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors

or assigns, or a rating of “Aaa”, or “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns, or a rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories of Fitch or any of its successors or assigns; and the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for any of S&P, Moody’s or Fitch, as the case may be.

“**Issue Date**” means the date on which the relevant Tranche of Notes are originally issued under the Trust Deed.

“**Joint Venture**” means any entity over which the Guarantor has joint control or has contractually agreed sharing of control over an economic activity.

“**Lien**” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other preferential arrangement of any kind in respect of such property or asset, including, without limitation, any preference or priority under Article 2244(14) of the Civil Code of the Philippines, as the same may be amended from time to time, and the right of a vendor, lessor, or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

“**Limited Recourse Project Financing**” means any indebtedness (i) which is incurred by any Project Company; (ii) which is secured by the asset or assets of such Project Company; and (iii) in respect of, and in connection with which, the providers of such indebtedness have no recourse whatsoever to any asset of the Guarantor or any Material Subsidiary or, in the case of a Project Company that is a Material Subsidiary, to any asset of the Guarantor or any other Material Subsidiary (including for the repayment of, or payment of any sum relating to, such indebtedness) other than (a) guarantees or other support in respect of completion or construction risk in respect of the relevant project or (b) any recourse over the shares or other ownership interests in the Project Company following the enforcement of any Lien over such assets given by the Guarantor or the relevant Material Subsidiary, as the case may be.

“**Material Subsidiary**” means:

- (i) any Subsidiary of the Guarantor whose gross revenues (consolidated in the case of a Subsidiary which has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent, in each case, at least 10% of the consolidated gross revenues or, as the case may be, consolidated total assets, of the Guarantor and its Subsidiaries taken as a whole, all as calculated, respectively, by reference to the then latest available consolidated audited balance sheet and profit and loss accounts of the Guarantor and its consolidated Subsidiaries, provided that:
 - (a) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary;
 - (b) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, gross revenues or gross assets of the Guarantor and any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor for the purposes of preparing a certificate thereon to the Trustee;

- (c) if at any relevant time in relation to any Subsidiary, no accounts are audited, its gross revenues or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor for the purposes of preparing a certificate thereon to the Trustee; and
 - (d) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (a) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of such Subsidiary's accounts (consolidated, in each case, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor; or
- (ii) any Subsidiary to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, whereupon (I) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (II) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of the sub-paragraphs above.

For the avoidance of doubt, (i) a Person will cease to be a Material Subsidiary in the event that and at such time such Person ceases to be a Subsidiary, and (ii) in the event of a Material Subsidiary ceasing to be a Subsidiary, determination of the remaining Material Subsidiaries shall be made upon the availability of the annual consolidated audited balance sheet and profit and loss accounts of the Guarantor and its consolidated Subsidiaries after such Material Subsidiary ceases to become a Subsidiary.

“**Moody’s**” means Moody’s Investors Service and its affiliates.

“**Net Debt**” means the aggregate (without duplication) of all Indebtedness (other than Non-Recourse Debt and Limited Recourse Project Financing) less cash and cash equivalents of the Guarantor and its Subsidiaries (excluding cash and cash equivalents of all Subsidiaries with Non-Recourse Debt or Limited Recourse Project Financing), which appears on a consolidated balance sheet of the Guarantor and its Subsidiaries as of the end of the most recent fiscal quarter for which internal financial statements are available, prepared in accordance with PFRS.

“**Non-Recourse Debt**” means any Indebtedness of a Subsidiary in respect of which the Issuer or the Guarantor has not provided a Guarantee and for which the Issuer or the Guarantor is not otherwise liable. For the avoidance of doubt, to the extent the Issuer or the Guarantor has provided a Guarantee or is liable for Indebtedness of a Subsidiary up to a certain specified limit, any Indebtedness in excess of such limit shall be Non-Recourse Debt.

“**Officer Certificate**” means a certificate signed by the president, chief operating officer, chief finance officer or any director of the Issuer or the Guarantor, as applicable.

“**Permitted Business**” means any business conducted or proposed to be conducted (as described in the Offering Circular) by the Issuer or the Guarantor on the Issue Date, reasonable extensions thereof and other businesses related, complementary or ancillary thereto;

“**Permitted Liens**” means:

- (a) Liens over the shares of, or ownership interests in, any Project Company or over the rights of the Guarantor or a Material Subsidiary in relation to any debt provided by the Guarantor or such Material Subsidiary, respectively, to any Project Company, in each case in order to secure any Limited Recourse Project Financing; and

- (b) Liens created on the property or assets of a Project Company securing Limited Recourse Project Financing of the Project Company.

“**Person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**PFRS**” means Philippine Accounting Standards and Philippine Financial Reporting Standards. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with PFRS either as in effect on the date hereof or from time to time as determined by the Guarantor applied on a consistent basis.

“**Potential Event of Default**” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“**Preferred Stock**” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, or as to redemption, over any other class of Capital Stock of such Person.

“**Project Company**” means any company, partnership or other entity in which the Guarantor or a Material Subsidiary has an ownership interest.

“**Rating Agencies**” means each of (i) S&P, (ii) Moody’s and (iii) Fitch; provided that if S&P, Moody’s or Fitch shall not make a rating of the relevant Notes publicly available, one or more internationally recognized statistical rating organizations, as the case may be, as the Guarantor may select, which will be substituted for any of S&P, Moody’s or Fitch, as the case may be.

“**Relevant Indebtedness**” means any present or future indebtedness in the form of, or represented by, debentures, loan stock, bonds, notes or other similar securities (i) which are, or are issued with the intention that they should be, and are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement) and (ii) denominated in a currency other than the Philippine peso.

“**S&P**” means Standard & Poor’s Rating Services, a division of McGraw-Hill Financial.

“**Stated Maturity**” means, (a) with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the final instalment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (b) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such instalment is due and payable as set forth in the documentation governing such Indebtedness.

“**Subordinated Indebtedness**” means any Indebtedness of the Issuer or the Guarantor which is contractually subordinated or junior in right of payment to the Notes or the Notes Guarantee, pursuant to a written agreement to such effect.

“**Subsidiary**” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50.0% of the voting power of the outstanding Voting Stock is owned or controlled, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50.0% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with PFRS.

“**Subsidiary Guarantee**” means any guarantee of the obligations of the Issuer under the Trust Deed and the Notes by any Material Subsidiary.

“**Total Assets**” means, at any date, the aggregate (without duplication) total current assets and total non-current assets of a Guarantor and its Subsidiaries, which appears on a consolidated balance sheet of the Guarantor and its Subsidiaries as of the end of the most recent fiscal quarter for which internal financial statements are available, prepared in accordance with PFRS.

“**Total Equity**” means the aggregate (without duplication) stockholder’s equity of the Guarantor and its Subsidiaries, which appears on a consolidated balance sheet of the Guarantor and its Subsidiaries as of the end of the most recent fiscal quarter for which internal financial statements are available, prepared in accordance with PFRS.

“**Voting Stock**” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“**Winding-Up**” means, with respect to the Issuer or the Guarantor, a final and effective order or resolution for the bankruptcy, winding up, liquidation, receivership, insolvency or similar proceedings in respect of the Issuer or the Guarantor, as the case may be.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the broken amount so specified therein.

As used in these Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (a) if **“Actual/Actual (ICMA)”** is specified in the applicable Pricing Supplement:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **“Accrual Period”**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if **“30/360”** is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; or
- (c) if **“Actual/365 (Fixed)”** is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In these Conditions:

“Determination Period” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“sub-unit means,” with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (i), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is the day specified in the applicable Pricing Supplement. For the purposes of this sub-paragraph (i), “**Floating Rate**,” “**Calculation Agent**,” “**Floating Rate Option**,” “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as of 11.00 a.m. (Relevant Financial Center time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

Subject to Condition 5.2(h), the Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(c) ***Minimum and/or Maximum Rate of Interest***

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(d) ***Determination of Rate of Interest and Calculation of Interest Amounts***

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the Interest Amount) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if “**Actual/Actual (ISDA)**” or “**Actual/Actual**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if “**30/360, 360/360**” or “**Bond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

- “**Y1**” is the year, expressed as a number, in which the first day of the Interest Period falls;
- “**Y2**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- “**M1**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- “**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- “**D1**” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and
- “**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;
- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

- “**Y1**” is the year, expressed as a number, in which the first day of the Interest Period falls;
- “**Y2**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- “**M1**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- “**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- “**D1**” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

- “D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and
- (vii) if “30E/360 (ISDA)” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

- “Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;
- “Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- “M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- “M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- “D1” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and
- “D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) ***Notification of Rate of Interest and Interest Amounts***

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Trustee and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth Hong Kong Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression “**Hong Kong Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Hong Kong.

(f) ***Determination or Calculation by Independent Financial Institution***

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (d) above, the Issuer shall appoint an Independent Adviser to determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Independent Adviser shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(g) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee (or its agent), shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Principal Paying Agent, the Registrar, the Calculation Agent (if applicable), the other Paying Agents, the Transfer Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent, the Registrar, the other Paying Agents, the Transfer Agents or the Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions pursuant to such provisions.

(h) *Benchmark Discontinuation*

(i) *Benchmark Discontinuation (General)*

Where the Pricing Supplement specifies this Condition 5.2(h)(i) as applicable:

(A) Independent Adviser

If the Issuer determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, or failing which, an Alternative Rate (in accordance with Condition 5.2(h)(i)(B)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5.2(h)(i)(D)).

In making such determination, the Independent Adviser appointed pursuant to this Condition 5.2(h)(i) shall act in good faith as an expert and in consultation with the Issuer.

If:

- (i) the Issuer is unable to appoint an Independent Adviser; or
- (ii) the Independent Adviser fails to determine a Successor Rate or, failing which, an Alternative Rate, in accordance with this Condition 5.2(h)(i)(A) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5.2(h)(i)(A).

(B) Successor Rate or Alternative Rate

If the Independent Adviser determines that:

- (i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or

the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.2(h)(i)); or

- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.2(h)(i)).

(C) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser (in consultation with the Issuer) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread.

(D) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5.2(h)(i) and the Independent Adviser (in consultation with the Issuer) determines:

- (i) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”); and
- (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5.2(h)(i)(E), without any requirement for the consent or approval of Noteholders, the Trustee or the Agents, vary these Conditions and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice,

at the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two authorized signatories of the Issuer pursuant to Condition 5.2(h)(i)(E), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, inter alia, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee such Benchmark Amendments would not be operable or doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) and/or any documents to which it is a party in any way.

For the avoidance of doubt, the Trustee and the Principal Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5.2(h)(i)(D), provided that neither the Trustee nor the Principal Paying Agent shall be bound by or be obliged to give effect to any such amendments if in the opinion of the Trustee or, as the case may be, the Principal Paying Agent such amendments would not be operable or doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or protective provisions afforded to the Trustee or, as the case may be, the Principal Paying Agent in these Conditions and/or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) and/or the Agency Agreement and/or any documents to which it is a party in any way. Noteholders’ consent shall not be required in connection with the effecting of the Successor Rate or the Alternative Rate (as applicable) or such other changes, including the execution of any documents or any steps by the Trustee or the Principal Paying Agent (if required). Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrars or the

Transfer Agents shall be responsible or liable for any determinations or certifications made by the Issuer or the Independent Adviser with respect to any Successor Rate or Alternative Rate (as applicable) or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

In connection with any such variation in accordance with this Condition 5.2(h)(i)(D), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(E) Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5.2(h)(i) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 14, the Noteholders or the Couponholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee a certificate signed by two authorized signatories of the Issuer:

- (x) confirming
 - (i) that a Benchmark Event has occurred;
 - (ii) the Successor Rate or, as the case may be, the Alternative Rate;
 - (iii) the applicable, Adjustment Spread; and
 - (iv) the specific terms of the Benchmark Amendments (if any),

in each case as determined in accordance with the provisions of this Condition 5.2(h)(i); and

- (y) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate, Alternative Rate, the Adjustment Spread or the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate, Alternative Rate, the Adjustment Spread or the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents, the Noteholders and Couponholders.

(F) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5.2(h)(i)(A), 5.2(h)(i)(B), 5.2(h)(i)(C) and 5.2(h)(i)(D), the Original Reference Rate and the fallback provisions provided for in Condition 5.2(b)(ii) will continue to apply unless and until a Benchmark Event has occurred.

(G) Definitions:

As used in this Condition 5.2(h)(i):

“**Adjustment Spread**” means either:

- (i) a spread (which may be positive, negative or zero); or

- (ii) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:
 - (x) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
 - (y) the Independent Adviser determines as being customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied);
 - (z) the Independent Adviser (in consultation with the Issuer) determines, and which is recognized or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5.2(h)(i)(B) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

“**Benchmark Amendments**” has the meaning given to it in Condition 5.2(h)(i)(D).

“**Benchmark Event**” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and such cessation is reasonably expected by the Issuer to occur prior to the Maturity Date; or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued and such discontinuation is reasonably expected by the Issuer to occur prior to the Maturity Date; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes and such prohibition is reasonably expected by the Issuer to occur prior to the Maturity Date; or
- (v) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (vi) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Couponholder using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (a) in the case of subparagraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of subparagraph (v) above, on the date

with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by and at the expense of the Issuer under Condition 5.2(h)(i)(A).

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

“**Relevant Nominating Body**” means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of
 - (w) the central bank for the currency to which the benchmark or screen rate (as applicable) relates;
 - (x) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable);
 - (y) a group of the aforementioned central banks or other supervisory authorities; or
 - (z) the Financial Stability Board or any part thereof.

“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

- (ii) *Benchmark Discontinuation (ARRC)*

This Condition 5.2(h)(ii) shall only apply to U.S. dollar-denominated Notes where so specified in the relevant Pricing Supplement.

Where the Pricing Supplement specifies this Condition 5.2(h)(ii) as applicable:

- (A) Benchmark Replacement

If the Issuer or its designee determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of such determination on such date and all determinations on all subsequent dates.

- (B) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, the Trustee and the Principal Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required to give effect to this Condition 5.2(h)(ii)(B), provided that neither the Trustee nor the Principal Paying Agent shall be bound by or be obliged to give effect to any such amendments if in the opinion of the Trustee or, as the case may be, the Principal Paying Agent such amendments would not be operable or doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or protective provisions afforded to the Trustee or, as the case may be, the Principal Paying Agent in these Conditions and/or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) and/or the Agency Agreement and/or any documents to which it is a party in any way. Noteholders' consent shall not be required in connection with the effecting of any such changes, including the execution of any documents or any steps by the Trustee or the Principal Paying Agent (if required). Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5.2(h)(ii), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in the Issuer or its designee's sole discretion, and, notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from any other party.

(D) Definitions

As used in this Condition 5.2(h)(ii):

“**Benchmark**” means, initially, LIBOR; provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR or the then-current Benchmark, then “**Benchmark**” means the applicable Benchmark Replacement;

“**Benchmark Replacement**” means the Interpolated Benchmark; provided that if the Issuer or its designee cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date, then “**Benchmark Replacement**” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (i) the sum of:
 - (x) Term SOFR; and
 - (y) the Benchmark Replacement Adjustment;
- (ii) the sum of:
 - (x) Compounded SOFR; and
 - (y) the Benchmark Replacement Adjustment;

- (iii) the sum of:
 - (x) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor; and
 - (y) the Benchmark Replacement Adjustment;
- (iv) the sum of:
 - (x) the ISDA Fallback Rate; and
 - (y) the Benchmark Replacement Adjustment;
- (v) the sum of:
 - (x) the alternate rate of interest that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar denominated floating rate notes at such time; and
 - (y) the Benchmark Replacement Adjustment;

“Benchmark Replacement Adjustment” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (i) the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;
- (iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Interest Period”, timing and frequency of determining rates and making payments of interest, changes to the definition of “Corresponding Tenor” solely when such tenor is longer than the Interest Period and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary).

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark:

- (i) in the case of sub-clauses (i) or (ii) of the definition of “Benchmark Transition Event,” the later of:
 - (x) the date of the public statement or publication of information referenced therein; and

- (y) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or
- (ii) in the case of sub-clause (iii) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

“**Benchmark Transition Event**” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

- (i) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;
- (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or
- (iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

“**Compounded SOFR**” means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which will be compounded in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Issuer or its designee in accordance with:

- (i) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; provided that:
- (ii) if, and to the extent that, the Issuer or its designee determines that Compounded SOFR cannot be determined in accordance with sub-clause (i) of this definition of “Compounded SOFR”, then the rate, or methodology for this rate, and conventions for this rate that have been selected by the Issuer or its designee giving due consideration to any industry-accepted market practice for U.S. dollar denominated floating rate notes at such time.

Notwithstanding the foregoing, Compounded SOFR will include such lookback and/or suspension period as specified in the relevant Pricing Supplement as a mechanism to determine the interest amount payable prior to the end of each Interest Period;

“**Corresponding Tenor**”, with respect to a Benchmark Replacement, means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark;

“**designee**” means a designee as selected and separately appointed by the Issuer in writing;

“**Federal Reserve Bank of New York’s Website**” means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org> or any successor source;

“**Interpolated Benchmark**”, with respect to the Benchmark, means the rate determined for the Corresponding Tenor by interpolating on a linear basis between:

- (i) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor; and
- (ii) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor;

“**ISDA Definitions**” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

“**ISDA Fallback Adjustment**” means the spread adjustment, (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor;

“**ISDA Fallback Rate**” means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

“**LIBOR**” means the London Interbank Offered Rate;

“**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London;

“**Reference Time**”, with respect to any determination of the Benchmark, means:

- (i) if the Benchmark is LIBOR, 11:00 a.m. (London time) on the day that is two London Business Days preceding the date of such determination; and
- (ii) if the Benchmark is not LIBOR, the time determined by the Issuer or its designee in accordance with the Benchmark Replacement Conforming Changes;

“**Relevant Governmental Body**” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto;

“**SOFR**”, with respect to any day, means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website;

“**Term SOFR**” means the forward-looking term rate for the applicable Corresponding Tenor based on SOFR that has been selected or recommended by the Relevant Governmental Body; and

“**Unadjusted Benchmark Replacement**” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

5.5 Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) as provided in the Trust Deed.

5.6 Definitions

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**Business Day**” means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong, New York, Singapore and Makati and each Additional Financial Center specified in the applicable Pricing Supplement; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars

or New Zealand dollars, shall be Sydney and Auckland, respectively); or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor system (the “**TARGET2 System**”) is open.

6. PAYMENTS

6.1 Method of Payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) and law implementing an intergovernmental approach thereto.

6.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principals (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of

principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the “**Register**”) at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively), (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Guarantor, the Trustee, the Registrar, any Transfer Agent or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General Provisions Applicable to Payments

The holder of a Global Note (or as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer, or, as the case may be, the Guarantor, will be discharged by payment to, or to the order of, the holder of such Global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer, or, as the case may be, the Guarantor, in respect of such Global Note to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of the Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes may be made at the specified office of a Paying Agent in the United States only if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

6.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation; and
 - (ii) each Additional Financial Center specified in the applicable Pricing Supplement; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively; or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.7 Interpretation of Principal and Interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 7.6); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously (a) redeemed or (b) purchased and, in either case, at the option of the Issuer, cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the

manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for Tax Reasons

Subject to Condition 7.6, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee, the Registrar (if applicable) and the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer or the Guarantor has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes for such Series; and
- (b) such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (1) an Officer Certificate of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) an opinion of independent legal advisers or written advice of a qualified tax expert, such independent legal advisers or tax expert being from an internationally recognized law or accountancy firm reasonably acceptable to the Trustee that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment; and the Trustee shall be entitled without further action or enquiry to accept the certificate and the opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event the certificate shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.6 below together (if any) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the Option of the Issuer (Issuer Call)

If an Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Noteholders in accordance with Condition 14 (which notice shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

Any optional redemption of Notes and notice of redemption provided in connection with this Condition 7.3 may, at the Issuer's discretion, be subject to the satisfaction (or waiver by the Issuer in its sole discretion) of one or more conditions precedent. If any such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's sole discretion, the Optional Redemption Date(s) may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may

not occur and such notice may be rescinded if any or all such conditions shall not have been satisfied by the Optional Redemption Date(s), or by the Optional Redemption Date(s) so delayed.

Any such redemption of Notes must be of a nominal amount not less than the Minimum Redemption Amount and/or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes (or, as the case may be, parts of Registered Notes), the Notes to be redeemed (“**Redeemed Notes**”) will be selected by the Trustee in such manner as it deems fit (and if the Notes are listed on any securities exchange, in compliance with the requirements of the principal securities exchange on which the Notes are then traded), in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (as appropriate), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by definitive Notes, the Issuer will ensure that a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.

7.4 Redemption of the Notes at the Option of the Noteholders (Investor Put)

(a) *If an Investor Put is specified as being applicable in the applicable Pricing Supplement*

If an Investor Put is specified as being applicable in the applicable Pricing Supplement with respect to Notes only, upon the holder of any Notes giving notice to the Issuer in accordance with Condition 14 not less than the minimum period of notice (which period must not be at least five Business Days) nor more than the maximum period of notice specified in the applicable Pricing Supplement (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

(b) *Put Option Exercise Procedures*

To exercise the right to require redemption of a Note the holder of the Note must:

- (i) if the Note is in definitive form, deliver a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a “**Put Notice**”) accompanied by the definitive Note, to the specified office of any Paying Agent in the case of Bearer Notes, or of any Transfer Agent or the Registrar in the case of Registered Notes; or
- (ii) if the Note is represented by a Global Note held on behalf of Euroclear or Clearstream, Luxembourg, give a Put Notice in accordance with the standard procedures of Euroclear or Clearstream, Luxembourg (which may include notice being given on his instruction by

electronic means) accompanied by the relevant Global Note for notation accordingly to the specified office of any Paying Agent,

at any time within the notice period during normal business hours of such Paying Agent, Transfer Agent or the Registrar. In the Put Notice the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition, and in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2. If the Note is in definitive bearer form, the Put Notice must be accompanied by the Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

7.5 Redemption upon Change of Control

Upon the occurrence of a Change of Control (as defined below), each Noteholder shall have the right, at its option, to require the Issuer to repurchase all (but not some only) of its Notes, at a redemption price equal to 101.0% of the principal amount thereof plus accrued interest (the “**Change of Control Redemption Price**”) on the Change of Control Put Date (as defined below). Within 14 days following a Change of Control, the Guarantor shall notify the Trustee and cause the Principal Paying Agent to notify each Noteholder in accordance with Condition 14, which notice shall state (i) that a Change of Control has occurred and that such Noteholder has the right to require the Issuer to redeem its Notes at the Change of Control Redemption Price; (ii) the date set by the Issuer for such repurchase (which shall be no earlier than 30 days and no later than 60 days from the date such notice is given) (the “**Change of Control Put Date**”); and (iii) the procedures determined by the Issuer, consistent with the Trust Deed, that a Noteholder must follow in order to have its Notes redeemed. The Trustee shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred nor be liable to any person for any failure to do so. “**Change of Control**” means any person other than (i) Ayala Corporation, (ii) any person at least a majority the voting stock of which is beneficially owned, directly or indirectly, by Ayala Corporation; or (iii) any Affiliate of any of the foregoing becoming the beneficial owner(s), directly or indirectly, of more than 50% of the total voting power of the outstanding voting stock of the Guarantor.

7.6 Early Redemption Amounts

For the purpose of Conditions 7.2, 7.3, 7.4 and 7.5 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the “**Amortized Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})_y$$

where:

“**RP**” means the Reference Price;

“**AY**” means the Accrual Yield expressed as a decimal; and

“**y**” is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.7 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.6 above.

7.8 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

7.9 Purchases

Subject to applicable laws, the Issuer, the Guarantor or any Subsidiary of the Guarantor may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

7.10 Cancellation

All Notes which are (a) redeemed or (b) purchased in accordance with Condition 7.9 above may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes (together with all unmatured Receipts, Coupons and Talons cancelled therewith) which are surrendered for cancellation shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes).

7.11 Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 7.1, 7.2, 7.3, 7.4, or 7.5 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.6(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Trustee or the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

8.1 Payment without Withholding

All payments of principal, premium and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, Receipts and Coupons shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any Tax Jurisdiction, unless such withholding or deduction is required by the law of any Tax Jurisdiction. In the event that the Issuer or the Guarantor makes a deduction or withholding required by the law of any Tax Jurisdiction the Issuer or the Guarantor shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the holders of the Notes, Receipts or Coupons of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note, Receipt or Coupon:

- (a) presented for payment in the Cayman Islands or the Philippines;
- (b) **Other connection:** to or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon;
- (c) **Surrender more than 30 days after the Relevant Date:** presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Note, Receipt or Coupon for payment on the last day of such period of 30 days assuming that day to have been a Payment Day (as defined in Condition 6.6); or
- (d) for or on account of any tax, deduction, or withholding imposed under Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

8.2 Interpretation

As used herein:

- (a) “**Tax Jurisdiction**” means, in respect of payments by the Issuer, the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax or, in respect of payments by the Guarantor, the Republic of the Philippines or any political subdivision or any authority thereof or therein having power to tax; and
- (b) “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders in accordance with Condition 14 that, upon further surrender of the relevant Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

- 8.3 Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without

deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8.2) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25% in principal of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified, secured and/or pre-funded by the holders to its satisfaction), give notice in writing to the Issuer that the Notes are, and they shall accordingly thereby become, immediately due and repayable at its Early Redemption Amount together with accrued and unpaid interest as provided in the Trust Deed:

- (a) **Non-Payment:** (i) failure by the Issuer to pay any principal when due in respect of the Notes; or (ii) failure by the Issuer to pay premium (if any) or interest due in respect of the Notes, and, in the case of (ii) only, such default continues for a period of 15 days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor defaults in the performance or observance of, or compliance with, any one or more of its other obligations under the Conditions or the Trust Deed, which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or
- (c) **Cross-Acceleration:** there occurs with respect to any Indebtedness for borrowed money (other than Non-Recourse Debt or Limited Recourse Project Financing) of the Issuer, the Guarantor or any Material Subsidiary having an outstanding principal amount of U.S.\$30.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, (A) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity, or (B) the failure to make a payment of principal on such Indebtedness when the same becomes due (subject to the applicable grace period in the relevant documents); or
- (d) **Judgment, Decree or Order:** a final judgment, decree or order has been entered against the Issuer, the Guarantor or any of the Material Subsidiaries by a court of competent jurisdiction from which no appeal may be made or is taken for the payment of money in excess of U.S.\$30.0 million or its Dollar Equivalent and any relevant period specified for payment of such judgment, decree or order shall have expired without it being satisfied, discharged or stayed; or
- (e) **Enforcement Proceedings:** a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Material Subsidiaries and is not discharged or stayed within 60 days; or
- (f) **Security Enforced:** an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or a material part of the property,

assets or revenues of the Issuer, the Guarantor or any of the Material Subsidiaries (as the case may be) and is not discharged or stayed within 60 days; or

- (g) **Involuntary Proceedings:** (i) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganization, rehabilitation or other similar laws or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any Material Subsidiary or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, and (ii) such case (other than the appointment of an administrator) is not stayed or discharged within 60 days; or
- (h) **Winding-Up:** any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any Material Subsidiary; or the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganization or terms approved by an Extraordinary Resolution of Noteholders, or the Issuer, the Guarantor or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay all or a substantial part of its debts (or any class of its debt) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (i) **Voluntary Proceedings:** the Issuer, the Guarantor or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganization or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (j) **Repudiation:** the Issuer or the Guarantor shall contest in writing the validity or enforceability of the Trust Deed or the Notes or shall deny generally in writing the liability of the Issuer or the Guarantor under any of the Trust Deed or the Notes;
- (k) **Ownership:** the Issuer ceases to be wholly-owned and controlled by the Guarantor; or
- (l) **Analogous Events:** any event occurs, which, under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (g), (h), and (i) of this Condition 10.1.

Each of the Issuer and the Guarantor has undertaken in the Trust Deed that, so long as any Note remains outstanding, annually and also within 14 days after any request by the Trustee, it will send to the Trustee a certificate signed by a Director to the effect that as at a date not more than five days prior to the date of the certificate no Event of Default or event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default has occurred.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25% in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified, secured and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including but not limited to legal fees) and liabilities which may be incurred.

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether any Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred and none of them shall be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or of the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS, REGISTRAR AND TRANSFER AGENTS

The Issuer and the Guarantor is entitled, with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed), to vary or terminate the appointment of the Principal Paying Agent, Paying Agent, Registrar or Transfer Agents and/or appoint additional or other Paying Agents, Registrars or Transfer Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and Transfer Agent with a specified office in the place required by the rules and regulations of the relevant stock exchange or any other relevant authority; and
- (c) so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST require, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST.

In addition, the Issuer shall with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed) forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 6.5. Any variation, termination, appointment or change referred to in the preceding paragraph and/or any appointment referred to in this paragraph shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents, the Registrar and the Transfer Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia. It is expected that such publication will be made in the *Asian Wall Street Journal*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such mailing and such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on such day as specified in the applicable Pricing Supplement after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 14.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

15.1 Meeting of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by

the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing in the aggregate not less than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons or the Trust Deed (including, *inter alia*, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be two or more persons holding or representing in the aggregate not less than 75% in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting two or more persons holding or representing in the aggregate not less than 25% in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90% in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

15.2 Modifications and Waivers

The Trustee may agree, without the consent or sanction of the Noteholders, Receiptholders or Couponholders, to any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of, or to the waiver or authorization of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed or the Agency Agreement, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest or proven error. Any such modification may be made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorization, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and any Noteholder, Receiptholder or Couponholder shall not be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

15.3 Substitution

The Trustee may, without the consent of the Noteholders, the Receiptholders or the Couponholders at any time, (a) agree with the Issuer and the Guarantor to the substitution in place of the Issuer (or of the previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of any entity owned or controlled by the Guarantor, or (b) agree with the Issuer and the Guarantor to the substitution in place of the Guarantor (or of the previous substitute under this Condition) as the

guarantor under the Notes, the Receipts, the Coupons and the Trust Deed of any entity owned or controlled by the Guarantor, provided that, in each case, certain conditions specified in the Trust Deed are fulfilled, including (i) in the case of a substitution of the Issuer by a company other than the Guarantor, a requirement that the Guarantee of the Notes be fully effective in relation to the obligations of the new principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed and that such obligations are guaranteed by the Guarantor in the same terms (with consequential amendments as necessary) as the Guarantee to the Trustee's satisfaction, (ii) in the case of a substitution of the Guarantor as guarantor under the Trust Deed, a requirement that the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced thereby and a requirement that the Guarantee of the Notes by the new guarantor is fully effective in relation to the obligations of the new guarantor under the Notes, the Receipts, the Coupons and the Trust Deed and (iii) certain other conditions set out in the Trust Deed being complied with.

No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder except to the extent provided for in Condition 8 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

15.4 General

Any such modification, waiver, authorization, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 14.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or provided with security and/or pre-funded to its satisfaction, as well as the priority in payment or satisfaction of all costs, charges, expenses (including legal expenses) and liabilities due to or incurred and payments made by the Trustee.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into transactions or arrangements with the Issuer and the Guarantor and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions and arrangements or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be in any way liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, credit worthiness, condition, affairs and nature of the Issuer. The Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

The Trustee may rely, without liability to Noteholders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely (without further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Noteholders.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the issue date, issue price, and amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing Law

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

19.2 Submission to Jurisdiction

Each of the Issuer and the Guarantor has in the Trust Deed agreed, for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England and Wales are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons) may be brought in the English courts.

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or hereafter to the laying of the venue of any Proceedings (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons) arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons in the courts of England and Wales and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed in the Trust Deed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

19.3 Appointment of Process Agent

Each of the Issuer and the Guarantor has, in the Trust Deed, irrevocably and unconditionally appointed Cogency Global (UK) Limited at its specified office for the time being at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

19.4 Waiver of Immunity

Each of the Issuer and the Guarantor irrevocably and unconditionally waives with respect to the Trust Deed, the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief

or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

TERMS AND CONDITIONS OF THE UNDATED NOTES

The following are the Terms and Conditions of the Undated Notes (the “Conditions”) which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and not so agreed, such definitive Note will have endorsed thereon or attached thereto such Conditions. The applicable Pricing Supplement in relation to any Tranche of Undated Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Undated Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Undated Notes.

This Undated Note is one of a Series (as defined below) of Undated Notes issued by ACEN Finance Limited (the “**Issuer**”), and constituted by a trust deed dated 31 August 2021 (such trust deed as modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”) made between the Issuer, AC Energy Corporation as guarantor (the “**Guarantor**”) and The Hongkong and Shanghai Banking Corporation Limited (the “**Trustee**,” which expression shall include any successor as Trustee).

References herein to the “**Undated Notes**” shall be references to the Undated Notes of this Series and shall mean:

- (i) in relation to any Undated Notes represented by a global Note (a “**Global Note**”), units of each Specified Denomination in the currency specified therein or, if none is specified, the currency in which the Undated Notes are denominated (the “**Specified Currency**”);
- (ii) any Global Note in bearer form (a “**Bearer Global Note**”);
- (iii) any Global Note in registered form (a “**Registered Global Note**”);
- (iv) definitive Undated Notes in bearer form (“**Definitive Bearer Notes**,” and together with Bearer Global Notes, the “**Bearer Notes**”) issued in exchange for a Bearer Global Note; and
- (v) definitive Undated Notes in registered form (“**Definitive Registered Notes**,” and together with the Registered Global Notes, the “**Registered Notes**”), whether or not issued in exchange for a Registered Global Note.

The Undated Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an agency agreement dated 31 August 2021 (such agency agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) and made between the Issuer, the Guarantor, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (the “**Principal Paying Agent**,” which expression shall include any successor principal paying agent) and any additional paying agents appointed in accordance with the Agency Agreement (together with the Principal Paying Agent, the “**Paying Agents**,” which expression shall include any additional or successor paying agents) and as transfer agent (the “**Transfer Agent**,” which expression shall include any additional or successor transfer agents appointed in accordance with the Agency Agreement) and The Hongkong and Shanghai Banking Corporation Limited as registrar (the “**Registrar**,” which expression shall include any successor registrar and, together with the Paying Agents and Transfer Agents, the “**Agents**”).

Interest bearing Definitive Bearer Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons (“**Coupons**”) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Undated Note (or the relevant provisions thereof) is attached to or endorsed on this Undated Note and supplements these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the “**applicable Pricing Supplement**” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to “**Noteholders**” or “**holders**” in relation to any Undated Notes shall mean the holders of the Undated Notes and shall, in relation to any Undated Notes represented by a Global Note, be construed as provided below. Any reference herein to “**Receiptholders**” shall mean the holders of the Receipts and any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Undated Notes which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Undated Notes together with any further Tranche or Tranches of Undated Notes which are (i) expressed to be consolidated and form a single series with such Tranche of Undated Notes and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available (i) for inspection during normal business hours, with prior written notice, at the registered office for the time being of the Trustee (being Level 24, HSBC Main Building, 1 Queen’s Road Central, Hong Kong) and at the specified office of each of the Principal Paying Agent and the other Paying Agents and (ii) electronically via email written request to hkcorporate.trust.queries@hsbc.com.hk. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Undated Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Undated Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. **FORM, DENOMINATION AND TITLE**

The Undated Notes may be in bearer form and/or in registered form and, in the case of definitive Notes, will be serially numbered, in the currency (the “**Specified Currency**”) and the denominations (the “**Specified Denomination(s)**”) specified in the applicable Pricing Supplement. Save as provided in Condition 2, Undated Notes of one Specified Denomination may not be exchanged for Undated Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

Prior to the issuance of any Bearer Notes hereunder, the Issuer and the Guarantor will confirm with their counsel that all documents used in connection with the issuance of such Bearer Notes have been reviewed, revised and updated to the extent necessary to ensure that such documents properly allow for the issuance of Bearer Notes in accordance with U.S. federal income tax law.

This Undated Note is a fixed rate Undated Note.

Definitive Bearer Notes are issued with Coupons and (if applicable) Receipts and Talons attached.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in the books of the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Undated Notes is represented by a Global Note held by a common depository on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Undated Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Undated Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent as the holder of such nominal amount of such Undated Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Undated Notes, for which purpose the bearer or registered holder of the relevant Global Note shall be treated by the Issuer, the Guarantor, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and any Transfer Agent as the holder of such nominal amount of such Undated Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Undated Notes, as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

For so long as any Undated Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Undated Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Undated Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Undated Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Guarantor, the Trustee and the Principal Paying Agent.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Notes in definitive form only in the authorized denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers

of a Registered Global Note registered in the name of a nominee for Euroclear or Clearstream, Luxembourg shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of Euroclear or Clearstream, Luxembourg or to a successor of Euroclear or Clearstream, Luxembourg or such successor's nominee.

2.2 Transfers of Registered Notes Generally

Registered Notes may not be exchanged for Bearer Notes and *vice versa*.

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorized denominations set out in the applicable Pricing Supplement). In order to effect any such transfer: (i) the holder or holders must (a) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer, the Guarantor, the Trustee, the Registrar, or as the case may be, the relevant Transfer Agent may prescribe (such initial regulations being set out in Schedule 4 to the Agency Agreement), which may be changed by the Issuer and the Guarantor with the prior written approval of the Registrar and the Trustee. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of Transfer upon Partial Redemption

In the event of a partial redemption of Undated Notes as may be provided in the applicable Pricing Supplement, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, that is called for partial redemption.

2.4 Costs of Registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Guarantor, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity, pre-funding or security as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it.

2.5 Closed Periods

No Noteholder may require the transfer of a Definitive Registered Note to be registered during the period of 15 days ending on the due date for any payment of principal, premium or interest on that Undated Note.

The Issuer shall not be required in the event of a partial redemption of Undated Notes under Condition 7:

- (a) to register the transfer of Definitive Registered Notes (or parts of such Notes) during the period beginning on the 65th day before the date of the partial redemption and ending on the day on which

notice is given specifying the serial numbers of Undated Notes called (in whole or in part) for redemption (both inclusive); or

- (b) to register the transfer of any Definitive Registered Note, or part of a Definitive Registered Note, called for redemption.

3. STATUS OF THE UNDATED NOTES AND THE NOTES GUARANTEE

3.1 Status of the Undated Notes

The Undated Notes, and any relative Receipts and Coupons, are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.1) unsecured obligations of the Issuer and rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3.2 Status of the Notes Guarantee

Under the Trust Deed, the Guarantor unconditionally and irrevocably guarantees the due and punctual payment of all sums from time to time payable by the Issuer in respect of its obligations under the Undated Notes and the Trust Deed (the "**Notes Guarantee**"). The Notes Guarantee is the direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.1) unsecured obligation of the Guarantor and ranks *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

The Guarantor, in the Trust Deed, (a) agrees that its obligations under the Notes Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Undated Notes or the Trust Deed and (b) waives its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Notes Guarantee. Moreover, if at any time any amount paid under a Note, the Trust Deed or the Agency Agreement is rescinded or must otherwise be restored, the rights of the Noteholders under the Notes Guarantee will be reinstated with respect to such payments as though such payment had not been made. All payments under the Notes Guarantee will be made in U.S. dollars.

4. COVENANTS

4.1 Negative Pledge

Except for Permitted Liens, so long as any Undated Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or permit to subsist any Lien upon the whole or any part of the property, assets or revenues, present or future, of the Issuer or the Guarantor, respectively, to secure any Relevant Indebtedness (as defined below) or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Undated Notes and the Trust Deed (a) are secured equally and rateably therewith, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution of the Noteholders.

4.2 Provision of Financial Statements and Reports

- (a) The Guarantor will furnish to the Trustee and, upon request, any Noteholder:
 - (i) as soon as they are available, but in any event within 120 calendar days after the end of the Financial Year of the Guarantor, copies of its financial statements (on a consolidated basis) in respect of such Financial Year (including at least a statement of income, statement of

financial position and statement of cash flows) audited by a member firm of an internationally recognized firm of independent auditors; and

- (ii) as soon as they are available, but in any event within 60 calendar days after the end of each quarterly period (other than the final period of a Financial Year) of the Guarantor, copies of its unaudited financial statements (on a consolidated basis) in respect of such quarterly period or (in the case of the second quarter of each Financial Year) the relevant semi-annual period (including at least a statement of income, statement of financial position and statement of cash flows).
- (b) In addition, the Guarantor will provide to the Trustee as soon as possible and in any event within 30 days after the Guarantor becomes aware or should reasonably become aware of the occurrence of a Potential Event of Default, an Officer Certificate setting forth the details of the Potential Event of Default, and the action which the Guarantor proposes to take with respect thereto.

5. INTEREST

5.1 Interest on Undated Notes

Each Undated Note bears interest at a fixed rate from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year.

If the Undated Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the broken amount so specified therein.

As used in these Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Undated Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Undated Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Undated Notes represented by such Global Note; or
- (B) in the case of Undated Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of an Undated Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Undated Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (a) if “**Actual/Actual (ICMA)**” is specified in the applicable Pricing Supplement:

- (i) in the case of Undated Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
- (ii) in the case of Undated Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if “**30/360**” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; or
- (c) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In these Conditions:

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“**sub-unit means,**” with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 **Accrual of Interest**

Each Undated Note (or in the case of the redemption of part only of a Undated Note, that part only of such Undated Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Undated Note have been paid; and
- (b) as provided in the Trust Deed.

5.3 **Definitions**

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should

occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (B) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (C) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**Business Day**” means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong, New York, Singapore and Makati and each Additional Financial Center specified in the applicable Pricing Supplement; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor system (the “**TARGET2 System**”) is open.

6. PAYMENTS

6.1 Method of Payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) and law implementing an intergovernmental approach thereto.

6.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principals (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Undated Notes in definitive bearer form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Undated Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the

register of holders of the Registered Notes maintained by the Registrar (the “**Register**”) at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Undated Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively), (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Guarantor, the Trustee, the Registrar, any Transfer Agent or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General Provisions Applicable to Payments

The holder of a Global Note (or as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Undated Notes represented by such Global Note and the Issuer, or, as the case may be, the Guarantor, will be discharged by payment to, or to the order of, the holder of such Global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Undated Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer, or, as the case may be, the Guarantor, in respect of such Global Note to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of the Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Undated Notes may be made at the specified office of a Paying Agent in the United States only if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

6.6 Payment Day

If the date for payment of any amount in respect of any Undated Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Undated Notes in definitive form only, the relevant place of presentation; and
 - (ii) each Additional Financial Center specified in the applicable Pricing Supplement; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively; or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.7 Interpretation of Principal and Interest

Any reference in these Conditions to “principal” in respect of the Undated Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) any redemption amount(s) and all other amounts in the nature of principal which may be payable by the Issuer under or in respect of the Undated Notes pursuant to Condition 7; and
- (c) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Undated Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 No Maturity Date

The Undated Notes are perpetual notes in respect of which there is no fixed redemption date.

7.2 Redemption at the Option of the Issuer (Issuer Call)

If any Issuer Call is specified as being applicable in the applicable Pricing Supplement, subject to applicable law and unless otherwise specified in the applicable Pricing Supplement, the Issuer may redeem the Undated Notes (in whole but not in part) on:

- (a) the first redemption date specified in the applicable Pricing Supplement (the “**First Redemption Date**”); or
- (b) any Interest Payment Date falling after the First Redemption Date,

in each case, at the Redemption Price, on the giving on not less than 30 nor more than 60 calendar days’ irrevocable notice of redemption to the Noteholders in accordance with Condition 14 and to the Trustee and the Principal Paying Agent in writing.

7.3 Redemption due to a Gross-Up Event

If a Gross-up Event has occurred, the Issuer may redeem the Undated Notes (in whole but not in part) at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption to the Noteholders in accordance with Condition 14 and to the Trustee and the Principal Paying Agent in writing.

No such notice of redemption may be given earlier than 45 calendar days prior to the earliest calendar day on which the Issuer or, as the case may be, the Guarantor would be for the first time obliged to pay the Additional Amounts in question on payments due in respect of the Undated Notes.

Prior to the giving of any such notice of redemption, the Issuer will deliver or procure that there are delivered to the Trustee: (i) an Officer Certificate of the Issuer stating that the Issuer is entitled to effect such redemption and setting out a statement of facts showing that the conditions to the exercise of the right of the Issuer to redeem have been satisfied and that the obligation to pay Additional Amounts cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it; and (ii) an opinion of an independent legal or tax adviser of recognized standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay the Additional Amounts in question as a result of a Gross-up Event, and the Trustee shall be entitled to accept (and shall incur no liability for so accepting) the above certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event the same shall be conclusive and binding on the Noteholders.

“**Gross-up Event**” means that as a result of any change in, or amendment to, the laws or treaties (or any rules or regulations thereunder) of any Relevant Jurisdiction, or any change in or amendment to any official interpretation or application of those laws, treaties or rules or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Undated Notes for such Series (i) the Issuer (or, if the Guarantor was called, the Guarantor) has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 at a rate greater than the applicable withholding tax rate on the date on which agreement is reached to issue the first Tranche of the Undated Notes for such Series; and (ii) the payment obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor, taking reasonable measures available to it.

7.4 Redemption of the Undated Notes at the Option of the Noteholders (Investor Put)

(a) *If an Investor Put is specified as being applicable in the applicable Pricing Supplement*

If an Investor Put is specified as being applicable in the applicable Pricing Supplement with respect to Undated Notes only, upon the holder of any Undated Notes giving notice to the Issuer in accordance with Condition 14 not less than the minimum period of notice (which period must not be at least five Business Days) nor more than the maximum period of notice specified in the applicable Pricing Supplement (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Undated Note on the optional redemption date(s) and at the optional redemption amount(s) together, if appropriate, with interest accrued to (but excluding) the relevant optional redemption date.

(b) *Put Option Exercise Procedures*

To exercise the right to require redemption of a Undated Note the holder of the Undated Note must:

- (i) if the Undated Note is in definitive form, deliver a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a “**Put Notice**”) accompanied by the definitive Note, to the specified office of any Paying Agent in the case of Bearer Notes, or of any Transfer Agent or the Registrar in the case of Registered Notes; or
- (ii) if the Undated Note is represented by a Global Note held on behalf of Euroclear or Clearstream, Luxembourg, give a Put Notice in accordance with the standard procedures of Euroclear or Clearstream, Luxembourg (which may include notice being given on his instruction by electronic means) accompanied by the relevant Global Note for notation accordingly to the specified office of any Paying Agent,

at any time within the notice period during normal business hours of such Paying Agent, Transfer Agent or the Registrar. In the Put Notice the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition, and in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2. If the Undated Note is in definitive bearer form, the Put Notice must be accompanied by the Undated Note or evidence satisfactory to the Paying Agent concerned that this Undated Note will, following delivery of the Put Notice, be held to its order or under its control.

7.5 Redemption upon Change of Control

Upon the occurrence of a Change of Control (as defined below), each Noteholder shall have the right (“**Change of Control Put Right**”), at its option, to require the Issuer to repurchase all (but not some only) of its Undated Notes on the Change of Control Put Date, (i) at any time prior to the First Redemption Date at the Special Redemption Price, or (ii) on or at any time after the First Redemption Date, at the Redemption Price.

Within 14 days following a Change of Control, the Guarantor shall notify the Trustee and cause the Principal Paying Agent to notify each Noteholder in accordance with Condition 14, which notice shall state (i) that a Change of Control has occurred and that such Noteholder has the right to require the Issuer to redeem its Undated Notes; (ii) the date set by the Issuer for such repurchase (which shall be no earlier than 30 days and no later than 60 days from the date such notice is given) (the “**Change of Control Put Date**”); and (iii) the procedures determined by the Issuer, consistent with the Trust Deed, that a Noteholder must follow in order to have its Undated Notes redeemed. The Trustee shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred

nor be liable to any person for any failure to do so. “**Change of Control**” means any person other than (i) Ayala Corporation, (ii) any person at least a majority the voting stock of which is beneficially owned, directly or indirectly, by Ayala Corporation; or (iii) any Affiliate of any of the foregoing becoming the beneficial owner(s), directly or indirectly, of more than 50% of the total voting power of the outstanding voting stock of the Guarantor.

7.6 Redemption due to a Tax Event

If a Tax Event occurs, the Issuer may redeem the Undated Notes (in whole but not in part) at the Redemption Price, in each case on the giving of not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption to the Noteholders in accordance with Condition 14 and to the Trustee and the Principal Paying Agent in writing.

A “**Tax Event**” means that the Issuer and/or the Guarantor receives an opinion from an internationally recognized law firm, accounting firm, or practitioner experienced in taxation that, due to a change in law, rule, regulation or official interpretation, there is more than an insubstantial risk that the Issuer will no longer be able to obtain a deduction for the purposes of corporations tax of the Relevant Jurisdiction for any payment of interest in respect of any interest under the Undated Notes.

7.7 Redemption in case of Minimum Outstanding Amounts

In the event that the Issuer, the Guarantor and/or any Subsidiary of the Guarantor has, individually or in aggregate, purchased (and not resold) or redeemed Undated Notes equal to or in excess of 75% of the aggregate principal amount of the Undated Notes of such Series, the Issuer may redeem the remaining Undated Notes (in whole but not in part) at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption to the Noteholders in accordance with Condition 14 and to the Trustee and the Principal Paying Agent in writing.

7.8 [Reserved]

7.9 [Reserved]

7.10 Purchases

Subject to applicable laws, the Issuer, the Guarantor or any Subsidiary of the Guarantor may at any time purchase Undated Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

7.11 Cancellation

All Undated Notes which are (a) redeemed or (b) purchased in accordance with Condition 7.10 above may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Undated Notes (together with all unmatured Receipts, Coupons and Talons cancelled therewith) which are surrendered for cancellation shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Undated Notes in the case of Registered Notes).

8. TAXATION

8.1 Payment without Withholding

All payments of principal, premium and interest by or on behalf of the Issuer or the Guarantor in respect of the Undated Notes, Receipts and Coupons shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of

whatever nature imposed, levied, collected, withheld or assessed by or within any Tax Jurisdiction, unless such withholding or deduction is required by the law of any Tax Jurisdiction.

In the event that the Issuer or the Guarantor makes a deduction or withholding required by the law of any Tax Jurisdiction the Issuer or the Guarantor shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the holders of the Undated Notes, Receipts or Coupons of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Undated Note, Receipt or Coupon:

- (a) presented for payment in the Cayman Islands or the Philippines;
- (b) **Other connection:** to or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Undated Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Undated Note, Receipt or Coupon;
- (c) **Surrender more than 30 days after the Relevant Date:** presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Undated Note, Receipt or Coupon for payment on the last day of such period of 30 days assuming that day to have been a Payment Day (as defined in Condition 6.6); or
- (d) for or on account of any tax, deduction, or withholding imposed under Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

8.2 Interpretation

As used herein:

- (a) “**Tax Jurisdiction**” means, in respect of payments by the Issuer, the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax or, in respect of payments by the Guarantor, the Republic of the Philippines or any political subdivision or any authority thereof or therein having power to tax; and
- (b) “**Relevant Date**” in respect of any Undated Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders in accordance with Condition 14 that, upon further surrender of the relevant Undated Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

- 8.3** Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Undated Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. PRESCRIPTION

The Undated Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8.2) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25% in principal of the Undated Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified, secured and/or pre-funded by the holders to its satisfaction), give notice in writing to the Issuer that the Undated Notes are, and they shall accordingly thereby become, immediately due and repayable at 100 per cent of their principal amount together with accrued and unpaid interest as provided in the Trust Deed:

- (a) **Non-Payment:** (i) failure by the Issuer to pay any principal when due in respect of the Undated Notes; or (ii) failure by the Issuer to pay premium (if any) or interest due in respect of the Undated Notes, and, in the case of (ii) only, such default continues for a period of 15 days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor defaults in the performance or observance of, or compliance with, any one or more of its other obligations under the Conditions or the Trust Deed, which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or
- (c) **Cross-Acceleration:** there occurs with respect to any Indebtedness for borrowed money (other than Non-Recourse Debt or Limited Recourse Project Financing) of the Issuer, the Guarantor or any Material Subsidiary having an outstanding principal amount of U.S.\$30.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, (A) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity, or (B) the failure to make a payment of principal on such Indebtedness when the same becomes due (subject to the applicable grace period in the relevant documents); or
- (d) **Judgment, Decree or Order:** a final judgment, decree or order has been entered against the Issuer, the Guarantor or any of the Material Subsidiaries by a court of competent jurisdiction from which no appeal may be made or is taken for the payment of money in excess of U.S.\$30.0 million or its Dollar Equivalent and any relevant period specified for payment of such judgment, decree or order shall have expired without it being satisfied, discharged or stayed; or
- (e) **Enforcement Proceedings:** a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Material Subsidiaries and is not discharged or stayed within 60 days; or
- (f) **Security Enforced:** an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or a material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Material Subsidiaries (as the case may be) and is not discharged or stayed within 60 days; or

- (g) **Involuntary Proceedings:** (i) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganization, rehabilitation or other similar laws or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any Material Subsidiary or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, and (ii) such case (other than the appointment of an administrator) is not stayed or discharged within 60 days; or
- (h) **Winding-Up:** any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any Material Subsidiary; or the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganization or terms approved by an Extraordinary Resolution of Noteholders, or the Issuer, the Guarantor or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay all or a substantial part of its debts (or any class of its debt) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (i) **Voluntary Proceedings:** the Issuer, the Guarantor or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganization or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (j) **Repudiation:** the Issuer or the Guarantor shall contest in writing the validity or enforceability of the Trust Deed or the Undated Notes or shall deny generally in writing the liability of the Issuer or the Guarantor under any of the Trust Deed or the Undated Notes;
- (k) **Ownership:** the Issuer ceases to be wholly-owned and controlled by the Guarantor; or
- (l) **Analogous Events:** any event occurs, which, under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (g), (h), and (i) of this Condition 10.1.

Each of the Issuer and the Guarantor has undertaken in the Trust Deed that, so long as any Undated Note remains outstanding, annually and also within 14 days after any request by the Trustee, it will send to the Trustee a certificate signed by a Director to the effect that as at a date not more than five days prior to the date of the certificate no Event of Default or event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default has occurred.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Undated Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Undated Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25% in nominal amount of the Undated Notes then outstanding and (ii) it shall have been indemnified, secured and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including but not limited to legal fees) and liabilities which may be incurred.

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether any Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred and none of them shall be

responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Undated Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or of the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Undated Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS, REGISTRAR AND TRANSFER AGENTS

The Issuer and the Guarantor is entitled, with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed), to vary or terminate the appointment of the Principal Paying Agent, Paying Agent, Registrar or Transfer Agents and/or appoint additional or other Paying Agents, Registrars or Transfer Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Undated Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and Transfer Agent with a specified office in the place required by the rules and regulations of the relevant stock exchange or any other relevant authority; and
- (c) so long as any Undated Notes are listed on the SGX-ST and the rules of the SGX-ST require, if the Undated Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST.

In addition, the Issuer shall with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed) forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 6.5. Any variation, termination, appointment or change referred to in the preceding paragraph and/or any appointment referred to in this paragraph shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents, the Registrar and the Transfer Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the

Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Undated Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia. It is expected that such publication will be made in the *Asian Wall Street Journal*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Undated Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Undated Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such mailing and such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Undated Notes and, in addition, for so long as any Undated Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Undated Notes on such day as specified in the applicable Pricing Supplement after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Undated Note in definitive form) with the relative Undated Note or Undated Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Undated Notes are represented by a Global Note, such notice may be given by any holder of an Undated Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 14.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

15.1 Meeting of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Undated Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10% in nominal amount of the Undated Notes for the time being remaining

outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing in the aggregate not less than 50% in nominal amount of the Undated Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Undated Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Undated Notes, the Receipts, the Coupons or the Trust Deed (including, *inter alia*, modifying any date for payment of interest on the Undated Notes, modifying or cancelling the Notes Guarantee, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Undated Notes, altering the currency of payment of the Undated Notes, or altering the majority required to pass an Extraordinary Resolution), the quorum shall be two or more persons holding or representing in the aggregate not less than 75% in nominal amount of the Undated Notes for the time being outstanding, or at any adjourned such meeting two or more persons holding or representing in the aggregate not less than 25% in nominal amount of the Undated Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90% in principal amount of the Undated Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

15.2 Modifications and Waivers

The Trustee may agree, without the consent or sanction of the Noteholders, Receiptholders or Couponholders, to any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of, or to the waiver or authorization of any breach or proposed breach of, any of the provisions of the Undated Notes or the Trust Deed or the Agency Agreement, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest or proven error. Any such modification may be made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorization, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and any Noteholder, Receiptholder or Couponholder shall not be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

15.3 Substitution

The Trustee may, without the consent of the Noteholders, the Receiptholders or the Couponholders at any time, (a) agree with the Issuer and the Guarantor to the substitution in place of the Issuer (or of the previous substitute under this Condition) as the principal debtor under the Undated Notes, the Receipts, the Coupons and the Trust Deed of any entity owned or controlled by the Guarantor, or (b) agree with the Issuer and the Guarantor to the substitution in place of the Guarantor (or of the previous substitute under this Condition) as the guarantor under the Undated Notes, the Receipts, the Coupons and the Trust Deed of any entity owned

or controlled by the Guarantor, provided that, in each case, certain conditions specified in the Trust Deed are fulfilled, including (i) in the case of a substitution of the Issuer by a company other than the Guarantor, a requirement that the Guarantee of the Undated Notes be fully effective in relation to the obligations of the new principal debtor under the Undated Notes, the Receipts, the Coupons and the Trust Deed and that such obligations are guaranteed by the Guarantor in the same terms (with consequential amendments as necessary) as the Guarantee to the Trustee's satisfaction, (ii) in the case of a substitution of the Guarantor as guarantor under the Trust Deed, a requirement that the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced thereby and a requirement that the Guarantee of the Undated Notes by the new guarantor is fully effective in relation to the obligations of the new guarantor under the Undated Notes, the Receipts, the Coupons and the Trust Deed and (iii) certain other conditions set out in the Trust Deed being complied with.

No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder except to the extent provided for in Condition 8 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

15.4 General

Any such modification, waiver, authorization, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 14.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or provided with security and/or pre-funded to its satisfaction, as well as the priority in payment or satisfaction of all costs, charges, expenses (including legal expenses) and liabilities due to or incurred and payments made by the Trustee.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into transactions or arrangements with the Issuer and the Guarantor and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions and arrangements or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be in any way liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, credit worthiness, condition, affairs and nature of the Issuer. The Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

The Trustee may rely, without liability to Noteholders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely (without further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Noteholders.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Undated Notes or the same in all respects save for the issue date, issue price, and amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Undated Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Undated Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing Law

The Trust Deed, the Agency Agreement, the Undated Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Undated Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

19.2 Submission to Jurisdiction

Each of the Issuer and the Guarantor has in the Trust Deed agreed, for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England and Wales are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Undated Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Undated Notes, the Receipts and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Trust Deed, the Undated Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Undated Notes, the Receipts and/or the Coupons) may be brought in the English courts.

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or hereafter to the laying of the venue of any Proceedings (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Undated Notes, the Receipts and the Coupons) arising out of or in connection with the Trust Deed, the Undated Notes, the Receipts and the Coupons in the courts of England and Wales and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed in the Trust Deed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

19.3 Appointment of Process Agent

Each of the Issuer and the Guarantor has, in the Trust Deed, irrevocably and unconditionally appointed Cogency Global (UK) Limited at its specified office for the time being at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

19.4 Waiver of Immunity

Each of the Issuer and the Guarantor irrevocably and unconditionally waives with respect to the Trust Deed, the Undated Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

20. DEFINITIONS

In these Conditions:

“**Affiliate**” means, with respect to any Person, any other Person (a) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, or (b) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (a) of this definition. For purposes of this definition, “**control**” (including, with correlative meanings, the terms “**controlling**,” “**controlled by**” and “**under common control with**”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“**Capitalized Lease**” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with PFRS, is required to be capitalized on the balance sheet of such Person.

“**Capitalized Lease Obligations**” means the capitalized amount of any rental obligations under a Capitalized Lease in accordance with PFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of penalty.

“**Commodities Agreement**” means any forward, option or futures contract or other similar agreement or arrangement designed to protect against fluctuations in the price of fuel, electricity or other commodities or raw materials.

“**Currency Agreement**” means any foreign exchange forward contract, currency swap agreement, currency option or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“**Dollar Equivalent**” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the reference exchange rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by *Bangko Sentral ng Pilipinas* on the date of determination.

“**Extraordinary Resolution**” has the meaning given to it in the Trust Deed.

“**Financial Year**” means a financial year of the Issuer and the Guarantor, for the time being ending on December 31.

“**Guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness

or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term “**Guarantee**” shall not include endorsements for collection or deposit in the ordinary course of business. The term “**Guarantee**” used as a verb has a corresponding meaning.

“**Hedging Obligation**” means of any Person means the obligations of such Person pursuant to any Currency Agreement, Interest Rate Agreement or Commodities Agreement.

“**Indebtedness**” of a Person means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with PFRS, be treated as a Capitalized Lease Obligation (other than any concession-related leases);
- (e) any Hedging Obligation;
- (f) any counter-indemnity obligation in respect of a Guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (g) the amount of any liability of a Person in respect of any Guarantee or indemnity for any of the items referred to in paragraphs (a) to (f) above, of other Persons,

if and to the extent any of the preceding items would appear as a liability on the balance sheet of the specified Person prepared in accordance with PFRS or the equivalent relevant local accounting standard, and so that where the amount of Indebtedness is required to be calculated, no amount shall be taken into account more than once in the same calculation and, where the amount is to be calculated on a consolidated basis in respect of a corporate group, monies borrowed or raised, or other indebtedness, as between members of such group shall be excluded.

Notwithstanding the foregoing, “**Indebtedness**” shall not include any capital commitments, purchase commitments or similar obligations Incurred in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights); provided that such obligation is not reflected on the statement of financial position of the Issuer or the Guarantor (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the statement of financial position will not be deemed to be reflected on such statement of financial position).

For the purposes of determining the amount of Indebtedness, (i) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with PFRS; (ii) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to pre-fund the payment of the interest on such Indebtedness shall be deemed not to be “**Indebtedness**” so long as such money is held to secure the payment of such interest; and (iii) any lease (including any Capitalized Lease Obligation) relating to the purchase of power as an IPP administrator (or similar role) shall be deemed not to be Indebtedness.

“**Interest Rate Agreement**” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Issue Date” means the date on which the relevant Tranche of Undated Notes are originally issued under the Trust Deed.

“Lien” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other preferential arrangement of any kind in respect of such property or asset, including, without limitation, any preference or priority under Article 2244(14) of the Civil Code of the Philippines, as the same may be amended from time to time, and the right of a vendor, lessor, or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

“Limited Recourse Project Financing” means any indebtedness (i) which is incurred by any Project Company; (ii) which is secured by the asset or assets of such Project Company; and (iii) in respect of, and in connection with which, the providers of such indebtedness have no recourse whatsoever to any asset of the Guarantor or any Material Subsidiary or, in the case of a Project Company that is a Material Subsidiary, to any asset of the Guarantor or any other Material Subsidiary (including for the repayment of, or payment of any sum relating to, such indebtedness) other than (a) guarantees or other support in respect of completion or construction risk in respect of the relevant project or (b) any recourse over the shares or other ownership interests in the Project Company following the enforcement of any Lien over such assets given by the Guarantor or the relevant Material Subsidiary, as the case may be.

“Material Subsidiary” means:

- (i) any Subsidiary of the Guarantor whose gross revenues (consolidated in the case of a Subsidiary which has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent, in each case, at least 10% of the consolidated gross revenues or, as the case may be, consolidated total assets, of the Guarantor and its Subsidiaries taken as a whole, all as calculated, respectively, by reference to the then latest available consolidated audited balance sheet and profit and loss accounts of the Guarantor and its consolidated Subsidiaries, provided that:
 - (a) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary;
 - (b) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, gross revenues or gross assets of the Guarantor and any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor for the purposes of preparing a certificate thereon to the Trustee;
 - (c) if at any relevant time in relation to any Subsidiary, no accounts are audited, its gross revenues or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor for the purposes of preparing a certificate thereon to the Trustee; and
 - (d) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (a) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of such

Subsidiary's accounts (consolidated, in each case, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor; or

- (ii) any Subsidiary to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, whereupon (I) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (II) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of the sub-paragraphs above.

For the avoidance of doubt, (i) a Person will cease to be a Material Subsidiary in the event that and at such time such Person ceases to be a Subsidiary, and (ii) in the event of a Material Subsidiary ceasing to be a Subsidiary, determination of the remaining Material Subsidiaries shall be made by reference to the consolidated audited balance sheet and profit and loss accounts of the Guarantor and its consolidated Subsidiaries after such Material Subsidiary ceases to become a Subsidiary.

“Non-Recourse Debt” means any Indebtedness of a Subsidiary in respect of which the Issuer or the Guarantor has not provided a Guarantee and for which the Issuer or the Guarantor is not otherwise liable. For the avoidance of doubt, to the extent the Issuer or the Guarantor has provided a Guarantee or is liable for Indebtedness of a Subsidiary up to a certain specified limit, any Indebtedness in excess of such limit shall be Non-Recourse Debt.

“Officer Certificate” means a certificate signed by the president, chief operating officer, chief financial officer or any director of the Issuer or the Guarantor, as applicable.

“Permitted Liens” means:

- (a) Liens over the shares of, or ownership interests in, any Project Company or over the rights of the Guarantor or a Material Subsidiary in relation to any debt provided by the Guarantor or such Material Subsidiary, respectively, to any Project Company, in each case in order to secure any Limited Recourse Project Financing; and
- (b) Liens created on the property or assets of a Project Company securing Limited Recourse Project Financing of the Project Company.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PFRS” means Philippine Accounting Standards and Philippine Financial Reporting Standards. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with PFRS either as in effect on the date hereof or from time to time as determined by the Guarantor applied on a consistent basis.

“Potential Event of Default” means any event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate would be, an Event of Default.

“Project Company” means any company, partnership or other entity in which the Guarantor or a Material Subsidiary has an ownership interest.

“Redemption Price” means the principal amount of the Undated Notes plus any accrued but unpaid Interest, unless otherwise specified in the applicable Pricing Supplement.

“Relevant Indebtedness” means any present or future indebtedness in the form of, or represented by, debentures, loan stock, bonds, notes or other similar securities (i) which are, or are issued with the intention that they should be, and are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement) and (ii) denominated in a currency other than the Philippine peso.

“Special Redemption Price” means 101% of the principal amount of the Undated Notes plus any accrued but unpaid Interest, unless otherwise specified in the applicable Pricing Supplement.

“Stated Maturity” means, (a) with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the final instalment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (b) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such instalment is due and payable as set forth in the documentation governing such Indebtedness.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50.0% of the voting power of the outstanding voting stock is owned or controlled, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50.0% or less of the voting power of the outstanding voting stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with PFRS.

FORM OF THE NOTES

The Notes of each Series will either be in bearer form, with or without interest coupons (“**Coupons**”) attached (“**Bearer Notes**”), or registered form, without interest coupons attached (“**Registered Notes**”). The Notes will be issued outside the United States in reliance on Regulation S.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear and Clearstream, Luxembourg.

Bearer Notes

Prior to the issuance of any Bearer Notes hereunder, the Issuer and the Guarantor will confirm with their counsel that all documents used in connection with the issuance of such Bearer Notes have been reviewed, revised, and updated to the extent necessary to ensure that such documents properly allow for the issuance of Bearer Notes in accordance with U.S. federal income tax law.

Each Tranche of Bearer Notes will initially be represented by either a Temporary Bearer Global Note or a Permanent Bearer Global Note as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to the Common Depository for Euroclear and Clearstream, Luxembourg.

While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and (in the case of a Temporary Bearer Global Note delivered to a Common Depository for Euroclear and Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent (as defined in “*Terms and Conditions of the Notes other than Undated Notes*” and “*Terms and Conditions of the Undated Notes*”).

On and after the date (the “**Exchange Date**”) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) Definitive Bearer Notes (“**Definitive Bearer Notes**”) of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days’ written notice in the case of Notes held by a Common Depository for Euroclear and/or Clearstream, Luxembourg, from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein, or (ii) upon the occurrence of an Exchange Event. For these purposes, an “**Exchange Event**” means that (i) an Event of Default (as defined in Condition 10.1) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system satisfactory to the Trustee

is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form and a certificate to such effect from two authorized officers of the Issuer has been given to the Trustee. The Issuer will promptly give notice to the Noteholders and the Trustee in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, in the case of Notes held by a Common Depository for Euroclear and/or Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange following an Exchange Event shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION MAY BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Registered Global Note.

Prior to expiry of the distribution compliance period (as defined in Regulation S), if any, applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes will be deposited with, and registered in the name of a nominee of, a Common Depository for Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form (“**Definitive Registered Notes**”).

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, any Paying Agent or the Registrar (each as defined under “*Terms and Conditions of the Notes other than Undated Notes*” and “*Terms and Conditions of the Undated Notes*”) will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date in the manner provided in Condition 6.4.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event.

The Issuer will promptly give notice to the Noteholders and the Trustee in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note), or the Trustee may give notice to the Principal Paying Agent requesting exchange and in the event of the occurrence of an Exchange Event as described above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange following an Exchange Event shall occur not later than 10 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg.

General

All Notes will be issued pursuant to the Trust Deed and the Agency Agreement (each as defined under “*Terms and Conditions of the Notes other than Undated Notes*” and “*Terms and Conditions of the Undated Notes*”).

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN number which are different from the common code and ISIN number assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each a Global Note) held on behalf of Euroclear and/or Clearstream, Luxembourg, (i) the Issuer has promised, *inter alia*, to pay interest in respect of such Notes from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes represented by such Bearer Global Note or, as the case may be, Registered Global Note and (ii) each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, its agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Trustee, the Issuer and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Trust Deed and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Guarantor, the Trustee and the Principal Paying Agent.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption. In the event that any of the Global Notes representing such Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include

all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

No Noteholder, Receiptholder or Couponholder (each as defined in “*Terms and Conditions of the Notes other than Undated Notes*” and “*Terms and Conditions of the Undated Notes*”) shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Issuer and the Guarantor may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Conditions, in which event, a supplement to this Offering Circular or a new Offering Circular will be made available which will describe the effect of the agreement reached in relation to such Notes.

FORM OF PRICING SUPPLEMENT FOR NOTES OTHER THAN UNDATED NOTES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[EU MiFID II product governance / Professional investors and ECPs only target market—Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance / Professional investors and ECPs only target market—Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”) and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any EEA Retail Investor in the European Economic Area (the “**EEA**”). For these purposes, an “**EEA Retail Investor**” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**EU Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to EEA Retail Investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any EEA Retail Investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom (the “**UK**”). For these purposes, a “**UK Retail Investor**” means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”), subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”), subject to amendments made by the Prospectus (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/1234) (as may be amended or superseded from time to time). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering

or selling the Notes or otherwise making them available to UK Retail Investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK Retail Investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[SFA Notification—The following legend regarding the Securities and Futures Act, Chapter 289 of Singapore (“SFA”) to be included if Notes are Excluded Investment Products, otherwise appropriate legend to be included: Section 309B(1)(c) Notification—The Notes shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).] [Note: Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.]

THE NOTES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION (THE “PHILIPPINE SEC”) UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES (THE “SRC”). ANY FUTURE OFFER OR SALE OF THE NOTES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE SRC.

Pricing Supplement Dated [●]

ACEN Finance Limited

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by AC Energy Corporation
under the U.S.\$1,500,000,000
Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes Other Than Undated Notes (the “**Conditions**”) set forth in the Offering Circular dated 31 August 2021 and any documents therein incorporated by reference (collectively, the “**Offering Circular**”). This Pricing Supplement comprises the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. This Pricing Supplement [, together with the information set out in Appendix 1 to this Pricing Supplement,] supplements the Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes Other Than Undated Notes (the “**Conditions**”) set forth in the Offering Circular dated [original date] which are incorporated by reference in the Offering Circular dated [current date] and are attached hereto. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date].]

[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. (a) Issuer: ACEN Finance Limited
(LEI: 54930080P6CVPPSROL50)
- (b) Guarantor: AC Energy Corporation
(LEI: 549300LGUZQ61GQQXQ60)
2. (a) Series Number: []
- (b) Tranche Number: []
- (c) Date on which the Notes will be consolidated and form a single Series: *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date / exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 34 below, which is expected to occur on or about [date]][Not Applicable]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
 - (a) Series: []
 - (b) Tranche: []
5. (a) Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
- (b) Gross/Net Proceeds: []
6. (a) Specified Denominations: []

(N.B. Notes must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities, as implemented in each Member State and the UK, and in order to benefit from the wholesale exemption set out in Article 1(4) of the EU Prospectus Regulation in that Member State or Article 1(4) of the UK Prospectus Regulation in the UK.)

(Note—where Bearer Notes with multiple denominations above [€100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed:

“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”

(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange or a UK exchange; and (ii)

only offered in the European Economic Area or the UK in circumstances where a prospectus is not required to be published under the EU Prospectus Regulation or the UK Prospectus Regulation, as applicable, the €100,000 minimum denomination is not required.)

(Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the UK Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).)

(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)

(b) Calculation Amount: []

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

7. (a) Issue Date: []

(b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]

(N.B. An Interest Commencement Date will not be relevant of certain Notes, for example Zero Coupon Notes.)

8. Maturity Date: [Fixed rate—specify date/Floating rate—Interest Payment Date falling in or nearest to [specify month and year]]

9. Interest Basis: [[]% Fixed Rate]
[[specify Reference Rate] +/- []% Floating Rate] [Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]

11. Change of Interest Basis or Redemption/ Payment Basis: [Applicable/Not Applicable]

(If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis)

12. Put/Call Options: [Investor Put]

[Issuer Call]

13. Status of the Notes: Senior

14. (a) Date Board/Executive Committee approval for issuance of Notes obtained: [] [and [], respectively]]/[None required]

(N.B. Only relevant where Board (or similar) authorization is required for the particular Tranche of Notes.)

(b) Date regulatory approval/consent for issuance of Notes obtained: []/[None required]

15. Listing: [SGX-ST/specify other/None]

(N.B. Consider disclosure requirements under the EU Prospectus Regulation or the UK Prospectus Regulation applicable to securities admitted to a regulated market in the EEA or the UK, as applicable)

16. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. Fixed Rate Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Rate(s) of Interest: []% per annum [payable [annually/ semi-annually/ quarterly/ other (specify)] in arrear] on each Interest Payment Date

(b) Interest Payment Date(s): [] in each year up to and including the Maturity Date] *(Amend appropriately in the case of irregular coupons)*

(c) Fixed Coupon Amount(s): [] per Calculation Amount

(d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []

(e) Day Count Fraction: [Actual/Actual (ICMA) 30/360 Actual/365 (Fixed) Other]

(f) Determination Date(s): [[] in each year] [Not Applicable]

[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]

(N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration) (N.B. Only relevant where Day Count Fraction is Actual/ Actual (ICMA))

- (g) Party responsible for calculating the amount of interest payable per Calculation Amount (if not the Principal Paying Agent): []
- (h) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/give details]
18. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- Interest Period(s): []
- (a) Specified Interest Payment Dates: []
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ *[specify other]*]
- (c) Additional Business Center(s): [Not Applicable/give details]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): *[[Name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]*
- (f) Screen Rate Determination: []
- Reference Rate and Relevant Financial Center: Reference Rate: [] month [LIBOR/EURIBOR/ *specify other Reference Rate*]. Relevant Financial Center: [London/Brussels/specify other Relevant Financial Center]
 - Interest Determination Date(s): [] [TARGET] business days in [specific city] for [specific currency] prior to [the first day in each Interest Period / each Interest Payment Date]
 - Relevant Screen Page: [] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
 - Relevant Time: [] *(For example, 11:00 a.m. London time)*

- (g) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: [] *(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
 - ISDA Definitions: [] *(If different from those set out in the Conditions)*
- (h) Margin(s): [+/-] [] % per annum
- (i) Minimum Rate of Interest: [] % per annum
- (j) Maximum Rate of Interest: [] % per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]
 [Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis]
 [30E/360 (ISDA)]
 (See Condition 5 for alternatives)
- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
19. Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [] % per annum
 - (b) Reference Price: []
 - (c) Any other formula/basis of determining amount payable: []
 - (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360] [Actual/360] [Actual/365]
20. Index Linked Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Formula: [Give or annex details]
 - (b) Party responsible for calculating the Rate of Interest (if []

not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent):

- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
 - (d) Interest Period(s): []
 - (e) Specified Interest Payment Dates: []
 - (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
 - (g) Additional Business Center(s): [Not Applicable/*give details*]
 - (h) Minimum Rate of Interest: []% per annum
 - (i) Maximum Rate of Interest: []% per annum
 - (j) Day Count Fraction: []
21. Dual Currency Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate of Exchange/method of calculating Rate of Exchange: *[give details]*
 - (b) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): []
 - (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
 - (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

- 22. Notice periods for Condition 7.2: Minimum period: [] days
Maximum period: [] days
- 23. Issuer Call: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other]
- (c) If redeemable in part:
 - (i) Minimum Redemption Amount: [] per Calculation Amount
 - (ii) Maximum Redemption Amount: [] per Calculation Amount

(d) Notice periods: Minimum period: [] days
Maximum period: [] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or the Trustee)

24. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other]
- (c) Notice periods: Minimum period: [] days
Maximum period: [] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or the Trustee)

25. Final Redemption Amount of each Note: [[] per Calculation Amount/specify other/see Appendix]

26. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.6): [[] per Calculation Amount/specify other/see Appendix]

27. Applicable Spread: [] % per annum]/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

28. Form of Notes: [Bearer Notes:
[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on [] days' notice given at any time/only upon an Exchange Event]]
[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on [] days' notice given at any time/only upon an Exchange Event]]

(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.)

Registered Notes:
[Registered Global Note (nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg (*specify nominal amounts*)]

29. Additional Financial Center(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates to which items 18(d) and 20(g) relate)

30. Talons for future Coupons or Receipts to be attached to Definitive Notes in bearer form (and dates on which such Talons mature): [Yes/No. *If yes, give details*]

31. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/give details. *N.B. a new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues*]

32. Details relating to Instalment Notes:
- (a) [Instalment Amount(s): [Not Applicable/give details]]
- (b) [Instalment Date(s): [Not Applicable/give details]]
33. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
34. Consolidation provisions: [Not Applicable/ [The provisions in Condition 17 (Further Issues)] / [annexed to this Pricing Supplement] apply]
35. Any applicable currency disruption/fallback provisions: [Not Applicable/give details]
36. Other terms or special conditions: [Not Applicable/give details] *[N.B. If full terms and conditions are to be used: The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provisions to the contrary. The full Conditions should be attached to and form part of the Pricing Supplement]*

DISTRIBUTION

37. (a) If syndicated, names and addresses of Managers: [Not Applicable/give names]
- (b) Stabilizing Manager(s) (if any): [Not Applicable/give name(s)]
- (c) Date of Subscription Agreement: []
38. If non-syndicated, name of relevant Dealer: []
39. U.S. Selling Restriction: Reg. S Category [1/2]; [TEFRA D/TEFRA C/TEFRA D and TEFRA C are not applicable]
40. Additional selling restrictions: [Not Applicable/give details]
41. Additional U.S. federal income tax considerations: [Not Applicable/give details] *[To consider whether any considerations relating to the U.S. Foreign Account Tax Compliance Act need to be included]*

OPERATIONAL INFORMATION

42. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
43. Delivery: Delivery [against/free of] payment

44. Additional Paying Agent(s) (if any): []
45. ISIN []
46. Common Code []
47. The aggregate principal amount of [Not Applicable / Exchange rate of Specified Currency] Notes issued has been translated into U.S. dollars at the rate of:

[USE OF PROCEEDS

Give details if different from the “Use of Proceeds” section in the Offering Circular.]

[STABILIZATION

In connection with this issue, [insert name of *Stabilizing Manager(s)*] (the **Stabilizing Manager(s)**) (or persons acting on behalf of any Stabilizing Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.]

[LISTING

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$1,500,000,000 Medium Term Note Programme of ACEN Finance Limited.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of:

ACEN Finance Limited:

By: _____
Duly authorised

AC Energy Corporation:

By: _____
Duly authorised

FORM OF PRICING SUPPLEMENT FOR UNDATED NOTES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Undated Notes issued under the Programme.

[EU MiFID II product governance / Professional investors and ECPs only target market]—Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance / Professional investors and ECPs only target market]—Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”) and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS]—The Notes are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any EEA Retail Investor in the European Economic Area (the “**EEA**”). For these purposes, an “**EEA Retail Investor**” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**EU Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to EEA Retail Investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any EEA Retail Investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS]—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom (the “**UK**”). For these purposes, a “**UK Retail Investor**” means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”), subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”), subject to amendments made by the Prospectus (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/1234) (as may be amended or superseded from time to time). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering

or selling the Notes or otherwise making them available to UK Retail Investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK Retail Investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[SFA Notification—The following legend regarding the Securities and Futures Act, Chapter 289 of Singapore (“SFA”) to be included if Notes are Excluded Investment Products, otherwise appropriate legend to be included: **Section 309B(1)(c) Notification**—The Notes shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).] [Note: Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.]

THE NOTES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION (THE “PHILIPPINE SEC”) UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES (THE “SRC”). ANY FUTURE OFFER OR SALE OF THE NOTES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE SRC.

Pricing Supplement Dated [●]

ACEN Finance Limited

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by AC Energy Corporation
under the U.S.\$1,500,000,000
Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Undated Notes (the “**Conditions**”) set forth in the Offering Circular dated 31 August 2021 and any documents therein incorporated by reference (collectively, the “**Offering Circular**”). This Pricing Supplement comprises the final terms of the Undated Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer and the offer of the Undated Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. This Pricing Supplement [, together with the information set out in Appendix 1 to this Pricing Supplement,] supplements the Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Undated Notes (the “**Conditions**”) set forth in the Offering Circular dated [*original date*] which are incorporated by reference in the Offering Circular dated [*current date*] and are attached hereto. This Pricing Supplement contains the final terms of the Undated Notes and must be read in conjunction with the Offering Circular dated [*current date*].]

[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. (a) Issuer: ACEN Finance Limited

(LEI: 54930080P6CVPPSROL50)

(b) Guarantor: AC Energy Corporation

(LEI: 549300LGUZQ61GQQXQ60)

2. (a) Series Number: []

(b) Tranche Number: []

(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)

(c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/ exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [25] below, which is expected to occur on or about [date]][Not Applicable]

3. Specified Currency or Currencies: []

4. Aggregate Nominal Amount:

(a) Series: []

(b) Tranche: []

5. (a) Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]

(b) Gross/Net Proceeds: []

6. (a) Specified Denominations: []

(N.B. Notes must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities, as implemented in each Member State and the UK, and in order to benefit from the wholesale exemption set out in Article 1(4) of the EU Prospectus Regulation in that Member State or Article 1(4) of the UK Prospectus Regulation in the UK.)

(Note—where Bearer Notes with multiple denominations above [€100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed:

“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”)

(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange or a UK exchange; and (ii) only offered in the European Economic Area or the UK in circumstances where a prospectus is not required to be published under the EU Prospectus Regulation or the UK Prospectus

Regulation, as applicable, the €100,000 minimum denomination is not required.)

(Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the UK Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).)

(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)

- (b) Calculation Amount: []
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: []
- (b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant of certain Notes.)*
8. Interest Basis: [[]% Fixed Rate]
[specify other]
(further particulars specified below)
9. Put/Call Options: [Redemption due to a Gross-Up Event]
[Redemption at the Option of the Issuer]
[Redemption due to a Change of Control]
[Redemption due to a Tax Event]
[Redemption in case of Minimum Outstanding Amounts]
[specify other]
(further particulars specified below)
10. Status of the Notes: [Senior]
11. (a) Date Board / Executive Committee approval for issuance of Notes obtained: [] [and [], respectively]]/[None required]
- (N.B. Only relevant where Board (or similar) authorization is required for the particular Tranche of Notes.)*
- (b) Date regulatory approval / consent for issuance of Notes obtained: []/[None required]
12. Listing: [SGX-ST/specify other/None]

(N.B. Consider disclosure requirements under the EU Prospectus Regulation or the UK Prospectus Regulation applicable to securities admitted to a regulated market in the EEA or the UK, as applicable)

13. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST PAYABLE

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: []% per annum [payable [annually/ semi-annually/ quarterly/ other (specify) in arrear] on each Interest Payment Date
- (b) Interest Payment Date(s) / Interest Commencement Date(s): [] and [] of each year
(Amend appropriately in the case of irregular coupons)
- (c) Fixed Coupon Amount(s): [] per Calculation Amount
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- (e) Day Count Fraction: [Actual/Actual (ICMA) 30/360 Actual/365 (Fixed) Other]
- (f) Determination Date(s): [[] in each year] [Not Applicable]
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]
(N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration) (N.B. Only relevant where Day Count Fraction is Actual/ Actual (ICMA))
- (g) Party responsible for calculating the amount of interest payable per Calculation Amount (if not the Principal Paying Agent):
- (h) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/give details]

PROVISIONS RELATING TO REDEMPTION

15. Redemption Due to a Gross-Up Event: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Redemption Price: [As specified in Condition 7.3 / []]
- (b) Notice period: [As specified in Condition 7.3 / []]
16. Issuer Call: [Applicable/Not Applicable]

- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) First Redemption Date / Optional Redemption Date(s): []
- (b) Redemption Price: [As specified in Condition 7.2 / []]
- (c) Notice period: [As specified in Condition 7.2 / []]
17. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other]
- (c) Notice periods: Minimum period: [] days
Maximum period: [] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or the Trustee)
18. Redemption upon a Change of Control: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Redemption Price: [As specified in Condition 7.5 / []]
- (b) Notice period: [As specified in Condition 7.5 / []]
19. Redemption due to a Tax Event: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Redemption Price: [As specified in Condition 7.6 / []]
- (b) Notice period: [As specified in Condition 7.6 / []]
20. Redemption in case of Minimum Outstanding Amounts: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Redemption Price: [As specified in Condition 7.7 / []]
- (b) Notice period: [As specified in Condition 7.7 / []]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: [Bearer Notes:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on [] days' notice given at any time/only upon an Exchange Event]]
- [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]
- [Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on [] days' notice given at any time/only upon an Exchange Event]]
- (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:*
- "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.)*
- Registered Notes:
- [Registered Global Note ([] nominal amount) registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg (specify nominal amounts)]
22. Additional Financial Center(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates)
23. Talons for future Coupons or Receipts to be attached to Definitive Notes in bearer form (and dates on which such Talons mature): [Yes/No. If yes, give details]
24. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
25. Consolidation provisions: [Not Applicable/ [The provisions in [Condition 17 (Further Issues)] / [annexed to this Pricing Supplement] apply]
26. Other terms or special conditions: [Not Applicable/give details] *[N.B. If full terms and conditions are to be used: The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety*

those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provisions to the contrary. *The full Conditions should be attached to and form part of the Pricing Supplement*

DISTRIBUTION

27. (a) If syndicated, names and addresses of Managers: [Not Applicable/give names]
- (b) Stabilizing Manager(s) (if any): [Not Applicable/give name(s)]
- (c) Date of Subscription Agreement: []
28. If non-syndicated, name of relevant Dealer: []
29. U.S. Selling Restriction: Reg. S Category [1/2]; [TEFRA D/TEFRA C/TEFRA D and TEFRA C are not applicable]
30. Additional selling restrictions: [Not Applicable/give details]
31. Additional U.S. federal income tax considerations: [Not Applicable/give details]

[To consider whether any considerations relating to the U.S. Foreign Account Tax Compliance Act need to be included]

OPERATIONAL INFORMATION

32. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
33. Delivery: Delivery [against/free of] payment
34. Additional Paying Agent(s) (if any): []
35. ISIN []
36. Common Code []
37. The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of: [Not Applicable / Exchange rate of Specified Currency]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[STABILIZATION

In connection with this issue, [insert name of *Stabilizing Manager(s)*] (the “**Stabilizing Manager(s)**”) (or persons acting on behalf of any Stabilizing Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.]

[LISTING

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$1,500,000,000 Medium Term Note Programme of ACEN Finance Limited.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of:

ACEN Finance Limited:

By: _____
Duly authorised

AC Energy Corporation:

By: _____
Duly authorised

USE OF PROCEEDS

The proceeds from each issue of Notes under the Programme will be used for general corporate purposes, including, but not limited to, working capital, funding investment activities, development of projects, refinancing and/or repayment of indebtedness and on-lending to entities within the Group. If, in respect of any particular issue, there is a particular identified use of proceeds, including any Eligible Green Projects (see “*Green Bond Framework*”), this will be stated in the applicable Pricing Supplement. “**Eligible Green Projects**” include qualifying assets and projects, which meet the criteria outlined herein, including, but not limited to, the development, construction and production of the components, acquisitions and operation of (a) solar energy projects, (b) onshore and offshore wind energy projects, and (c) geothermal energy projects with direct emissions of less than 100gCO₂/kWh.

Only Tranches of Notes issued to finance or refinance Eligible Green Projects and which are aligned with the four core components of the Green Bond Principles will be designated as “**Green Bonds**.” See “*Green Bond Framework*.”

GREEN BOND FRAMEWORK

INTRODUCTION

ACEIC, the parent company of ACEN, and its subsidiaries (“**AC Energy Group**”) recognize the importance of creating value not only for its businesses, but also for its stakeholders, the environment, and the communities in which it operates. The AC Energy Group strives to integrate sustainability in the core of its corporate strategies and to balance its growth with environmental and social responsibility, and recognizes the importance of creating value not only for its businesses, but also for its stakeholders, the environment, and the communities in which it operates. The AC Energy Group strives to integrate sustainability in the core of its corporate strategies and to balance its growth with environmental and social responsibility.

ACEN and its parent company, ACEIC, support the 10 Principles of the UN Global Compact, and ACEIC’s parent company, Ayala Corporation, is a founding member of the UN Global Compact Network Philippines. ACEIC and ACEN have developed a Green Bond Framework under which Notes issued under the Programme may be designated as Green Bonds (if so designated, each such issuance, a “**Green Bonds issuance**”) to fund selected Eligible Green Projects.

The Green Bond Framework is intended to govern Green Bond issuances across the AC Energy Group, including (but not limited to) ACEIC, AC Energy Finance International Limited, ACEN, ACEN Finance Limited, and any other entity that may issue Green Bonds from time to time.

ELIGIBLE GREEN PROJECT CATEGORIES

An amount equal to the aggregate net proceeds from a Green Bonds issuance will be used to finance or refinance, in whole or in part, new or existing “Eligible Green Projects”; that is, qualifying assets and projects which meet the criteria (the “**Eligibility Criteria**”) outlined below, including, but not limited to:

Development, construction and production of the components, acquisitions and operation of:

- Solar Energy Projects
- Wind Energy Projects (onshore and offshore)
- Geothermal Energy Projects (direct emissions < 100gCO₂/kWh)

Eligible Green Projects may be found throughout the Group and the Company reserves the right to choose the most efficient way of transferring cash between entities to fund Eligible Green Projects.

Eligible Green Projects may include ACEN investments made during the three years prior to the issuance date of the relevant Green Bonds and during the life of such Green Bonds.

Net proceeds from the relevant Green Bonds may also be used to refinance outstanding green bond issuances of the Group, including any entities within the AC Energy Group.

Process for Project Evaluation and Selection

The Eligible Green Projects are identified and selected according to the Eligibility Criteria outlined above and via a process that involves participants from various functional areas including the Company’s Business Development, Finance and Sustainability teams. Prior to investing in a project in a given region, the Company ensures local regulations regarding environmental and social constraints are adhered to, in line with the Company’s E&S policy.

A short list of projects are reviewed for approval by the Company’s senior management on at least an annual basis, until all proceeds are accounted for and thereafter in the event of material developments. The Company’s board of

directors and senior management are responsible for the approval of assets and projects in accordance with the Green Bond Framework.

MANAGEMENT OF PROCEEDS

An amount equal to the proceeds from the Green Bonds issuance will be allocated to finance designated eligible green assets/projects across the Group, selected in accordance with the Eligibility Criteria, and using the evaluation and selection process mentioned above.

Payment of principal and interest on the Green Bonds will be made from ACEN's general funds and will not be directly linked to the performance of any one specific Eligible Green Project.

The Company intends to spend an amount equal to majority of the net proceeds from the sale of the Green Bonds within three years from the date of issuance.

Tracking of Proceeds

ACEN will monitor the allocation of an amount equal to the proceeds via internal information systems. A register will be created to facilitate the monitoring and reporting of the Green Bonds issuance and the deployment of an amount equal to the net proceeds.

The register will include, among others:

- (1) Green Bond details: including ISIN, issue date, maturity date, principal amount and coupon;
- (2) Eligible Green Project list;
- (3) Renewable/Green Asset Category;
- (4) The regions in which the projects are located;
- (5) The amount of net proceeds allocated to the projects;
- (6) The date of allocation and foreign exchange rates; and
- (7) Environmental certification of the project (if applicable).

Use of Unallocated Proceeds

Pending any allocation or reallocation, an amount equal to the net proceeds from the Green Bonds issuance may be invested in cash or cash equivalents, or used to repay existing borrowings under general credit facilities of ACEN.

These funds will be managed according to ACEN's own internal liquidity management policies and may be transferred to other entities within the Group.

Substitution of Assets

ACEN will allocate an amount equal to the net proceeds to assets or projects that comply with the Eligibility Criteria as soon as reasonably practicable, reallocating to replacement assets or projects in the event that a previously allocated asset or project is sold or no longer available.

REPORTING

Allocation Reporting

At least annually, until an amount equal to the net proceeds has been allocated, and thereafter, in the event of material changes, ACEN will provide information on the allocation of an amount equal to the net proceeds of the Green Bonds issuance on its website and/or in ACEN's Integrated Reports. The information will contain at least the following details:

- (1) A list of approved Eligible Green Projects, including amounts allocated; and
- (2) Remaining balance of unallocated proceeds

Where possible, ACEN will also provide additional information, case studies or examples of selected projects, subject to considerations such as confidentiality agreements.

The annual reporting will be reviewed and approved by ACEN's senior management.

For each Green Bonds issuance, ACEN intends to engage an external auditor to provide independent verification on its reporting and management of proceeds in accordance with this Green Bond Framework.

Impact Reporting

Where relevant and possible, ACEN will also report on selected impact metrics (per project or in aggregate for all projects financed by the proceeds of a Green Bonds issuance), as outlined below:

- Energy generated from renewable sources (kWh)
- Greenhouse Gas (GHG) emissions reduced/avoided (tCO₂e)

RISK FACTORS

The Company believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.

The Company believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Company to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Company based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

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, 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 labour 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.

The Company may not successfully implement its growth and other strategic objectives 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. In addition, the Company may from time to time divest its interests in certain of its assets in order to realise value or to structure its portfolio to align with the Company's long-term objectives. The Company's success in implementing its strategic priorities 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, identify value realisation initiatives and potential purchasers, and maintain sufficient operational and financial controls.

The Company's strategic initiatives 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, form these partnerships or engage in value realisation and portfolio restructuring initiatives, or if the Company's investments and partnerships prove unsuccessful. Further, the Company's strategic goals, including 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, investments, or value realisation or portfolio restructuring initiatives may not materialise within the time periods or to the extent anticipated and may affect the Company's financial condition.

The Company may not be able to identify suitable acquisition, investment, value realisation and portfolio restructuring opportunities or make acquisitions, investments, value realisations or portfolio restructuring, on beneficial terms, or obtain financing necessary to complete and support such acquisitions and investments. Regulation of merger and acquisition activity by relevant authorities or other regulators may also limit the Company's ability to engage in 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 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 the Company's 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 the Company's 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 and related payments, subject to the regulatory frameworks applicable in each jurisdiction. For example, in April 2021, the ERC released a public advisory that there will be a moratorium on the imposition of interest on delayed FIT payments due to the COVID-19 pandemic. This moratorium will be imposed for six billing periods from the relevant billing period wherein the interest had first been incurred. While the moratorium is not expected to have a significant impact on ACEN cash flows, future tariffs or changes to existing tariffs and the collection of payments in the future 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.

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 reach 5,000 MW of renewable energy capacity by 2025, the Company estimates that it will require around U.S.\$2 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 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's 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.

The Company's portfolio of power projects in operation and under construction include those located in Australia, Indonesia, Vietnam, and India, with plans for further international expansion in other countries such as South 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 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.\$24.0 million. Due to the current situation in the country, plans in Myanmar have currently been put on hold. The 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 Philippine Economic Zone Authority 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.

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 the Company'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.

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 the Company'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 ("ECQ") 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 11 September 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 instalments. 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.

On 1 June 2021, the House of Representatives approved on final reading House Bill No. 9411 or the Bayanihan to Arise as One bill ("**Bayanihan 3 Bill**"), which proposes a stimulus budget amounting to ₱401 Billion which will serve

as financial aid and cash subsidy to Filipinos impacted by the COVID-19 pandemic. The Bayanihan 3 bill is currently pending before the Senate of the Philippines. Due to the increasing number of Delta variant cases in the Philippines, Metro Manila was placed under ECQ from 6 August to 20 August 2021, while the rest of the country (including Metro Manila after 20 August 2021) is under various degrees of general community quarantines for the month of August 2021.

Other countries where the Company operates such as Vietnam, Australia, Indonesia, and India were also affected by COVID-19 and their respective governments have reacted in varying degrees of social and economic control to mitigate the spread. To support their economies and local businesses, the various national governments have initiated various fiscal and monetary programs.

Vietnam, one of the few countries that initially managed to effectively contain the spread of COVID-19, began its response to the pandemic with a ban on all flights coming from China beginning 1 February 2020. On 3 March 2020, Prime Minister Nguyen Xuan Phuc announced a U.S.\$1.16 billion fiscal stimulus package from the government's contingency budget. The package included tax breaks, delayed tax payments, and government spending on infrastructure. The government has delayed collecting an estimated U.S.\$7.6 billion in value-added tax, corporate income tax, and land rent from various businesses and households for five months starting April. As the pandemic progressed, the country went into a national lockdown on 1 April 2020. Shortly thereafter, the government announced plans for a U.S.\$2.6 billion fiscal package to support those most affected by the pandemic. Under the new package, those displaced from their jobs received about U.S.\$76 per month through June 2020, low-income households collected about U.S.\$42 per month, and those who "rendered services to the state during the revolution" were sent about U.S.\$22 a month. By 25 April 2020, the government began releasing guidelines that allowed certain areas of Vietnam to lift quarantine measures once virus containment has been proven. Throughout May to July 2020, Vietnam attempted to reopen its economy, gradually allowing in-land travel as well as the resumption of flights to and from China. As Vietnam began to revive its tourism industry, a number of cases were detected, and the government immediately imposed lockdowns in select localities. Vietnam has since witnessed multiple waves of COVID-19 cases. Following the emergence of the Delta variant of the virus, the number of cases detected in the country has seen a sharp increase from just about 10,000 total cases in June 2021 to about 190,000 in early August 2021, this has caused the government to impose several lockdowns for its biggest cities.

The current project construction in Vietnam has been impacted by the recent COVID-19 outbreak in the country, wherein stricter restrictions of travel and movement of both people and equipment are imposed. This can potentially lead to restricted access of foreign consultants to the site and construction delays, resulting in portions of the projects to miss the FIT deadline if not extended by the Vietnam government.

During the pandemic, Australia's various states have varying degrees of restrictions, with some declaring state of emergencies, social restrictions, closing of schools, suspending flights, and closing interstate borders as needed. Generally, while most other countries faced prolonged strict restrictions, Australians enjoyed fairly open societies given its geographic isolation and its strict limits on international arrivals, however, following the emergence of the Delta variant, the National Cabinet also decided to halve the number of airline passengers allowed into Australia per week from over 6,000 to just about 3,000. In early March 2020, an initial AUD23 billion stimulus package was unveiled by the Prime Minister to protect Australians' health, secure jobs and set the economy to bounce back from the crisis. On 22 March 2020, the government announced a second stimulus package of AUD66 billion, increasing the amount of total financial package offered to AUD89 billion. This included several new measures; most notably a coronavirus supplement of an extra AUD550 per fortnight of income support, and relaxed eligibility criteria for individuals on Jobseeker Payment (formerly Newstart), and grants of up to AUD100,000 for small and medium-sized businesses. Australia's federal budget document in May 2021 also revealed that about AUD311 billion has been spent for direct economic and health support in the country since the onset of the pandemic.

While the pandemic has had no significant impacts to the construction of the New England Solar Farm, the Company did opt to delay the commencement of construction to 2021, after the initial wave of the pandemic in 2020. Travel restrictions have also posed some difficulties in the conduct of physical site visits, impacting the conduct of predevelopment works in the country.

Prior to any official social restrictions in Indonesia, in support of its economy, Indonesian President Joko Widodo issued the country's first stimulus package worth U.S.\$725 million on 25 February 2020, providing fiscal incentives

to support the country's tourism, aviation, and property industries as well as allocating U.S.\$324 million to low-income households. In March 2020, the government announced two stimulus packages totalling to U.S.\$33.1 billion covering tax reliefs, healthcare spending, and social protection. On 31 March 2020, by virtue of Presidential Decree No. 11 of 2020, the President of Indonesia declared COVID-19 a "Public Health Emergency" ("**Darurat Kesehatan Masyarakat**") and on 13 April 2020 through Presidential Decree No. 12 of 2020, a "**National Disaster**" ("**Bencana Nasional**"). The government of Indonesia implemented various protective measures, including large-scale social restrictions ("**Pembatasan Sosial Berskala Besar**"), imposing temporary travel restrictions on inbound travellers, closing of certain schools and workplaces, the cancellation of hajj pilgrimage which about 200,000 Indonesians were preparing to make, and bans on activities in public places. On 18 May 2020, the government announced another U.S.\$43 billion in economic stimulus supporting state-owned enterprises and subsidizing loan repayments. In September 2020, Jakarta again went into large-scale social restrictions as cases in the capital city continued to rise. By October 2020, Indonesia began a wider reopening of the economy; however, following the emergence of coronavirus variants, the country has again been placed in varying degrees of lockdowns which are still in place as of August 2021.

In India, a nationwide lockdown was first announced on 24 March 2020 putting the country into a lockdown for 21 days. The lockdown was subsequently extended until 3 May then 17 May then 31 May, with relaxations for regions where the diseases is thought to be contained. On 30 May, restrictions were lifted for some areas, while extensions were implemented only for containment zones with businesses and services resuming in phases ("**Unlock 1.0**"). Subsequent easings named Unlock 2.0, 3.0, 4.0, 5.0, 6.0, and 7.0 followed thereafter for the months of July to October. In aiding its people and its economy, India first announced a relief package worth U.S.\$22.6 billion to assist its poor population during the pandemic. On 12 May 2020, Narendra Modi announced another relief package worth U.S.\$266 billion in fiscal and monetary measures to support the economy. On 12 November 2020, the country's finance minister also announced another U.S.\$35.7 billion stimulus package which is aimed to incentivize job creation and boost real estate investments. Due to a second wave of infections in the county and the onset of the Delta variant infections, several localized lockdowns were again introduced beginning April of 2021.

The Company's two solar projects in India were completed despite the pandemic, and both started operations in the second quarter of 2021. However, the Company has experienced some delays in predevelopment work for other projects in its pipeline, given the implementation of lockdowns in India.

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;
- restrictions on travel or mobilization, which may results in supply chain disruptions and delays in construction;
- 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;

- dampened demand due to lower consumption, shutdown of businesses, and restrictions on operations of various industries;
- 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 various degrees of community quarantine imposed across the jurisdictions where the Company operates have affected and could adversely impact (a) the completion of the Company’s projects as construction is not an activity given priority under the government guidelines, (b) demand for the Company’s product, as industries, offices, and shopping malls account for bulk of energy consumption, (c) spot market prices as demand for electricity may be 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 these countries and could materially and adversely affect the Company’s business, financial condition and results of operations. To the extent the COVID-19 pandemic adversely affects the business and financial results of the Company, it may also have the effect of heightening many of the other risks described in this Offering Circular.

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.

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

The countries in which the Company has investments have demonstrated a commitment to renewable energy. As a result, these countries have created favourable 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.

Due to the impact of COVID-19 and related travel and movement restrictions in Vietnam, construction of certain renewable energy projects in the country, including the Company's projects, has been interrupted. As such, certain turbines/portions of the projects may not be completed by the November 2021 FIT deadline, and may not receive the FIT, which may impact future cash flows and the profitability of such projects.

Further, the FIT commitments are 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.

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 a 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 fulfil 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.

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. For example, due to the impact of COVID-19 and related travel and movement restrictions in Vietnam, construction of certain renewable energy projects in the country, including the Company's projects, has been interrupted. As such, certain turbines/portions of the projects may not be completed by the November 2021 FIT deadline, and may not receive the FIT, which may impact future cash flows and the profitability of such projects.

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 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.

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 and its ability to fulfil its guarantee obligations under the Notes.

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. Furthermore, such restrictions could likewise impact the Company's ability to fulfil its guarantee obligations under the Notes.

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.

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;
- claims or issues in relation to potential environmental, ecological and social effects in relation to the sites of its power development projects;
- 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.

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. Similarly, recent trends in investment mandates and strategies favouring renewable over conventional energy sources may make it more difficult for the Company to obtain financing or refinance existing financing in respect of its thermal coal projects. 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.

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. See also "*Business—Legal Proceedings—Power Barge 102 Oil Leakage*".

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. For example, in 3 July 2020, Power Barge 102, a diesel barge located in Iloilo, Philippines discharged fuel oil in the coast of Iloilo City resulting in the temporary displacement of over 60 households. Initial findings revealing that the discharge was attributable to the 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 neighbouring area were temporarily relocated in coordination with local government officials while their surroundings underwent clean-up. See "*Business—Legal Proceedings—Power Barge 102 Oil Leakage*". 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.

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. For example, in the first half of 2021, the Company experienced a 5.8% curtailment in respect of the power generation of its solar assets in Vietnam as a result of lower demand due to the COVID-19 pandemic and the Tet holidays in the country, and it is possible that the Company will be subject to further curtailments in the future as electricity generation and supply is adjusted in line with demand and other market factors. 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.

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 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. Further, the government may impose moratorium on collections. For example, the Bayanihan 2 Act imposed a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of ECQ or modified ECQ without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly instalments. In April 2021, the ERC released a public advisory that there will be a moratorium on the imposition of interest on delayed FIT payments due to the COVID-19 pandemic. This moratorium will be imposed for six billing periods from the relevant billing period wherein the interest had first been incurred. In addition, the power projects in Indonesia and in Vietnam are exposed to collection risks from the *Perusahaan Listrik Negara* (“**PLN**”) as the sole electricity business authority in Indonesia and Vietnam Electricity (“**EVN**”), which has total control of the national power transmission and distribution market in Vietnam, respectively. The power projects in India, once operational, may also be exposed to collection risk from government related entities such as Solar Energy Corporation of India (“**SECI**”) and Gujarat Urja Vikas Nigam Ltd. (“**GUVNL**”), which are its off-takers. 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.

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.

The Company's functional currency is the Philippine Peso, and the Company 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. 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 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 honoured 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 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.

The Company is dependent on the support of ACEIC.

The Company and ACEIC has a Management Contract effective 1 September 2018, with a term of five years, pursuant to which ACEIC provides certain services such as, but not limited to, human resources, corporate affairs, legal, and finance. 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.

RISKS RELATING TO THE PHILIPPINES

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 or that periods of political instability will not occur in the future, particularly in connection with or resulting from the Philippine Presidential elections to be held in May 2022. There can be no assurance that the next administration will continue to implement the economic policies favoured by the current administration. Major deviations from the policies of the current administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and 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. 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 neighbouring 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 neighbouring 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 favour 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 neighbouring 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, particularly as to the operations of ACE Enexor's SC 55 block which is located near the West Philippine Sea.

Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Company, than is regularly made available by public companies in the U.S. and other countries. As a result, public shareholders of the Company may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Company and its Philippine subsidiaries comply with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Revised Corporation Code of the Philippines requires the Company to have independent Directors constituting at least 20.0% of its board of directors. The Company exceeds that requirement and currently has five independent directors.

Furthermore, corporate governance standards may be different for public companies listed on the Philippine securities markets than for securities markets in developed countries. Rules and policies against self-dealing and regarding the preservation of interests of public shareholders of the Company may be less well-defined and enforced in the Philippines than elsewhere, putting public shareholders at a potential disadvantage. Because of this, the directors of Philippine companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of public shareholders of the Company.

Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Company's businesses.

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. The value of the Peso underwent significant fluctuations between July 1997 and December 2004

and the Peso declined from approximately ₱29.00 to U.S.\$1.00 in July 1997 to ₱56.18 to U.S.\$1.00 by December 2004, recovering to ₱43.89 at the end of December 2010.

The value of the Peso has generally depreciated since 2010, and its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. As of 30 June 2021, according to the BSP reference exchange rate bulletin, the Peso was at ₱48.544 per U.S.\$1.00 from ₱50.744 and ₱52.724 per U.S.\$1.00 at the end of 2019 and 2018, respectively.

Investors may face difficulties enforcing judgments against the Company.

The Company is organized under the laws of the Republic of the Philippines. A substantial portion of the Company's assets are located in the Philippines. It may be difficult for investors to effect service of process outside of the Philippines upon the Company. Moreover, it may be difficult for investors to enforce judgments against the Company outside of the Philippines in any actions pertaining to the Notes. In addition, most of the directors and officers of the Company are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons or enforce against such persons judgments obtained in courts or arbitral tribunals outside of the Philippines predicated upon the laws of jurisdictions other than in the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Moreover, the Philippine enacted Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, to facilitate the enforcement of arbitral awards in the Philippines. Judgments obtained against the Company in any foreign court may be recognized and enforced by the courts of the Philippines in an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. The enforceability of foreign judgments in the Philippines is specifically provided for in the 1997 Rules of Civil Procedure. Section 48 of Rule 39 of the Rules of Civil Procedure provides that a judgment or final order of a tribunal of a foreign country having jurisdiction to give the judgment or final order is as follows: (a) in case of a judgment or final order upon specific property, is conclusive upon the title to that property; and (b) in case of a judgment or final order against a person, is presumptive evidence of a right between the parties and their successors in interest by a subsequent title. Further, Philippine courts have held that a foreign judgment is presumed to be valid and binding in the country from which it issues, until the contrary is shown, and the party contesting the foreign judgment has the burden of overcoming the presumption of its validity. However, such foreign judgment or final order may be rejected in the following instances: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment is contrary to good customs, public order, or public policy of the Philippines, (iv) the Company did not have notice of the proceedings before the foreign court, or (v) such judgment was based upon a clear mistake of law or fact.

RISKS RELATING TO NOTES ISSUED UNDER THE PROGRAMME AND THE GUARANTEE

The Issuer is a special purpose company with limited assets incorporated in the Cayman Islands.

It may be difficult for investors to effect service of process outside of the Cayman Islands upon the Issuer. Moreover, it may be difficult for investors to enforce judgments against the Issuer outside the Cayman Islands in any actions pertaining to the Notes. In addition, substantially all of the directors and the officers of the Issuer are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Cayman Islands predicated upon the laws of jurisdictions other than the Cayman Islands.

The Issuer is a finance company that will depend on payments from the Company or the Company's other subsidiaries to provide it with funds to meet its obligations under the Notes.

The Issuer was formed for the purpose of issuing the Notes; as such, the Issuer has no business operations or subsidiaries and, upon completion of this offering of Notes, its only assets will be the net proceeds from the issuance of the Notes, to the extent retained. Accordingly, the Issuer will be wholly dependent upon payments from the Company or the Company's other subsidiaries to make payments due on the Notes.

Substantial leverage and debt service obligations could adversely affect the Company's businesses and prevent the Issuer and the Company from fulfilling their obligations under the Notes and the Guarantee.

Subject to limitations under the Trust Deed, the Company will be permitted to incur additional indebtedness in the future. For a summary of the Company's existing indebtedness as of 30 June 2021, see "*Description of Material Indebtedness*". The degree to which the Company will be leveraged in the future, on a consolidated basis, could have important consequences for the Noteholders, including, but not limited to:

- making it more difficult for the Issuer and the Company to satisfy their respective obligations with respect to the Notes and the Guarantee;
- increasing vulnerability to, and reducing the Company's flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of cash flow from operations to the payment of principal of, and interest on, the Company's consolidated indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting flexibility in planning for, or reacting to, changes in the Company's businesses, the competitive environment and the industry in which the Company operates;
- placing Noteholders at a competitive disadvantage compared to the Company's competitors that are not as highly leveraged; and
- limiting the Company's ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could materially and adversely affect the Company's ability to satisfy debt obligations, including the Notes and the Guarantee.

The Company is subject to certain covenants pursuant to the Trust Deed and other of its financing agreements that may limit the Company's ability to finance the Company's future operations and capital needs and to pursue business opportunities and activities.

The Trust Deed will, among other things, restrict the ability of the Issuer, the Company and, in some cases, certain of the Company's subsidiaries to:

- incur or guarantee additional indebtedness;
- create or incur certain liens;
- create or permit to exist any restrictions on the payment of dividends to the Company by certain of the Company's subsidiaries;
- enter into unrelated businesses or engage in certain activities; and

- consolidate or merge with other entities.

See “*Terms and Conditions of the Notes other than Undated Notes—Covenants.*” These covenants and other restrictions and limitations may limit the Company’s ability to finance its future operations and capital needs and its ability to pursue business opportunities and activities that may be in the Company’s interest. In addition, certain of the Company’s other financing agreements provide for restrictions and limitations on the Company’s ability to pay dividends or make other distributions on the occurrence of certain events. All of these limitations are subject to significant exceptions and qualifications.

The Company will require a significant amount of cash to meet its obligations under its indebtedness and to sustain its operations, which the Company may not be able to generate or raise.

The ability of the Issuer and the Company to make scheduled principal or interest payments on the Notes and the Company’s ability to make payments on the Company’s indebtedness and the Company’s contractual obligations (see “*Description of Material Indebtedness*”), and to fund the Company’s ongoing operations, will depend on the Company’s future performance and the Company’s ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in this “*Risk Factors*” section, many of which are beyond the Company’s control. If the Company’s future cash flows from operations and other capital resources are insufficient to pay the Company’s debt obligations, the Company’s contractual obligations, or to fund the Company’s other liquidity needs, the Company may be forced to sell assets or attempt to restructure or refinance the Company’s existing indebtedness. No assurance can be given that the Company would be able to accomplish any of these measures on a timely basis or on satisfactory terms or at all.

Payments under the Notes and the Guarantee will be structurally subordinated to liabilities and obligations of certain of the Company’s subsidiaries, and the Notes are not secured.

The Issuer is a special purpose finance vehicle with no operations. The operations of the Company are conducted through its subsidiaries and, therefore, the Company depends on the cash flow of its subsidiaries to meet its obligations, including its obligations under the Guarantee. Further, none of the Company’s subsidiaries will guarantee the Notes on the issue date. Accordingly, the Notes and the Guarantee will be structurally subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Company’s subsidiaries, unless such subsidiaries guarantee the Notes in the future in the circumstances specified in the Conditions. For a summary of the Company’s existing indebtedness as of 30 June 2021, see “*Description of Material Indebtedness.*”

Any right of the Company to receive assets of any of its subsidiaries upon the subsidiary’s liquidation or reorganization (and the consequent right of the Noteholders to participate in those assets) will be effectively subordinated to the claims of that subsidiary’s creditors, except to the extent that the Company is itself recognized as a creditor of the subsidiary, in which case the claims of the Company would still be subordinate in right of payment to any security in the assets of the subsidiary and any indebtedness of the subsidiary which is senior to that held by the Company. In addition, the Noteholders will not have the benefit of any security interest over the shares of any of the Company’s other subsidiaries or any security interest over the assets of any of the Company’s other subsidiaries.

Under the Conditions, in certain circumstances, subsidiaries of the Company would be permitted to incur non-recourse debt and certain types of project financing, which would be structurally senior to the Notes and the Guarantee.

The covenant relating to the incurrence of indebtedness contained in Condition 4.3 of the Conditions of the Notes other than Undated Notes restricts the Issuer, the Company and certain of the Company’s subsidiaries from incurring indebtedness if, after giving effect to the incurrence of such indebtedness and the application of the proceeds therefrom, the Company’s Net Debt to Total Equity ratio would exceed 2.5 to 1.0. Due to the exclusion of non-recourse debt from the definition of “Net Debt”, so long as the Company’s Net Debt to Total Equity ratio does not exceed 2.5 to 1.0 at a given time, the Company and its subsidiaries are permitted to incur an unlimited amount of non-recourse debt since such indebtedness would not be included as “Net Debt” in the ratio calculation.

In addition, certain subsidiaries of the Company are permitted to incur an unlimited amount of certain types of project financing at any time. Any such non-recourse debt and certain types of project financing debt would be structurally senior to the Notes and the Guarantee.

Debt notarized under Philippine law has effective priority over a guarantee.

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit is made) may be sufficient to constitute a debt evidenced by a public instrument.

The Issuer may not have the ability to raise the funds necessary to finance an offer to repurchase Notes upon the occurrence of certain events constituting a change of control as required by the Trust Deed.

Upon the occurrence of certain events constituting a change of control, the Issuer is required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101.0% of the principal amount of the Notes. If a change of control were to occur, no assurance can be given that the Issuer and the Company would have sufficient funds available at such time to pay the purchase price of the outstanding Notes. A change of control may result in an event of default under, or acceleration of, other indebtedness.

There has been no prior market for the Notes, an active trading market for the Notes may not develop, and the trading price of the Notes could be materially and adversely affected.

Notes issued as a new series will be an issue of securities for which there is currently no trading market. The Company has been advised that the Dealers intend to make a market in the Notes, but are not obligated to do so and may discontinue such market making activity at any time without notice. The Company cannot predict whether an active trading market for the Notes will develop or be sustained. If an active trading market were to develop, the Notes could trade at prices that may be lower than the initial offering price. The price at which the Notes trade depends on many factors, including but not limited to:

- prevailing interest rates and the markets for similar securities;
- general economic conditions; and
- the Company's financial condition, historical financial performance and future prospects.

If an active market for the Notes fails to develop or be sustained, the trading price of the Notes could be materially and adversely affected. Application has been made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. However, there can be no assurance that the Company will obtain or be able to maintain such a listing or that, if listed, a trading market will develop for the Notes on the SGX-ST. The Company does not intend to apply for listing of the Notes on any securities exchange other than the SGX-ST. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a holder's ability to dispose of the Notes.

The transfer of Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the Guarantee have not been registered under, and Issuer and the Company are not obligated to register the Notes or the Guarantee under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See "*Subscription and Sale*". The Issuer

and the Company have not agreed to or otherwise undertaken to register the Notes (including by way of an exchange offer), and the Issuer and the Company have no intention of doing so.

The Company will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, and such standards may be different from those applicable to debt securities listed in certain other countries.

The Company will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Notes may be accustomed to.

The Notes and the Guarantee will not be registered with the BSP and without BSP registration, the Issuer and the Guarantor cannot access the Philippine banking system to purchase U.S. dollars to fulfil their obligations under the Guarantee.

The Issuer and the Guarantor have not registered, and do not intend to register the issuance of the Notes, the Guarantee or the issuance of other U.S. dollar-denominated debt obligations with the BSP. The Issuer and the Guarantor will not be able to purchase U.S. dollars from the Philippine banking system for the purpose of funding payments under the Notes and the Guarantee.

If a holder holds Notes which are not denominated in such holder's home currency, such Noteholder will be exposed to movements in exchange rates adversely affecting the value of the Notes held. In addition, the imposition of exchange controls in relation to any Notes could result in a holder not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if a holder's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes.

The Government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency denominated obligations. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. None of the Issuer nor the Company is aware of any pending proposals by the Government regarding such restrictions. Although the Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the Government will maintain such policy or will not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restriction imposed in the future could adversely affect the ability of holders to repatriate foreign currency upon sale of the Notes or receipt of any dividends.

Holders may not receive definitive Notes for Notes with denominations involving integral multiples.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination (as specified in the applicable Pricing Supplement) plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not

receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

Noteholders are required to rely on the procedures of the relevant clearing system and its participants while the Notes are held in global form through the relevant clearing system.

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

If definitive Notes are issued, holders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorization of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.

The U.S. Foreign Account Tax Compliance Act (or “**FATCA**”) imposes a reporting regime and, potentially, a 30% withholding tax. While the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related

to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. In the event any withholding under FATCA were imposed on payments under the Notes, the Issuer has no obligation to gross up for any such withholding. Furthermore, the Issuer's obligations under the Notes are discharged once it has paid the common depository for the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for investors. Set out below is a description of certain such features and associated risks.

Notes subject to optional redemption by the Issuer.

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Undated Notes.

The Undated Notes may be redeemed at the option of the Issuer on the First Redemption Date or any subsequent Interest Payment Date or upon the occurrence of certain other events and the interest on the Undated Notes is "fixed-for-life."

The Undated Notes are redeemable at the option of the Issuer, in whole but not in part, on the First Redemption Date or any Interest Payment Date falling after the First Redemption Date at the Redemption Price. The interest rate on the Undated Notes is "fixed-for-life" and the Undated Notes will continue to earn interest at the same fixed rate if the Undated Notes are not redeemed on the First Redemption Date and for as long as the Undated Notes are outstanding.

The Undated Notes may also be redeemed (in whole but not in part) at the option of the Issuer at the Redemption Price (A) upon the occurrence of certain changes in the Cayman Islands or Philippine tax law requiring the payment of Additional Amounts; (B) upon the occurrence of a change in law, rule, regulation or official interpretation thereof wherein there is more than an insubstantial risk that the Issuer will no longer be able to obtain a deduction for the purposes of corporations tax of the Relevant Jurisdiction for any payment of interest in respect of any interest under the Undated Notes; or (C) in the event less than 25% of the aggregate principal amount of the Notes originally issued remain outstanding, in each case on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Noteholders in accordance with Condition 14 (*Notices*) and to the Trustee and the Principal Paying Agent in writing. See "*Terms and Conditions of the Undated Notes.*"

The date on which the Issuer elects to redeem the Undated Notes may not accord with the preference of individual Noteholders. This may be disadvantageous to the Noteholders in light of market conditions or the individual circumstances of the holder of the Undated Notes. An investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Undated Notes. In addition, the current market interest rate on the capital markets (the "**market interest rate**") typically changes on a daily basis and Noteholders should be aware that movements in these market interest rates can adversely affect the price of the Undated Notes and can lead to losses for the Noteholders if they sell the Undated Notes. Fluctuations in interest rates could therefore affect the levels of capital gains or losses on the Undated Notes and make it impossible to determine the yield of such securities in advance. During periods of rising interest rates, the prices of fixed rate securities, such as the Undated Notes, tend to fall and gains are reduced or losses incurred upon their sale. Therefore, investment in

the Undated Notes involves the risk that changes in market interest rates may adversely affect the value of the Undated Notes.

The Issuer may be unable to redeem the Undated Notes.

Each Noteholder may, at its option and subject to certain conditions, require the Issuer to repurchase all (but not some only) of its Undated Notes upon the occurrence of a Change of Control (as described in Condition 7.5 of the Conditions of the Undated Notes), (i) at any time prior to the First Redemption Date at the Special Redemption Price, or (ii) on or at any time after the First Redemption Date, at the Redemption Price. If such an event were to occur, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Undated Notes in time, or on acceptable terms, or at all. The ability to redeem the Undated Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Undated Notes by the Issuer would constitute an event of default under the Undated Notes, which may also constitute a default under the terms of other indebtedness of the Company.

The Undated Notes are perpetual notes and investors have no right to require redemption.

The Undated Notes are perpetual and have no fixed final maturity date. Except in certain circumstances and unless otherwise provided in the applicable Pricing Supplement, Noteholders have no right to require the Issuer to redeem the Undated Notes at any time and they can only be disposed of by sale. Holders who wish to sell their Undated Notes may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Undated Notes. Therefore, holders of Undated Notes should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time and may not recover their investment in the foreseeable future.

Index Linked Notes and Dual Currency Notes.

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to such a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of the Notes could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The regulation and reform of “benchmark” rates of interest and indices may adversely affect the value of Notes linked to or referencing such “benchmarks”.

The Programme allows for the issuance of Notes that reference certain interest rates or other types of rates or indices which are deemed to be “benchmarks”, including LIBOR or EURIBOR, with respect to certain Floating Rate Notes. Interest rates and indices which are deemed to be or used as benchmarks are the subject of national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the “**EU Benchmarks Regulation**”) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union (the “**EU**”). Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered

(or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of UK domestic law by virtue of the EUWA (the “**UK Benchmarks Regulation**”), among other things, applies to the provision of benchmarks and the use of a benchmark in the United Kingdom. Similarly, it prohibits the use in the United Kingdom by UK-supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Floating Rate Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

Any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The UK Financial Conduct Authority has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, ICE Benchmark Administration Limited (“**IBA**”), the administrator of LIBOR, published a statement confirming its intention to cease publication of all LIBOR settings, together with the dates on which this will occur, subject to the FCA exercising its powers to require IBA to continue publishing such LIBOR settings using a changed methodology (the “**IBA announcement**”). Concurrently, the FCA published a statement on the future cessation and loss of representativeness of all LIBOR currencies and tenors, following the dates on which IBA has indicated it will cease publication (the “**FCA announcement**”). Permanent cessation will occur immediately after 31 December 2021 for all Euro and Swiss Franc LIBOR tenors and certain Sterling, Japanese Yen and U.S. dollar LIBOR settings and immediately after 30 June 2023 for certain other U.S. dollar LIBOR settings. In relation to the remaining LIBOR settings (one-month, three-month and six-month Sterling, U.S. dollar and Japanese Yen LIBOR settings), the FCA will consult on, or continue to consider the case for, using its powers to require IBA to continue their publication under a changed methodology for a further period after the end of 2021 (or the end of June 2023 in the case of U.S. dollar LIBOR). The FCA announcement states that consequently, these LIBOR settings will no longer be representative of the underlying market that such settings are intended to measure immediately after 31 December 2021, in the case of the Sterling and Japanese Yen LIBOR settings and immediately after 30 June 2023, in the case of the U.S. dollar LIBOR settings. Any continued publication of the Japanese Yen LIBOR settings will also cease permanently at the end of 2022.

Separately, the euro risk-free rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, among other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rate.

Investors should note that, subject further to the terms of the relevant Notes, the announcements mentioned in the preceding paragraphs may be construed as a Benchmark Event or a Benchmark Transition Event (each as defined in the Conditions) having occurred.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions of the Notes other than Undated Notes provide for certain fallback arrangements in the event that a Benchmark Event or a Benchmark Transition Event occurs. Benchmark Events include (among other things) where a relevant Reference Rate ceases to be published for a period of at least five business days or ceases to exist, where a public

statement has been made by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued or where it has become unlawful for any Paying Agent or Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the relevant Reference Rate. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Conditions), with or without the application of an adjustment spread and may include amendments to the Conditions (which may be effected by the Trustee, at the direction of the Issuer, without the consent of holders) to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser appointed by the Issuer.

An adjustment spread, if applied, could be positive or negative or zero and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of a relevant Reference Rate. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Reference Rate (including with the application of an adjustment spread) will still result in any Notes linked to or referencing a relevant Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the relevant Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event or a Benchmark Transition Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should be aware that, if the relevant Reference Rate were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference the relevant Reference Rate will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the relevant Reference Rate is to be determined under the Conditions, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the relevant Reference Rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when the relevant Reference Rate was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference the relevant Reference Rate.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions in making any investment decision with respect to any Notes linked to or referencing a benchmark.

RISKS RELATING TO THE NOTES ISSUED AS GREEN BONDS

Notes issued as “Green Bonds” may not be a suitable investment for all investors seeking exposure to green assets.

Prospective investors should have regard to the information set out in the “*Green Bond Framework*” and in the applicable Pricing Supplement regarding use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment if Notes issued under the Programme are issued as “Green Bonds” together with any other investigation such investor deems necessary.

In particular, the Issuer may choose to apply the proceeds from the issue of Notes under the Programme for Eligible Green Projects which are defined in accordance with the broad categorization of eligibility for green projects set out by the ASEAN Green Bond Standards, as administered by the ASEAN Capital Markets Forum, or the Green Bond

Principles 2021, as administered by the International Capital Market Association. No assurance is given by the Issuer, the Company or the Dealers that the use of such proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental sustainability or social impact of any projects or uses the subject of or related to, any Eligible Green Projects.

There can be no assurance that the relevant project(s) or use(s) (including those the subject of, or related to, any Eligible Green Projects) will be capable of being implemented in or substantially in the manner described in the Green Bond Framework and/or the applicable Pricing Supplement and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project(s) or use(s). Nor can there be any assurance that any such projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes. In addition, it would not be a default under the Green Bonds if (i) the Issuer were to fail to comply with such undertaking or were to fail to allocate the proceeds in the manner specified in the applicable Pricing Supplement and/or (ii) any Second Party Opinion issued in connection with such Green Bonds were to be withdrawn.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a green or sustainable or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as green or sustainable or such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any project(s) or use(s) the subject of or related to any Eligible Green Projects will meet any or all investor expectations regarding such green or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any project(s) or use(s) the subject of, or related to, any Eligible Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer or the Company) which may be made available in connection with the issue of the Notes and in particular with any Eligible Green Projects to fulfil any environmental and/or other criteria. For the avoidance of doubt, any such opinion or certification (i) is not, nor shall be deemed to be, incorporated in and/or form part of the applicable Pricing Supplement or this Offering Circular, (ii) is not, nor should be deemed to be, a recommendation by the Issuer, the Company or the Dealers or any other person to buy, sell or hold any the Notes and (iii) would only be current as of the date that it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that the Notes will be listed or admitted to trading on any dedicated green, environmental, sustainable or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Company or the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, for example with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Additionally, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Company, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of the Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Any such event or failure to apply the proceeds of the Notes for any project(s) or use(s), including any Eligible Green Projects, and/or the withdrawal, modification or downgrade of any opinion or certification as described above or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on, and/or the Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of the Notes

and also potentially the value of any other Notes which are intended by the Issuer to finance Eligible Green Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

RISKS RELATING TO STATEMENTS IN THIS OFFERING CIRCULAR

The Offering Circular contains certain statistical and industry information.

Certain statistical or industry information in this Offering Circular relating to the Philippines and other jurisdictions, the industries and markets in which the Company operates and other data used in this Offering Circular 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.

The presentation of financial information in this Offering Circular, including pro forma condensed consolidated financial information as at 31 December 2020 and for the years ended 31 December 2020 and 2019, 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 Offering Circular comprises historical information of the Company as at and for the years ended 31 December 2020, 2019 and 2018 and as of 30 June 2021 (with comparative figures as of 31 December 2020) and for the six months ended 30 June 2021 and 2020 as well as pro forma condensed consolidated financial information of the Company as at 31 December 2020 and for the years ended 31 December 2020 and 2019.

Following receipt of Philippine SEC approval in respect of the increase in the Company's capital stock necessary to effect the ACEIC Philippine Transaction on 22 June 2020, the Company's historical financial information as at and for the year ended 31 December 2019 was restated to give effect to the ACEIC Philippine Transaction, which was deemed to be effective as of 1 July 2019. Similarly, following receipt of Philippine SEC approval in respect of the second increase in the Company's capital stock necessary to effect the ACEIC International Transaction on 7 June 2021, the Company's historical financial information for the six months ended 30 June 2020 was restated to give effect to the ACEIC International Transaction, which was deemed to be effective as of 1 July 2019. In addition, the Company has prepared pro forma condensed consolidated financial information as at 31 December 2020 and for the years ended 31 December 2020 and 2019 based on the consolidated financial statements of the Company, adjusted to give pro forma effect to the ACEIC International Transaction as if such transaction had occurred as of 31 December and 1 January 2020.

The presentation of separate and/or restated historical financial results of the Company as at and for the years ended 31 December 2020, 2019 and 2018 and for the six months ended 30 June 2020 included in this Offering Circular may be of limited use to investors given the completion of the ACEIC Philippine Transaction and the ACEIC International Transaction in June 2020 and June 2021, respectively. Further, the pro forma consolidated results of operations and financial position of the Company as at 31 December 2020 and for the years ended 31 December 2020 and 2019 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 the ACEIC International Transaction been completed prior to 31 December 2020.

There is no assurance that the presentation of the historical or pro forma condensed consolidated financial information in this Offering Circular accurately depicts what the Company's financial results would have been for the relevant periods presented assuming the ACEIC Philippine Transaction and the ACEIC International Transaction had been effected prior to such periods, nor is such presentation indicative of future prospects, business performance, 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 Offering Circular, including the Company's pro forma condensed 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.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Company's capitalization as of 30 June 2021. This table should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto, included elsewhere in this Offering Circular.

	As of 30 June 2021	
	(P millions)	(U.S.\$ millions)
	(unaudited)	
Debt		
Loans payable ⁽¹⁾	21,272.7	438.2
Other noncurrent liabilities	1,899.2	39.1
Total debt	23,171.9	477.3
Equity		
Capital Stock	38,240.3	787.7
Additional paid-in capital	97,133.9	2,000.9
Other equity reserves	(55,620.2)	(1,145.8)
Unrealized fair value loss on equity instruments at FVOCI	(99.8)	(2.1)
Unrealized fair value gain on derivative instruments designated as hedges	108.2	2.2
Remeasurement loss on defined benefit plans	(24.4)	(0.5)
Accumulated share in other comprehensive loss of associates and joint ventures	(2.7)	(0.1)
Cumulative translation adjustments	(2,935.1)	(60.5)
Retained earnings	6,146.7	126.6
Treasury shares	(34.5)	(0.7)
Non-controlling interests	50,676.7	1,043.9
Total equity	133,589.1	2,751.9
Total capitalization	156,761.0	3,229.3

Notes:

(1) *Loans payable includes current portion of long-term loans and long-term loans – net of current portion.*

Other than as described above, there has been no material change in the capitalization of the Company since 30 June 2021.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected historical consolidated statement of financial position data as of 31 December 2020, 2019, 2018, and selected historical consolidated statement of income and cash flow data for the years ended 31 December 2020, 2019 and 2018 set forth below have been derived from, and should be read in conjunction with, the Company's audited consolidated financial statements, including the notes thereto, included elsewhere in this Offering Circular. SGV & Co., a member firm of Ernst & Young Global Limited, has audited the consolidated financial statements in accordance with Philippine Standards on Auditing. The selected historical consolidated statement of financial position data as of 30 June 2021 (with comparative figures as of 31 December 2020) and selected historical consolidated statement of income and cash flow data for the six months ended 30 June 2021 and 2020 have been derived from, and should be read in conjunction with, the Company's unaudited interim condensed consolidated financial statements, which SGV & Co. has reviewed in accordance with Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."

The Company's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated to give effect to the ACEIC Philippine Transaction as of 1 July 2019 following receipt of regulatory approval in respect of the increase in the Company's capital stock necessary to effect such transaction on 22 June 2020. In addition, the Company's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 and the comparative figures as of 31 December 2020 have been restated to give effect to the ACEIC International Transaction as of 1 July 2019 following receipt of regulatory approval in respect of the second increase in the Company's capital stock necessary to effect such transaction on 7 June 2021. Accordingly, the Company's audited consolidated financial statements as of and for the years ended 31 December 2020 and 2019 are not entirely comparable with the Company's audited consolidated financial statements as of and for the year ended 31 December 2018, and the Company's unaudited interim condensed consolidated financial statements as of 30 June 2021 (with comparative figures as of 31 December 2020) and for the six months ended 30 June 2021 and 2020 are not entirely comparable with the Company's audited consolidated financial statements as of and for the years ended 31 December 2020, 2019 and 2018. See "Risk Factors—Risks Relating to Statements in this Offering Circular—The presentation of financial information in this Offering Circular, including pro forma condensed consolidated financial information as at 31 December 2020 and for the years ended 31 December 2020 and 2019, 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".

Translations from Philippine Pesos to U.S. dollars for the convenience of the reader have been made at the BSP Rate on 30 June 2021 of U.S.\$1.00 to ₱48.544.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended 31 December				For the six months ended 30 June		
	2018	2019	2020		2020	2021	
	(audited)	(restated)	(audited)	(unaudited)	(restated)	(unaudited)	(in millions)
	₱	₱	₱	U.S.\$	₱	₱	U.S.\$
REVENUES							
Revenue from sale of electricity	15,113.6	16,096.5	20,283.3	417.9	9,887.5	13,319.4	274.4
Rental income	0.7	3.1	86.6	1.8	63.1	29.5	0.6
Dividend income	9.1	14.7	—	—	—	6.5	0.1
Other revenue	—	—	69.5	1.4	21.5	59.4	1.2
	15,123.4	16,114.4	20,439.5	421.1	9,972.0	13,414.9	276.3
COST AND EXPENSES							
Cost of sale of electricity	15,109.5	15,302.5	13,420.5	276.5	6,406.0	10,384.3	213.9
General and administrative expenses	654.5	767.8	2,585.3	53.3	984.3	1,221.2	25.2
	15,764.0	16,070.4	16,005.8	329.7	7,390.3	11,605.6	239.1
INTEREST AND OTHER							
FINANCE CHARGES	(433.6)	(976.0)	(1,879.9)	(38.7)	(926.6)	(803.7)	(16.6)
EQUITY IN NET INCOME OF ASSOCIATES	532.5	207.0	898.5	18.5	953.2	936.1	19.3
OTHER INCOME – NET ...	120.3	736.2	908.0	18.7	1,872.9	2,240.8	46.2

	For the years ended 31 December				For the six months ended 30 June		
	2018	2019	2020		2020	2021	
	(audited)	(restated)	(audited)	(unaudited)	(restated)	(unaudited)	
	₱	₱	₱	(in millions) U.S.\$	₱	₱	U.S.\$
INCOME (LOSS) BEFORE INCOME TAX.....	(421.6)	11.2	4,360.3	89.8	4,481.2	4,182.5	86.2
PROVISION FOR (BENEFIT FROM) INCOME TAX							
Current.....	20.7	99.3	197.7	4.1	150.4	87.9	1.8
Deferred.....	150.9	(220.9)	293.1	6.0	518.0	(22.6)	(0.5)
	171.6	(121.6)	490.8	10.1	668.4	65.3	1.3
NET INCOME (LOSS).....	(593.2)	132.9	3,869.5	79.7	3,812.8	4,117.2	84.8
Net income (loss) attributable to:							
Equity holders of the Parent Company.....	(560.5)	57.7	3,753.8	77.3	2,573.4	2,690.4	55.4
Non-controlling interests.....	(32.7)	75.2	115.7	2.4	1,239.4	1,426.8	29.4
	(593.2)	132.9	3,869.5	79.7	3,812.8	4,117.2	84.8
Basic/diluted earnings (loss) per share.....	(0.11)	0.01	0.35	0.01	0.34	0.13	0.0
OTHER COMPREHENSIVE INCOME							
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>							
Cumulative translation adjustment.....	—	—	—	—	(1,277.1)	521.1	10.7
Unrealized fair value losses on derivative instruments designated under hedge accounting.....	—	(21.1)	103.1	2.1	(189.7)	50.7	1.0
Income tax effect.....	—	6.3	(30.9)	(0.6)	—	—	—
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>							
Remeasurement gains (losses) on defined benefit plan.....	5.2	(10.8)	0.1	0.0	—	(17.4)	(0.4)
Net changes in the fair market value of equity instruments at FVOCI.....	1.5	(29.6)	(0.1)	(0.0)	(38.7)	(54.6)	(1.1)
Income tax effect.....	(0.9)	5.5	—	—	—	—	—
	5.8	(49.7)	72.1	1.5	(1,505.5)	499.8	10.3
<i>Share in other comprehensive income (loss) of a joint venture and an associate – net of deferred income tax</i>							
Share in other comprehensive income (loss) of an associate – net of deferred income tax.....	1.2	0.1	(0.6)	(0.0)	—	—	—
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>							
Unrealized fair value gain on derivative instruments designated as hedges – net for tax.....	—	—	—	—	—	16.7	0.3
Remeasurement loss on defined benefit plans, net of tax.....	—	—	—	—	(125.5)	(0.1)	0.0
<i>Net other comprehensive income (loss) to be</i>	7.0	(49.6)	71.5	1.5	(1,631.0)	516.4	10.6

	For the years ended 31 December				For the six months ended 30 June		
	2018	2019	2020		2020	2021	
	(audited)	(restated)	(audited)	(unaudited)	(restated)	(unaudited)	
	₱	₱	₱	(in millions) U.S.\$	₱	₱	U.S.\$
<i>reclassified directly to retained earnings in subsequent period</i>							
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX.....							
TOTAL COMPREHENSIVE INCOME (LOSS)	(586.2)	83.3	3,941.0	81.2	2,181.8	4,633.5	95.4
Total Comprehensive Income Attributable To:							
Equity holders of the Parent							
Company.....	(553.5)	8.1	3,825.3	78.8	944.2	3,204.3	66.0
Non-controlling interests...	(32.7)	75.2	115.7	2.4	1,237.6	1,429.3	29.4
	(586.2)	83.3	3,941.0	81.2	2,181.8	4,633.5	95.4

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of 31 December					As of 30 June 2021		
	2018	2019	2020			(unaudited)	2021	
	(audited)	(restated)	(audited)	(unaudited)	(restated)		(unaudited)	
	₱	₱	₱	U.S.\$	₱	U.S.\$	₱	U.S.\$
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents.....	1,022.4	9,593.2	5,135.5	105.8	28,077.2	578.4	39,480.4	813.3
Short-term investments.....	35.3	100.0	—	—	—	—	—	—
Receivables.....	2,627.3	3,122.4	6,095.0	125.6	16,611.7	342.2	32,442.6	668.3
Fuel and spare parts.....	413.7	938.5	1,391.3	28.7	1,391.3	28.7	1,459.1	30.1
Financial assets at fair value through profit or loss (FVTPL).....	743.7	—	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income (FVOCI).....	—	—	—	—	12,620.8	260.0	—	—
Current portion of:								
Input VAT.....	26.3	186.3	430.1	8.9	438.7	9.0	92.3	1.9
Creditable withholding taxes.....	79.4	179.0	649.3	13.4	649.3	13.4	597.0	12.3
Other current assets.....	182.8	212.8	453.2	9.3	453.4	9.3	952.6	19.6
	5,130.9	14,332.3	14,154.5	291.6	60,242.4	1,241.0	75,024.2	1,545.5
Assets held for sale.....	34.3	3.5	—	—	—	—	9.9	0.2
Total Current Assets.....	5,165.2	14,335.8	14,154.5	291.6	60,242.4	1,241.0	75,034.2	1,545.7
NONCURRENT ASSETS								
Property, plant and equipment.....	5,761.0	25,438.9	31,837.9	655.9	31,838.0	655.9	32,418.6	667.8
Investments in:								
Associates and joint ventures	4,322.7	2,534.1	6,593.5	135.8	18,795.1	387.2	20,000.6	412.0
Financial assets at FVOCI.....	258.0	533.1	1.2	0.0	381.2	7.9	330.1	6.8
Financial assets at FVTPL.....	5.5	—	—	—	—	—	—	—
Other financial assets at amortized cost.....	—	—	—	—	15,297.1	315.1	21,770.5	448.5
Investment properties.....	13.1	13.1	341.5	7.0	341.5	7.0	13.1	0.3
Receivables – net of current portion.....	—	—	—	—	6,540.3	134.7	9,496.9	195.6
Goodwill and other intangible assets.....	320.2	441.1	2,537.1	52.3	2,537.1	52.3	2,448.9	50.4
Right of use assets.....	-	951.8	2,343.4	48.3	2,343.4	48.3	2,881.7	59.4

	As of 31 December						As of 30 June	
	2018	2019	2020			2021		
	(audited)	(restated)	(audited)	(unaudited)	(restated)	(unaudited)	(unaudited)	
	₱	₱	₱	U.S.\$	₱	U.S.\$	₱	U.S.\$
Deferred income tax assets – net	261.3	653.9	416.4	8.6	416.4	8.6	480.9	9.9
Net of current portion:								
Input VAT	335.8	372.9	1,177.8	24.3	1,177.8	24.3	1,429.0	29.4
Creditable withholding taxes	704.7	861.2	601.8	12.4	601.8	12.4	726.8	15.0
Other noncurrent assets	1,777.2	2,401.6	3,570.2	73.6	1,303.8	26.9	1,752.4	36.1
Total Noncurrent Assets	13,759.5	34,201.7	49,420.8	1,018.2	81,573.4	1,680.4	93,749.6	1,931.2
TOTAL ASSETS	18,924.7	48,537.5	63,575.3	1,309.8	141,815.8	2,921.4	168,783.8	3,476.9
LIABILITIES AND EQUITY								
CURRENT LIABILITIES								
Accounts payable and other current liabilities	2,269.4	4,199.6	6,539.2	134.7	6,490.2	133.7	8,768.0	180.6
Short-term loans	400.0	3.6	9,438.6	194.5	4,635.0	95.5	—	—
Current portion of long-term loans	265.5	905.9	707.8	14.6	707.8	14.6	668.9	13.8
Current portion of lease liability	—	128.8	285.0	5.9	285.0	5.9	381.6	7.9
Income and withholding taxes payable	11.8	41.2	129.1	2.7	345.3	7.1	258.6	5.3
Due to stockholders	16.7	16.6	18.3	0.4	18.3	0.4	16.6	0.3
Total Current Liabilities	2,963.3	5,295.7	17,118.0	352.7	12,481.5	257.1	10,093.7	207.9
NONCURRENT LIABILITIES								
Long-term loans – net of current portion	6,071.5	22,292.7	21,682.9	446.7	21,546.4	443.9	20,603.8	424.4
Lease liability – net of current portion	—	852.7	1,631.6	33.6	1,631.6	33.6	2,407.7	49.6
Pension and other employee benefits	40.2	71.0	50.9	1.1	50.9	1.0	71.8	1.5
Deferred income tax liabilities – net	95.2	350.5	127.7	2.6	131.0	2.7	118.5	2.4
Other noncurrent liabilities	1,383.1	3,289.9	1,609.1	33.2	1,695.0	34.9	1,899.2	39.1
Total Noncurrent Liabilities	7,590.0	26,856.9	25,102.3	517.2	25,055.0	516.1	25,101.1	517.1
Total Liabilities	10,553.2	32,152.5	42,220.3	869.8	37,536.5	773.2	35,194.7	725.0
EQUITY								
Capital Stock	4,889.8	7,521.8	13,707.0	282.4	13,707.0	282.4	38,240.3	787.7
Additional paid-in capital	83.8	83.8	8,692.6	179.1	8,692.6	179.1	97,133.9	2,000.9
Other equity reserves	18.3	5,366.5	(7,541.2)	(155.4)	28,662.4	590.4	(55,620.2)	(1,145.8)
Unrealized fair value gains (losses) on equity instruments at FVOCI	59.8	(96.6)	(8.2)	(0.2)	143.6	3.0	(99.8)	(2.1)
Unrealized fair value losses on derivative instrument designated as hedges	—	(14.7)	57.4	1.2	57.4	1.2	108.2	2.2
Remeasurement gains (losses) on defined benefit plan	0.5	9.2	(7.0)	(0.1)	(7.0)	(0.1)	(24.4)	(0.5)
Accumulated share in other comprehensive loss of associates and joint ventures	(2.2)	(2.1)	(2.7)	(0.1)	(229.8)	(4.7)	(2.7)	(0.1)
Cumulative translation adjustments	—	—	—	—	(3,453.7)	(71.1)	(2,935.1)	(60.5)
Retained earnings	3,303.7	3,296.3	5,167.7	106.5	6,349.1	130.8	6,146.7	126.6
Treasury Shares	(27.7)	(27.7)	(40.9)	(0.8)	(40.9)	(0.8)	(34.5)	(0.7)
Total equity attributable to equity holders of the Parent Company	8,326.0	16,136.4	20,024.6	412.5	53,880.5	1,109.9	82,912.4	1,708.0

	As of 31 December						As of 30 June	
	2018	2019	2020		(unaudited)	2021		
	(audited)	(restated)	(audited)	(unaudited)		(restated)	(unaudited)	
	₱	₱	₱	U.S.\$	₱	U.S.\$	₱	U.S.\$
Non-controlling interests.....	45.5	248.6	1,330.5	27.4	50,398.8	1,038.2	50,676.7	1,043.9
Total Equity	8,371.5	16,385.0	21,355.1	440.0	104,279.3	2,148.1	133,589.1	2,751.9
TOTAL LIABILITY AND EQUITY	18,924.7	48,537.5	63,575.3	1,309.8	141,815.8	2,921.4	168,783.8	3,477.0

CONSOLIDATED STATEMENT OF CASH FLOWS DATA

	For the years ended				For the six months ended		
	31 December				30 June		
	2018	2019	2020		2020	2021	
	(audited)	(restated)	(audited)	(unaudited)	(restated)	(unaudited)	
	₱	₱	₱	U.S.\$	₱	₱	U.S.\$
Net cash flows provided by (used in) operating activities.....	(1,003.9)	603.4	3,814.2	78.6	(1,000.5)	1,714.9	35.3
Net cash used in investing activities.....	1,657.2	3,188.3	(14,337.8)	(295.4)	(16,483.9)	(8,821.2)	(181.7)
Net cash provided by financing activities.....	(935.4)	4,792.0	6,101.1	125.7	7,958.4	18,315.7	(377.3)
Effects of changes in foreign currency exchange rate on cash and cash equivalents.....	3.5	(12.9)	(35.3)	(0.7)	(339.5)	193.8	4.0
Net increase (decrease) in cash and cash equivalents.....	(278.6)	8,570.9	(4,457.8)	(91.8)	(9,865.5)	11,403.2	234.9
Cash and cash equivalents at beginning of period.....	1,301.0	1,022.4	9,593.2	197.6	39,630.3	28,077.2	578.4
Cash and cash equivalents at end of period.....	1,022.4	9,593.2	5,135.5	105.8	29,764.8	39,480.4	813.3

OTHER FINANCIAL AND NON-FINANCIAL INFORMATION

The table below provides summary additional financial information for the periods indicated:

	As of and for the years ended 31 December				As of and for the six months ended 30 June		
	2018	2019	2020		2020	2021	
	₱	₱	₱	U.S.\$	₱	₱	U.S.\$
	(in millions unless otherwise indicated)						
Total revenues ⁽¹⁾	15,655.9	16,321.4	21,338.0	439.6	10,925.2	14,350.9	295.6
EBITDA ⁽²⁾	924.2	1,997.5	8,283.1	170.6	5,239.9	6,069.2	125.0

Notes:

- Calculated as the sum of revenues and equity in net income of associates and joint ventures.
- EBITDA represents Income before Net Income Tax before interest expense and depreciation and amortization and excludes noncash expenses/losses (i.e., impairment provisions) and other income items (i.e., bank interest income, mark-to-market gains, and net foreign exchange gains). See “—Calculation of EBITDA” below for further information. EBITDA should not be viewed in isolation or as an alternative to financial measures calculated in accordance with PFRS. See “Presentation of Financial Information” and “Non-PFRS Financial Measures.” The following table presents a reconciliation of EBITDA from Income before Income Tax for each of the periods indicated.

	For the years ended				For the six months ended		
	31 December				30 June		
	2018	2019	2020		2020	2021	
	₱	₱	₱	U.S.\$	₱	₱	U.S.\$
Income (Loss) before Income Tax.....	(421.6)	11.2	4,360.3	89.8	4,481.3	4,182.5	86.2

	For the years ended 31 December				For the six months ended 30 June		
	2018	2019	2020		2020	2021	
	(in millions)						
	₱	₱	₱	U.S.\$	₱	₱	U.S.\$
Add:							
Interest Expense	433.6	976.0	1,879.9	38.7	926.6	803.7	16.6
Depreciation and amortization.....	405.8	1,037.7	1,810.7	37.3	874.9	965.8	19.9
Subtotal	839.4	2,025.0	8,050.9	165.8	6,282.7	5,951.9	122.6
Add:							
Impairment provisions....	148.1	57.1	618.4	12.7	0.4	162.4	3.3
Less:							
Other Income ⁽¹⁾	(63.4)	(84.6)	(386.2)	(8.0)	(1,043.3)	(45.1)	(0.9)
EBITDA	924.2	1,997.5	8,283.1	170.6	5,239.9	6,069.2	125.0

Note:

(a) Represents interest income from banks, mark-to-market gains, and net foreign exchange gains.

The table below summarizes Company's attributable generation capacity and Net Attributable Capacity for the periods indicated:

	For the years ended 31 December ⁽¹⁾			For the six months ended 30 June ⁽²⁾	
	2018	2019	2020	2020	2021
Attributable Generation Capacity (GWh)					
Philippines.....	899	1,370	2,231	1,151	1,388
International	—	—	—	780	855
Total	899	1,370	2,231	1,932	2,244
Net Attributable Capacity(MW)⁽³⁾					
Operating.....	416	1,033	1,217	1,180	1,542
Under Construction	—	302	671	480	1,047
Total	416	1,355	1,888	1,659	2,589

Notes:

- (1) The figures for the years ended 31 December 2019 and 2020 reflect the contribution of assets infused as part of the ACEIC Philippine Transaction starting 1 July 2019.
- (2) The figures for the six months ended 30 June 2020 and 2021 reflect the contribution of assets infused as part of the ACEIC Philippine Transaction and the ACEIC International Transaction from the start of the period.
- (3) Net Attributable Capacity refers to the product of (i) the Company's effective economic interest in the relevant power projects (in operation and under construction) and (ii) the project's net capacity.

PRO FORMA 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 ACEIC International Transaction and (ii) receipt of regulatory approval in respect of the second increase in the Company's capital stock necessary to effect such transaction on 7 June 2021, as if such investment, acquisition and other significant transactions had occurred as of 1 January 2020 or 31 December 2020. This summary should be read in conjunction with the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2019 included in this Offering Circular and the section entitled "Selected Consolidated Financial Information". 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 years ended 31 December 2020 and 2019 and after giving effect to certain assumptions and pro forma adjustments.

The pro forma condensed consolidated financial information has been prepared in accordance with Section 9, Part II of the SRC Rule 68 and has 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 1 January 2020 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 Offering Circular, see "Selected Consolidated Financial Information".

Translations from Philippine Pesos to U.S. dollars for the convenience of the reader have been made at the BSP Rate on 30 June 2021 of U.S.\$1.00 to ₱48.544.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	For the year ended 31 December 2020	
	(unaudited in millions)	
	₱	U.S.\$
REVENUES		
Revenue from sale of electricity	20,283.3	417.8
Rental income	86.6	1.8
Dividend income	14.0	0.3
Other revenue	104.3	2.1
	20,488.2	422.1
COSTS AND EXPENSES		
Cost of sale of electricity	13,420.5	276.5
General and administrative expenses.....	3,017.7	62.2
	16,438.2	338.6
INTEREST AND OTHER FINANCE CHARGES	(1,988.1)	(41.0)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES	1,490.2	30.7
OTHER INCOME – NET	3,551.9	73.2
INCOME BEFORE INCOME TAX	7,104.0	146.3
Provision for income tax		
Current	404.1	8.3

Deferred	297.8	6.1
	701.9	14.5
NET INCOME	6,402.2	131.9
Net Income Attributable to:		
Equity holders of the Parent Company.....	4,288.1	88.3
Non-controlling interests.....	2,114.1	43.6
Basic/Diluted Earnings Per Share	0.16	0.0
NET INCOME	6,402.2	131.9
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Cumulative translation adjustment.....	(5,980.0)	(123.2)
Unrealized fair value losses on derivative instruments designated under hedge accounting - net of tax	72.2	1.5
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>		
Net changes in fair value of equity instruments at FVOCI	81.7	1.7
Remeasurement gain on defined benefit plan – net of tax	0.0	0.0
SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES		
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</i>		
Unrealized fair value loss on derivative instruments designated as hedges – net of tax	(28.1)	(0.6)
Remeasurement loss on defined benefit obligation - net of tax.....	(33.6)	(0.7)
OTHER COMPREHENSIVE LOSS, NET OF TAX	(5,887.8)	(121.3)
TOTAL COMPREHENSIVE INCOME (LOSS) ...	514.3	10.6
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the Parent Company	(1,597.3)	(32.9)
Non-controlling interests	2,111.7	43.5
	514.3	10.6

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	For the year ended 31 December 2020	
	(unaudited)	
	(in millions)	
	P	U.S.\$
Net cash flows provided by operating activities.....	1,329.3	27.4

Net cash used in investing activities.....	(22,307.9)	(459.5)
Net cash provided by financing activities	10,864.2	223.8
Effect of changes in foreign currency exchange rate on cash and cash equivalents	(1,438.7)	(29.6)
Net decrease in cash and cash equivalents	(11,553.1)	(238.0)
Cash and cash equivalents at beginning of year	39,630.3	816.4
Cash and cash equivalents at end of year	28,077.2	578.4

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

The following is a discussion and analysis of the Company's financial condition and results of operations and certain trends, risks and uncertainties that may affect its business. The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial Information" and the Company's audited consolidated financial statements as of and for the years ended 31 December 2020, 2019 and 2018 and its unaudited interim condensed consolidated financial statements as of 30 June 2021 (with comparative figures as of 31 December 2020) and for the six months ended 30 June 2021 and 2020, including the notes thereto, included elsewhere in this Offering Circular.

The Company's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated to give effect to the ACEIC Philippine Transaction as of 1 July 2019 following receipt of regulatory approval in respect of the increase in the Company's capital stock necessary to effect such transaction on 22 June 2020. In addition, the Company's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 and the comparative figures as of 31 December 2020 have been restated to give effect to the ACEIC International Transaction as of 1 July 2019 following receipt of regulatory approval in respect of the second increase in the Company's capital stock necessary to effect such transaction on 7 June 2021. Accordingly, the Company's audited consolidated financial statements as of and for the years ended 31 December 2020 and 2019 are not entirely comparable with the Company's audited consolidated financial statements as of and for the year ended 31 December 2018, and the Company's unaudited interim condensed consolidated financial statements as of 30 June 2021 (with comparative figures as of 31 December 2020) and for the six months ended 30 June 2021 and 2020 are not entirely comparable with the Company's audited consolidated financial statements as of and for the years ended 31 December 2020, 2019 and 2018. See "Risk Factors—Risks Relating to Statements in this Offering Circular—The presentation of financial information in this Offering Circular, including pro forma condensed consolidated financial information as at and for the years ended 31 December 2020 and 2019, 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".

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 Offering Circular.

Translations from Philippine Pesos to U.S. dollars for the convenience of the reader have been made at the BSP Rate on 30 June 2021 of U.S.\$1.00 = ₱48.544.

DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

Revenue

The Company's revenue consists of revenue derived from sale of electricity, rental income, dividend income and other revenue. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be measured reliably.

Revenue from Sale of Electricity

The Company's revenues from sale of electricity are derived from (i) the actual delivery of electricity to the grid from the Company's subsidiaries and (ii) the sale of electricity to wholesale and contestable customers through the Company's RES contracts. Revenue from sale of electricity through RES contracts is composed of generation and distribution wheeling services charges from monthly energy supply with various contestable customers and is recognized monthly based on the actual energy delivered.

Rental Income

The Company's rental income is derived from rental payments from leasehold rights over certain properties used for renewable projects. Rental income under non-cancellable leases are recognized on a straight-line basis over the term of the lease.

Dividend Income

The Company's dividend income is derived from dividends earned from equity instruments at fair value through profit and loss. Dividend income is recognized when the Company's right to receive the payment is established.

Costs and Expenses

The Company's costs and expenses consist of cost of sale of electricity and general and administrative expenses.

Cost of Sale of Electricity

Cost of sale of electricity consists primarily of (i) costs of power purchased, (ii) fuel, (iii) depreciation and amortisation, (iv) repairs and maintenance, (v) salaries and directors' fees, (vi) insurance and (vii) taxes and licenses.

General and Administrative Expenses

General and administrative expenses consists mainly of (i) salaries and directors' fees, (ii) taxes and licenses, (iii) management and professional fees, (iv) provision for impairment, (v) incidental expenses, (vi) depreciation and amortization, and (vii) building maintenance and repairs

Interest and Other Finance Charges

Interest and other finance charges relate to interest expense on long- and short-term loans, lease obligations, discount on accounts payable and amortisation of debt issue cost, and other finance charges.

Equity in Net Income of Associates and Joint Ventures

Equity in net income represents income derived from investments in associates and joint ventures accounted for using the equity method. An associate is an entity in which the Company has a significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no 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. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Other Income

The Company's other income is mainly comprised of interest and other financial income from investments in redeemable preferred shares of associates and joint ventures, and from development loans and advances to associates and joint ventures. It also includes gains from foreign exchange, claims on business interruptions, fees for advisory services, gain on acquisition and disposal of investments, interest income, mark-to-market gain and others.

RESULTS OF OPERATIONS

Six Months Ended 30 June 2021 Compared to Six Months Ended 30 June 2020

Revenue

Revenue increased by ₱3,442.9 million from ₱9,972.0 million in the six months ended 30 June 2020 to ₱13,414.9 million (U.S.\$276.3 million) in the six months ended 30 June 2021, primarily as a result of the increase in revenue from sales of electricity as discussed below.

Revenue from Sale of Electricity

Revenue from sale of electricity increased by ₱3,431.9 million from ₱9,887.5 million in the six months ended 30 June 2020 to ₱13,319.4 million (U.S.\$274.4 million) in the six months ended 30 June 2021. The increase was mainly due to demand recovery during the period as compared to the corresponding period in 2020 when the ECQ measures were in place in the Philippines, increased retail contracts and growth in operating capacity following the acquisition of additional stakes in the IslaSol and SacaSol solar farms in 2020. The increase was also attributable to the commencement of commercial operations of the 60 MWdc Palauig Solar Farm and 120 MWdc Alaminos Solar Farm in April and June 2021, respectively.

Rental Income

Rental income decreased by ₱33.5 million from ₱63.1 million in the six months ended 30 June 2020 to ₱29.5 million (U.S.\$0.6 million) in the six months ended 30 June 2021, primarily due to the consolidation of IslaSol and SacaSol, which have various lease agreements within the Group that have been eliminated following the acquisition of a majority interest in both companies in March 2020.

Other Revenue

Other revenue increased by ₱38.0 million from ₱21.5 million in the six months ended 30 June 2020 to ₱59.4 million (U.S.\$1.2 million) in the six months ended 30 June 2021, primarily as a result of management fees earned from the Company's international joint ventures in the second quarter of 2021.

Dividend Income

Dividend income in the six months ended 30 June 2021 was ₱6.5 million (U.S.\$0.1 million) as compared to nil in the six months ended 30 June 2020, primarily as a result of the recognition of UPC Sidrap as a financial asset at FVOCI.

Costs and Expenses

Cost of Sale of Electricity

Costs of sale of electricity increased by ₱3,978.4 million from ₱6,406.0 million in the six months ended 30 June 2020 to ₱10,384.3 million (U.S.\$213.9 million) in the six months ended 30 June 2021, mainly as a result of the higher cost of purchased power due to a combination of high WESM prices and the outage of SLTEC Unit 2 during the month of May 2021, which resulted in an increase in power for station use as well as start-up costs. The 122.9MW Unit 2 of SLTEC was taken out of service on 30 April 2021 due to a steam leak in the front wall of the heat recovery area front wall. Prior to the restart of the unit, SLTEC performed electrical testing on its generator and a ground fault was detected. As such, SLTEC opted to replace the generator rotor with a spare unit that it had available on-site, and the unit was returned to service on 30 May 2021.

General and Administrative

General and administrative expenses increased by ₱236.9 million from ₱984.3 million in the six months ended 30 June 2020 to ₱1,221.2 million (U.S.\$25.2 million) in the six months ended 30 June 2021, primarily due to the impairment of Bataan Solar Energy, Inc.

Interest and Other Finance Charges

Interest and other finance charges decreased by ₱122.9 million from ₱926.6 million in the six months ended 30 June 2020 to ₱803.7 million (U.S.\$16.6 million) in the six months ended 30 June 2021, mainly due to the lower nominal interest rate of loans and the repayment of short-term loans following the Company's equity capital raising activities.

Equity in Net Income of Associates and Joint Ventures

Equity in net income of associates and joint ventures decreased by ₱17.2 million from ₱953.2 million in the six months ended 30 June 2020 to ₱936.1 million (U.S.\$19.3 million) in the six months ended 30 June 2021. The decrease was mainly due to higher predevelopment costs from the commencement of construction of the Quang Binh wind farm in Vietnam, the Paryapt and Sitara solar projects in India, and the New England Solar Farm in Australia. The decrease in equity in net income of associates and joint ventures was partly offset by the increase in income contribution from NLREC as a result of a better wind regime in 2021 as well as an increase in the Company's ownership interest in NLREC as compared to the same period in 2020.

Other Income – Net

Other income – net increased by ₱367.9 million from ₱1,872.9 million in the six months ended 30 June 2020 to ₱2,240.8 million (U.S.\$46.2 million) in the six months ended 30 June 2021. The increase was primarily as a result of interest and other financial income from investments in redeemable preferred shares of associates and joint ventures, and development loans and advances to associates and joint ventures. The increase in other income was also due to the receipt of guarantee fee income, property, plant and equipment impairment reversals, a gain on the deconsolidation of Ingrid and the reversal of an impairment on the Company's investment in Negros Island Biomass Holdings Inc. following its divestment from biomass power companies.

Income Before Income Tax

As a result of the foregoing, income before income tax decreased by ₱298.7 million from ₱4,481.2 million in the six months ended 30 June 2020 to ₱4,182.5 million (U.S.\$86.2 million) in the six months ended 30 June 2021.

Provision for Income Tax

Provision for income tax decreased by ₱603.1 million from ₱668.4 million in the six months ended 30 June 2020 to ₱65.3 million (U.S.\$1.3 million) in the six months ended 30 June 2021, primarily as a result of the lowering of the income tax rate from 30% to 25% due to the CREATE Act as well as the reversal of deferred tax assets on NOLCO and accrued expenses.

Net Income

As a result of the foregoing, net income increased by ₱304.4 million from ₱3,812.8 million in the six months ended 30 June 2020 to ₱4,117.2 million (U.S.\$84.8 million) in the six months ended 30 June 2021.

Year Ended 31 December 2020 Compared to Year Ended 31 December 2019

Revenue

Revenue increased by ₱4,325.1 million from ₱16,114.4 million in the year ended 31 December 2019 to ₱20,439.5 million (U.S.\$421.0 million) in the year ended 31 December 2020, primarily due to the increase in revenue from sales of electricity as discussed below.

Revenue from Sale of Electricity

Revenue from sale of electricity increased by ₱4,186.8 million from ₱16,096.5 million in the year ended 31 December 2019 to ₱20,283.3 million (U.S.\$417.9 million) in the year ended 31 December 2020. The increase was primarily due

to higher energy sales from the Company's power supply business as a result of the Company entering into the MERALCO contract. The Group also recognized additional revenues from the consolidation of newly acquired entities and feed-in tariff ("FIT") adjustment.

Rental Income

Rental income increased by ₱83.5 million, from ₱3.1 million in the year ended 31 December 2019 to ₱86.6 million (U.S.\$1.8 million) in the year ended 31 December 2020, primarily due to the contribution from entities acquired as a result of the ACEIC Philippine Transaction. See "*Business—History and Corporate Milestones—Reorganisation*".

Dividend Income

Dividend income in the year ended 31 December 2020 was nil as compared to ₱14.7 million in the year ended 31 December 2019, which pertained to dividend income from the Company's investment in financial assets recognized at fair value through other comprehensive income as well as dividend income derived from SacaSol before its reclassification to subsidiary.

Other Revenue

Other revenue amounted to ₱69.5 million (U.S.\$1.4 million) in the year ended 31 December 2020 as compared to nil in the year ended 31 December 2019 due to the recognition of management fees earned by the Company from its associate and bulk water sales commencing in 2020.

Cost and Expenses

Cost of Sale of Electricity

Costs of sale of electricity decreased by ₱1,882.0 million from ₱15,302.5 million in the year ended 31 December 2019 as compared to ₱13,420.5 million (U.S.\$276.5 million) in the year ended 31 December 2020. Despite the increase in energy sales of electricity for the year ended 31 December 2020, cost of sale of electricity decreased mainly due to lower WESM prices, particularly during the first half of 2020 as compared to the same period in 2019.

General and Administrative

General and administrative expenses increased by ₱1,817.5 million from ₱767.8 million in the year ended 31 December 2019 as compared to ₱2,585.3 million (U.S.\$53.3 million) in the year ended 31 December 2020 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.

Interest and Other Finance Charges

Interest and other finance charges increased by ₱903.8 million from ₱976.0 million in the year ended 31 December 2019 as compared to ₱1,879.9 million (U.S.\$38.7 million) in the year ended 31 December 2020. The increase was primarily due to the availment by the Company of new long-term and short-term loans from November 2019 to December 2020, as well as higher interest accrual on lease liabilities as a result of additional lease contracts being consolidated into the Group following the asset swap with ACEIC and new contracts being entered into in 2019.

Equity in Net Income of Associates and Joint Ventures

Equity in net income of associates and joint ventures increased by ₱691.5 million from ₱207.0 million in the year ended 31 December 2019 as compared to ₱898.5 million (U.S.\$18.5 million) in the year ended 31 December 2020. The increase was mainly a result of the income contribution from PhilWind following the transfer of an indirect interest from ACEIC through the asset swap (see "*Business—History and Corporate Milestones—Reorganisation—ACEIC Philippine Transaction*") and "*Business—Portfolio of Assets—Renewable Energy Portfolio—Renewable*".

Energy Projects in Operation in the Philippines—North Luzon Renewables”) together with the acquisition of the interest of Philippine Investment Alliance for Infrastructure (“**PINAI**”) in February 2020.

Other Income – Net

Other income – net increased by ₱171.8 million from ₱736.2 million in the year ended 31 December 2019 as compared to ₱908.0 million (U.S.\$18.7 million) in the year ended 31 December 2020. The increase was primarily due to foreign exchange gain and advisory service fees pursuant to ACEN’s service agreement with a third party rendered during the first quarter of 2020.

Income Before Income Tax

As a result of the foregoing, income before income tax increased by ₱4,349.1 million from ₱11.2 million in the year ended 31 December 2019 to ₱4,360.3 million (U.S.\$89.8 million) in the year ended 31 December 2020.

Provision for Income Tax

Provision for income tax increased by ₱612.4 million from a benefit from income tax of ₱121.6 million in the year ended 31 December 2019 to a provision for income tax of ₱490.8 million (U.S.\$10.1 million) in the year ended 31 December 2020. The increase was primarily due to higher provision for income tax – current as a result of revenue growth coupled with a decrease in cost of sales, as well as an increase in provision for deferred income tax due to the reversal of deferred tax assets on NOLCO.

Net Income

As a result of the foregoing, net income increased by ₱3,736.6 million from ₱132.9 million in the year ended 31 December 2019 to ₱3,869.5 million (U.S.\$79.7 million) in the year ended 31 December 2020.

Year Ended 31 December 2019 Compared to Year Ended 31 December 2018

Revenue

Revenue increased by ₱991.0 million from ₱15,123.4 million in the year ended 31 December 2018 to ₱16,114.4 million in the year ended 31 December 2019, primarily due to the increase in revenue from sales of electricity as discussed below.

Revenue from Sale of Electricity

Revenue from sale of electricity increased by ₱982.9 million from ₱15,113.6 million in the year ended 31 December 2018 to ₱16,096.5 million in the year ended 31 December 2019. The increase was primarily due to higher energy sales from the Company’s power supply business as a result of contributions from the ACEIC Philippine Transaction and the consolidation of SLTEC starting July 2019.

Rental Income

Rental income increased by ₱2.4 million from ₱0.7 million in the year ended 31 December 2018 to ₱3.1 million in the year ended 31 December 2019, primarily as a result of new rental contracts entered into by the Company in the first half of 2019 and from rental income from contributions from the ACEIC Philippine Transaction.

Dividend Income

Dividend income increased by ₱5.6 million from ₱9.1 million in the year ended 31 December 2018 to ₱14.7 million in the year ended 31 December 2019, primarily as a result of the contributions from the ACEIC Philippine Transaction.

Cost and Expenses

Cost of Sale of Electricity

Cost of sale of electricity increased by ₱193.0 million from ₱15,109.5 million in the year ended 31 December 2018 as compared to ₱15,302.5 million in the year ended 31 December 2019. Cost of sale of electricity increased primarily owing to the addition from the ACEIC Philippine Transaction and consolidation of SLTEC starting July 2019.

General and Administrative

General and administrative expenses increased by ₱113.3 million from ₱654.5 million in the year ended 31 December 2018 as compared to ₱767.8 million in the year ended 31 December 2019, primarily as a result of additions from the ACEIC Philippine transaction and the consolidation of SLTEC starting in July 2019.

Interest and Other Finance Charges

Interest and other finance charges increased by ₱542.4 million from ₱433.6 million in the year ended 31 December 2018 as compared to ₱976.0 million in the year ended 31 December 2019. The increase was primarily due to the non-cash PFRS 16 lease adjustments and interest on the ₱5 billion loan obtained by the Company in November 2019.

Equity in Net Income of Associates and Joint Ventures

Equity in net income of associates and joint ventures decreased by ₱325.5 million from ₱532.5 million in the year ended 31 December 2018 as compared to ₱207.0 million in the year ended 31 December 2019. The decrease was primarily as a result of the Company recognising 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

Other income – net increased by ₱615.9 million from ₱120.3 million in the year ended 31 December 2018 as compared to ₱736.2 million in the year ended 31 December 2019. The increase was primarily as a result of claims for business interruption from SLTEC; an 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; and lower foreign exchange gain on foreign-currency denominated deposits due to the depreciation of the peso in 2019.

Income Before Income Tax

As a result of the foregoing, income before income tax increased by ₱432.8 million from a loss before income tax of ₱421.6 million in the year ended 31 December 2018 to income before income tax of ₱11.2 million in the year ended 31 December 2019.

Provision for Income Tax

Provision for income tax decreased by ₱293.2 million from a provision for income tax of ₱171.6 million in the year ended 31 December 2018 to a benefit from income tax of ₱121.6 million in the year ended 31 December 2019. The decrease was primarily as a result of higher consolidated taxable income for the calendar year ended 31 December 2019.

Net Income

As a result of the foregoing, net income increased by ₱726.1 million from a net loss of ₱593.2 million in the year ended 31 December 2018 to a net income of ₱132.9 million in the year ended 31 December 2019.

SIGNIFICANT ACCOUNTING POLICIES

For a discussion of the significant accounting policies and significant accounting judgments, estimates and assumptions of the Company please see Notes 2 and 3 of the audited consolidated financial statements and Notes 2 and 3 of the unaudited interim condensed consolidated financial statements included in this Offering Circular.

INDUSTRY OVERVIEW

Certain information, market data, industry forecasts and other data used in this Offering Circular 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, the Guarantor, the Sole Arranger, the Dealers, the Trustee or the Agents. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the Sole Arranger, the Dealers, the Trustee or the Agents 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.

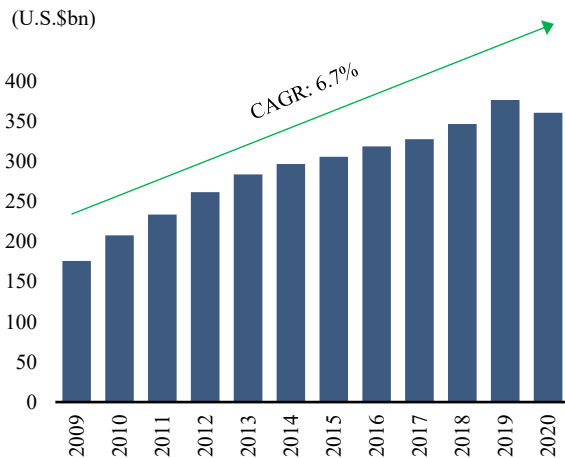
The Philippine Economy

According to the World Bank, the Philippines’ nominal gross domestic product (“**GDP**”) decreased to U.S.\$361 billion in 2020 from U.S.\$377 billion in 2019. The services sector continues to be the main driver and the economy was also supported by industrial, and agricultural activities.

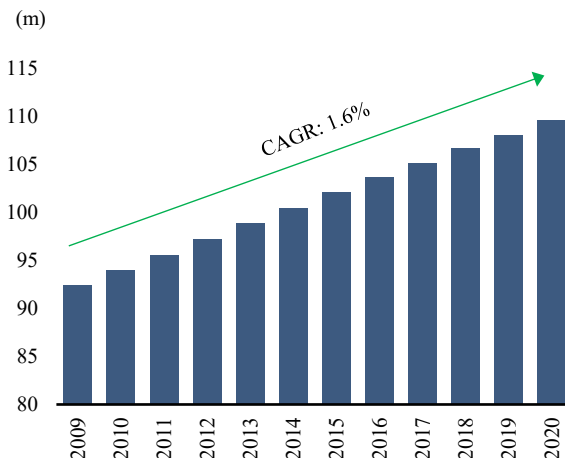
Based on information from the BSP, there was a net inflow of foreign direct investment (“**FDI**”) of U.S.\$3.5 billion from January to May 2021, compared with U.S.\$2.2 billion during the same period in 2020, the majority of FDI were directed to manufacturing, real estate, information and communication, financial and insurance and construction industries.

According to the World Bank, Philippines’ population increased by 1.4% year-on-year to reach 109.6 million and life expectancy at birth improved to 71 years, while the reported unemployment rate stood at 3.4% as of year end 2020.

Annual Nominal GDP (2009–2020)



Population (2009–2020)



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 by 25.3%, other services by 45.2% and food service activities by 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 defence 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**”) 2021 Update, the ADB forecasts a 4.5% growth in the economy in 2021 and 5.5% in 2022 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 in December 2020, projects that economic growth is expected to return to above 5.9% in 2021 and 6.0% in 2022.

The BSP reported a 56.3% increase in net foreign direct investment for the first four months of 2021 compared to 2020, increasing to U.S.\$3.1 billion from U.S.\$2.0 billion in the corresponding period in 2020 due the reopening of the economy and investors’ confidence following the COVID-19 pandemic. BSP data also showed that net investments in equity capital increased as placements rose by 8.1% to U.S.\$0.82 billion from U.S.\$0.76 billion in the first four months of 2021 and 2020, respectively.

The Philippine Electricity Market

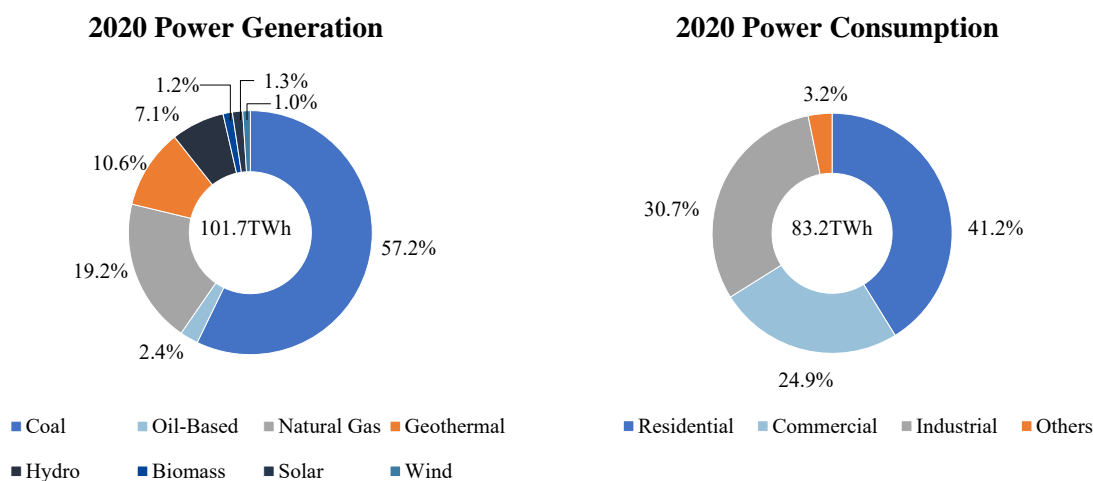
The Philippine Electricity Market is divided into four major sectors: (i) generation, (ii) transmission, (iii) supply (through the WESM) and (iv) distribution. See discussion under “*Regulatory Framework*”.

Philippine Power Sector

Power Supply and Demand Highlights

In line with the decrease in the Philippine economy in 2020 by 4.1%, the total electricity sales and consumption all over the country posted a figure of 101,756GWh in 2020 from 106,041GWh in 2019, equivalent to 4.0% decline from the previous year, and a 4.6% CAGR from 2009-2020.

Given its limited supply of natural resources, the Philippines relies on coal and oil imports for electricity generation. The Philippines Government awarded nine solar projects and one wind project in 2020.



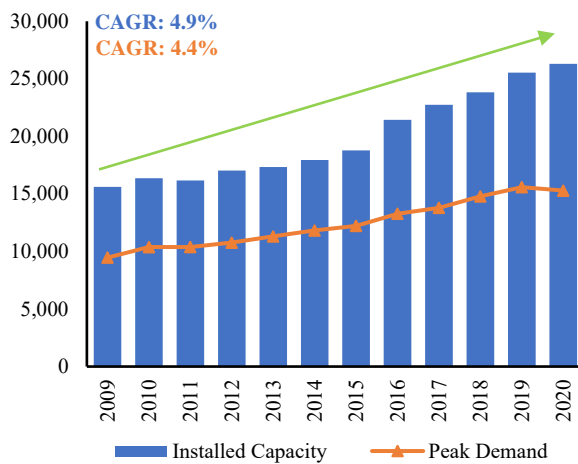
Source: Department of Energy

According to the DOE, electrical sales decreased by 4.4% year-on-year to 83,243 GWh in 2020, representing a 4.6% CAGR during 2009–2020. This was largely driven by the following sectors, in order of power consumption volume:

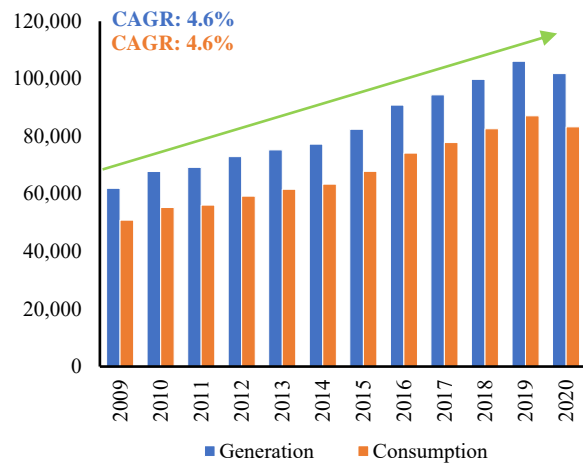
1. Residential, the most energy intensive sector, had power consumption increase by 12.2% year-on-year due to COVID-19 and warmer temperature in the summer months;
2. Industrial, the second most energy intensive sector, had power consumption decrease by 9.3% year-on-year from the 2.2% growth in 2019. The decline can be attributed to the restrictions imposed due to COVID-19; and
3. Commercial, the third most energy intensive sector, saw power consumption decrease by 18.6% year-on-year.

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 (2009–2020)

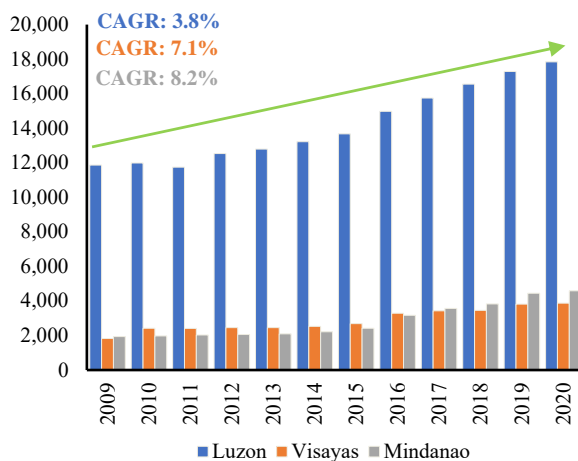


Power Generation and Consumption in GWh (2009–2020)

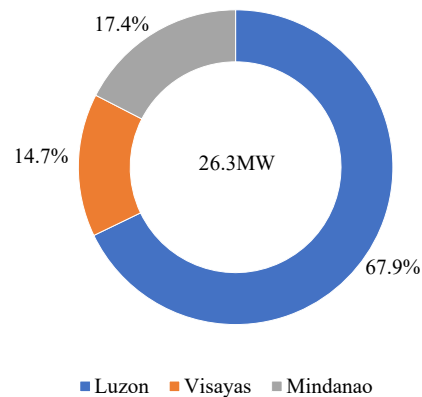


Source: Department of Energy

Capacity by Region in MW (2009–2020)



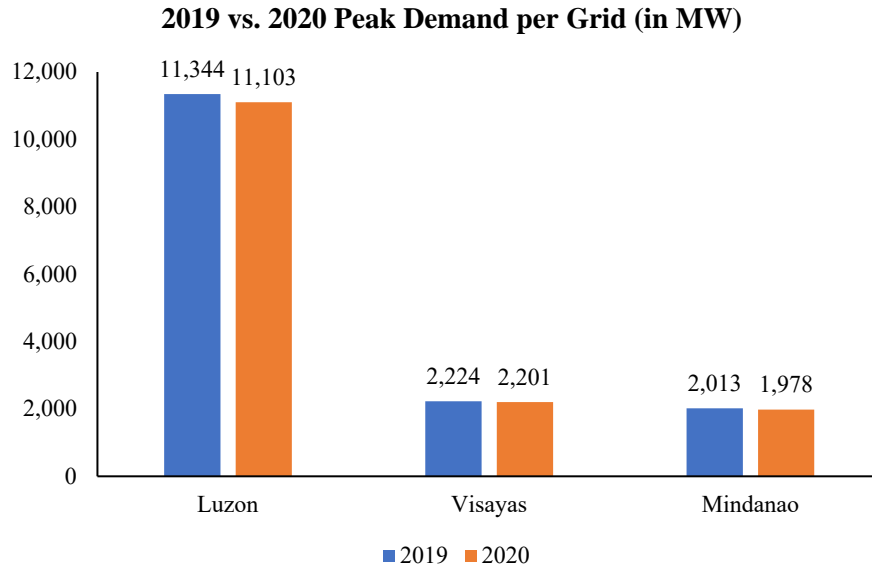
Share of Capacity by Region in MW (2020)



Source: Department of Energy

Power Demand

As of 2020, the Philippines total peak demand (representing total non-coincidental peak demand of Luzon, Visayas and Mindanao grids) was recorded at 15,282MW. The Luzon grid contributed 11,103MW or 73% of the total demand while Visayas and Mindanao each have a share of 14% (2,201MW) and 13% (1,978MW), respectively. In line with the decrease in the Philippine economy in 2020, the total electricity sales and consumption all over the country posted a figure of 101,756 GWh in 2020 from 106,041 GWh in 2019. Out of these total sales and consumption, 34,292 GWh or 41.2% was contributed by Residential users, while 25,566 GWh or 30.7% was from the Industrial users. Commercial and Others were 20,727 GWh or 24.9% and 2,658 GWh 3.2%, respectively. Total sales accounted to 83,243 GWh, corresponding to 81.8% share to total consumption.



Source: Department of Energy

Power Supply

The total power supply, in terms of installed capacity, grew by 3.0% from 25,531MW in 2019 to 26,286MW in 2020. A total of 754MW new capacities were added to the country's supply in 2020 which include coal-fired (527MW), hydropower (19MW), biomass (120MW), solar (98MW) power plants, and wind farms (16MW). In terms of share by grid, Luzon contributed additional capacity of 554MW or 73.5% of the newly installed capacities, with Visayas and Mindanao at 53MW or 7.0% and 147MW or 19.5%, respectively.

Newly Installed Generating Capacity by Technology, Philippines (in MW)

Fuel Type	2018	2019	2020
Coal	795	1,574	527
Oil Based	139	(30)	(26)
Natural Gas	6	0	0
Renewable Energy (RE)	147	173	254
Geothermal	28	(16)	0
Hydro	74	59	19
Biomass	35	105	120
Solar	11	25	98
Wind	0	0	16
Total	1,087	1,717	754

Source: Department of Energy

Coal continued to dominate the power mix from 54.6% in 2019 to 57.2% in 2020. The increase in coal generation was attributed to the entry of new coal-fired power plants across the country. However, renewable energy technologies increased its total generation share to 21.2% in 2020 from 20.8% in 2019 due to the increase in generation of geothermal, biomass and solar. Natural gas contributed 19.2% in the mix while oil-based technologies continued to have the least contribution in the power mix at 2.4%.

Electricity Sales and Consumption

Electricity sales and consumption in Luzon for 2020 decreased to 73,504 GWh, decreasing by 5.4% from 2019. The commercial and industrial sector contributed the most to Luzon's the overall decrease. Luzon's share to the country's total electricity sales and consumption remained the largest at 72.2%.

The Mindanao grid recorded 13,852 GWh of electricity sales and consumption. The sustained growth in Mindanao resulted to 0.3% increase in 2020, relatively with much less pace with the year-ago rate of 8.1%. The Mindanao grid is the only one which posted a growth in 2020 as compared to other two grids.

The Visayas grid decreased to 14,399 GWh of electricity sales and consumption, a decrease of 1.0% from 2019. In the previous years, a 7.8% growth rate was posted in 2019 and 4.3% in 2018. The decrease in demand for electricity production can be attributed to the 22.7% decrease in commercial sector. Economic activities in major provinces, especially in Central Visayas which accounted for more than half of the energy consumption in the grid.

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 2020 and 2021

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 epicentre located 18 kilometres east of Castillejos, Zambales.

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.

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.

In October 2020, the DOE also announced a moratorium on endorsements for new greenfield coal power plants. The DOE subsequently issued the “Advisory on the Moratorium of Endorsements for Greenfield Coal-Fired Power Projects In Line with Improving the Sustainability of the Philippines’ Electric Power Industry” on 11 January 2021, which was dated as of 22 December 2020, to implement the moratorium. Under this advisory, effective 27 October 2020, the DOE would no longer process applications for greenfield coal-fired power generation facility projects requesting for endorsement

In March 2021, MERALCO successfully completed its competitive selection process (“**CSP**”) for 1,800MW of supply requirements for 20 years starting from 2024. MERALCO is preparing for another CSP for the supply of 1,850MW of additional power capacity needed by 2025. This would consist of 1,000MW in baseload capacity and 850MW of mid-merit capacity.

Outlook

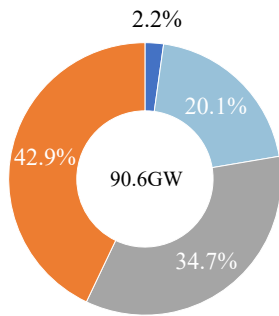
The Government of the Philippines recognizes natural gas and renewables as key sources for power generation of the future as there has been a recent MOU signed between the DOE and Australian R&D company, Star Scientific Ltd, to commence a study on the potential of hydrogen as a new power source. However, coal power plants remain to be the most economical and immediately available in the short-term to meet the expected increasing demand for electricity, as evidenced by its 57% share of power generation in 2020.

According to the Power Development Plan (2018 – 2040), the DOE considers two scenarios (i) the Reference Scenario (“**REF**”), i.e. Business-as-Usual, and (ii) the Clean Energy Scenario (“**CES**”) as an alternative. The DOE also classifies geothermal, hydro, wind, solar, biomass and other technologies under renewable energy (“**RE**”). The REF assumes that present development trends and strategies continue and will deliver at least 20,000MW of renewable energy installed capacity by 2040. This indicates that RE will contribute 43% of the country’s installed capacity in 2040. This is up from 29% of installed capacity in 2020. RE will also see an uptick in its share of power generation from 21% in 2020 to 26% in 2040.

The CES assumes that an additional 11,200MW by 2040 is delivered, on top of the minimum 20,000MW target as outlined in the REF. This translates into a 54% share of RE in the country’s installed capacity by 2040 respectively. In terms of power generation, RE will make up 37% in 2040.

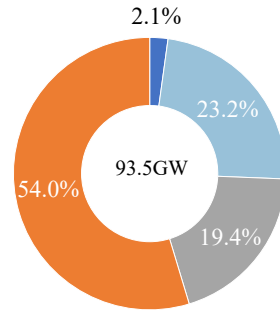
Under both the REF and CES, the DOE acknowledges the greater role RE is to play in both installed capacity and generation. However, the key difference indicated is that the CES indicates a tapering of reliance on coal by 2040, while the REF suggests that coal will continue to provide for approximately 35% and 55% in installed capacity and power generation respectively.

**Installed Capacity by Fuel Type
(Reference Scenario, 2040)**



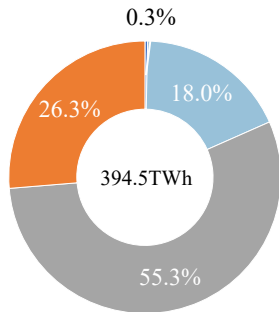
■ Oil ■ Natural Gas ■ Coal ■ Renewable

**Installed Capacity by Fuel Type
(Clean Energy Scenario, 2040)**



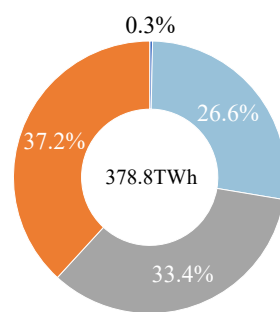
■ Oil ■ Natural Gas ■ Coal ■ Renewable

**Power Generation by Fuel Type
(Reference Scenario, 2040)**



■ Oil ■ Natural Gas ■ Coal ■ Renewable

**Power Generation by Fuel Type
(Clean Energy Scenario, 2040)**



■ Oil ■ Natural Gas ■ Coal ■ Renewable

Source: Department of Energy

The development of renewable power sources will be facilitated by favourable 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. These revised policies will aim to encourage private sector participation by providing opportunities to participate in financing power projects. Under the updated Philippine Energy Plan, RE installed capacity additions of 34,000MW under the REF would require U.S.\$56.4 billion. Under the CES, given the higher share of RE contribution in installed capacity, the DOE is projecting a higher requirement of U.S.\$78.6 billion.

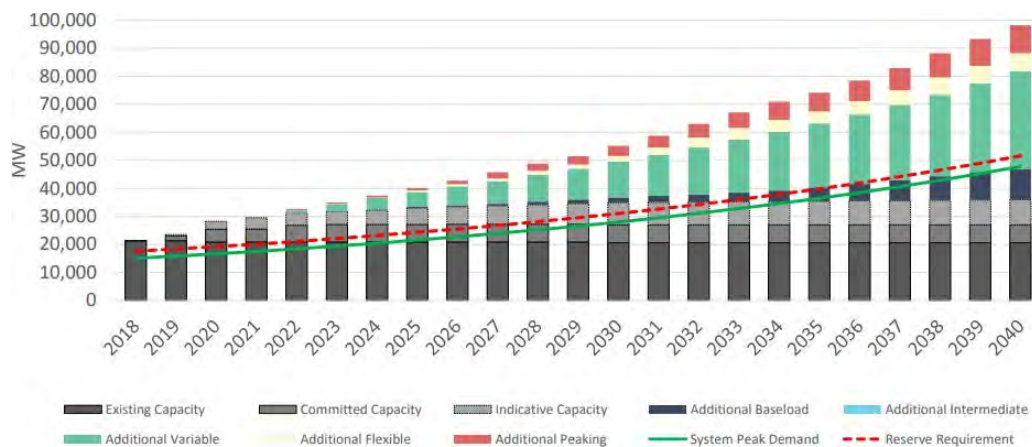
The Philippines adopted the FIT in 2010 for eligible renewable power projects, including wind, solar, hydro, biomass and hybrid energy sources. Eligible renewable power plants are granted a 20-year entitlement. FIT is designed to accelerate the development of renewable energy by offering guaranteed payments 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 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 22 December 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 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; and
- (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*”.

Primary Regulatory Agencies

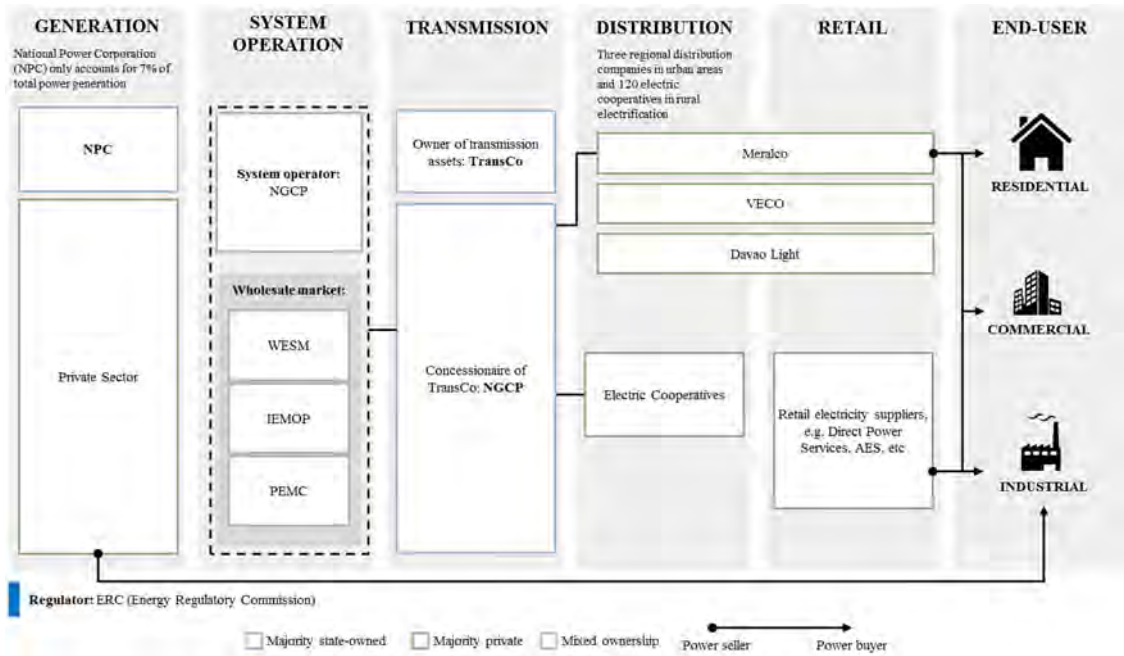
There are two main energy bodies in the Philippines: (1) The Energy Regulatory Commission (“ERC”), which is an independent quasi-judicial regulatory body, and; (2) the Department of Energy (“DOE”), which is in charge of supervising the restructuring of the electricity industry. Both are governed by the 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*”.

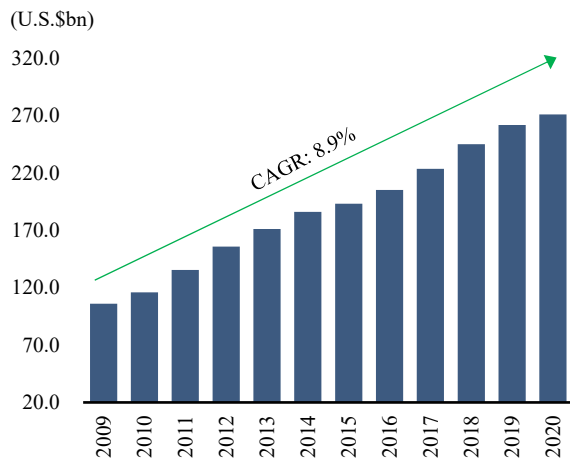
Market Structure



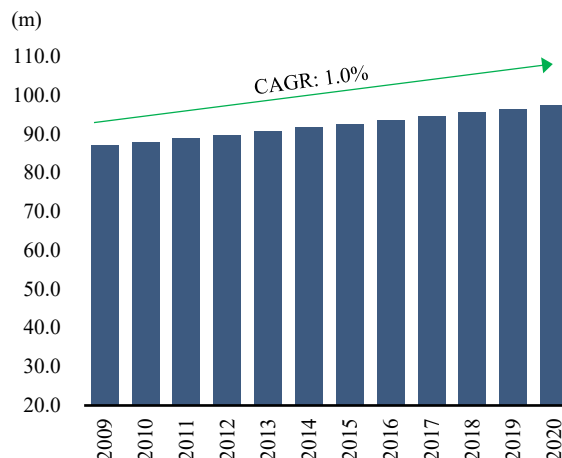
VIETNAM ENERGY MARKET

According to the World Bank, Vietnam’s GDP reached U.S.\$271 billion in 2020 growing 3.5% year-on-year with strong growth across value added from robust domestic demand and export-oriented manufacturing. Total FDI decreased by 20.3% to U.S.\$31.0 billion with around 2,610 new projects being licensed. Private firms also increased investments by 3.1% year-on-year. In 2020, Vietnam’s population reached 97.6 million, while estimates for unemployment rate was at 2.5%.

Annual Nominal GDP (2009–2020)



Population (2009–2020)



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 3.7% in the first quarter of 2020 (lowest first quarter GDP growth over the past decade), 0.4% in the second quarter 2020 and 2.6% in the third quarter of 2020. In aggregate, the GDP growth over 2020 was 3.5%. According to government estimates released in late December, the economy is expected to grow 2.9% from a year ago.

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, 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.

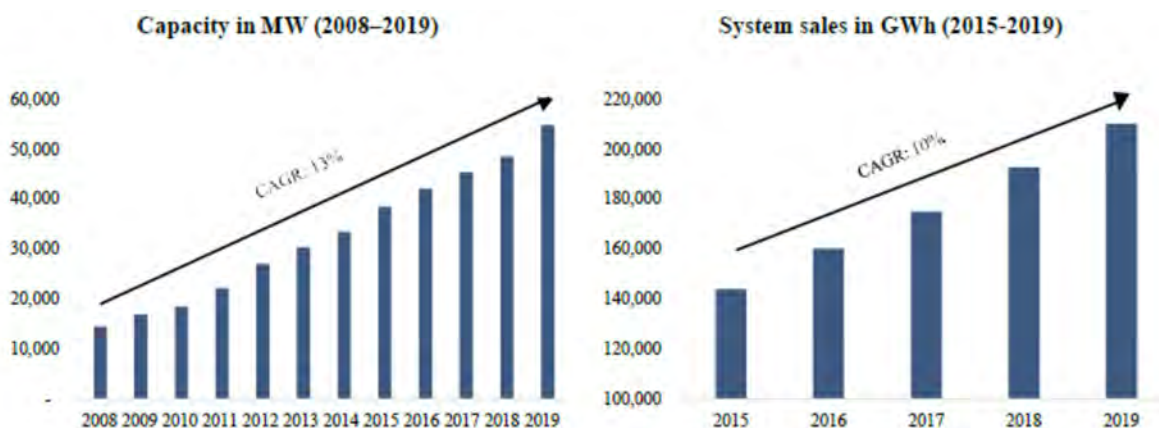
Market Structure



Electricity Supply and Demand

According to the EVN, Vietnam’s power capacity in 2019 increased by 26.2% year-on-year to 69,258MW from 54,880MW in 2019 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 six 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. EVN has since announced that more than 9GW of rooftop solar was installed across 2020, which far exceeded forecasts as investors rushed to complete projects to meet the FiT deadline of 31 December 2020

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.

Given the strong investor interest and receptive government policy, Vietnam has seen an impressive buildout of solar power, going from a few hundred megawatts, to a full 25% of its grid capacity in just a span of 18 months. In response,

the government has proposed a new investment law to tackle transmission capacity issues that have led to the curtailment of solar power, and is also developing a mechanism for direct PPAs to enable solar power generators to sell electricity directly to consumers.

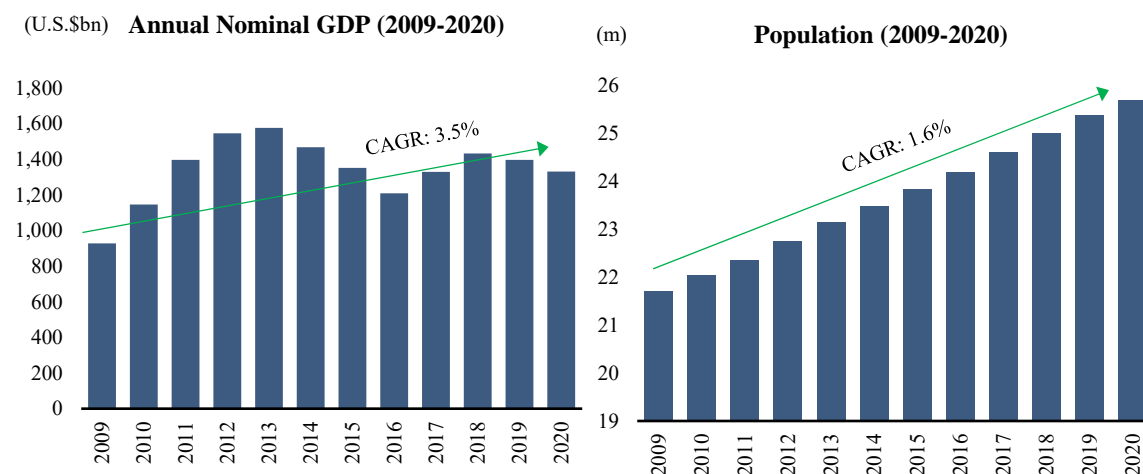
In early 2021, ERAV, under the MOIT, released draft regulations for the DPPA pilot program, which would allow businesses to buy electricity directly from private renewable energy companies and be fully powered by renewable energy. Updated draft regulations also cut the feed-in-tariff (“FIT”) on rooftop solar installations for commercial and industrial customers, by up to 38%, to ease the pressures on the power grid

The Electricity Regulatory Authority of Vietnam has also requested for the approval for a bidding process and selection mechanism for future solar auctions. This includes include a selection based on location, and for it to be conducted at the provincial-level than on a nationwide level. There will also be a ceiling price under the new framework.

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.\$1.3tn in 2020 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 June 2021, Australia’s unemployment rate decreased 2.4 points to 4.9% 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 the first quarter of 2020 and 7.0% in the second quarter of 2020; however, the economy recorded a near-record growth of 3.4% in the third quarter of 2020, 3.1% in the fourth quarter of 2020, and 1.8% in the first quarter of 2021 as the stringency of public health measures was relaxed, rendering the whole year GDP to fall 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:

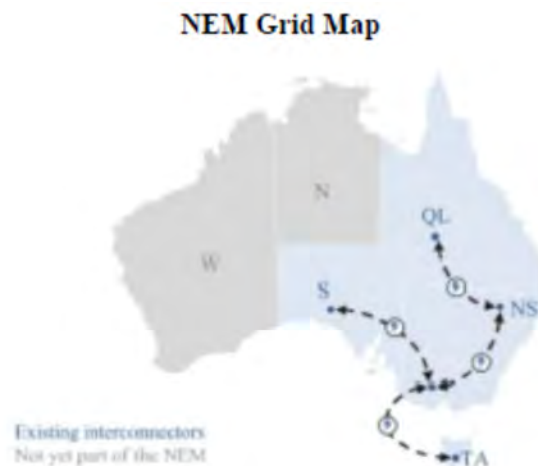
- Wholesale energy market, AER monitors participants’ bidding and rebidding, market dispatch and prices, network constraints and outages, demand forecasts and forecasts of production and capacity;
- Retail energy market, AER monitors and enforces compliance with obligations to Retail Law, Rules and Regulations, 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 oversees matters related to energy, including:

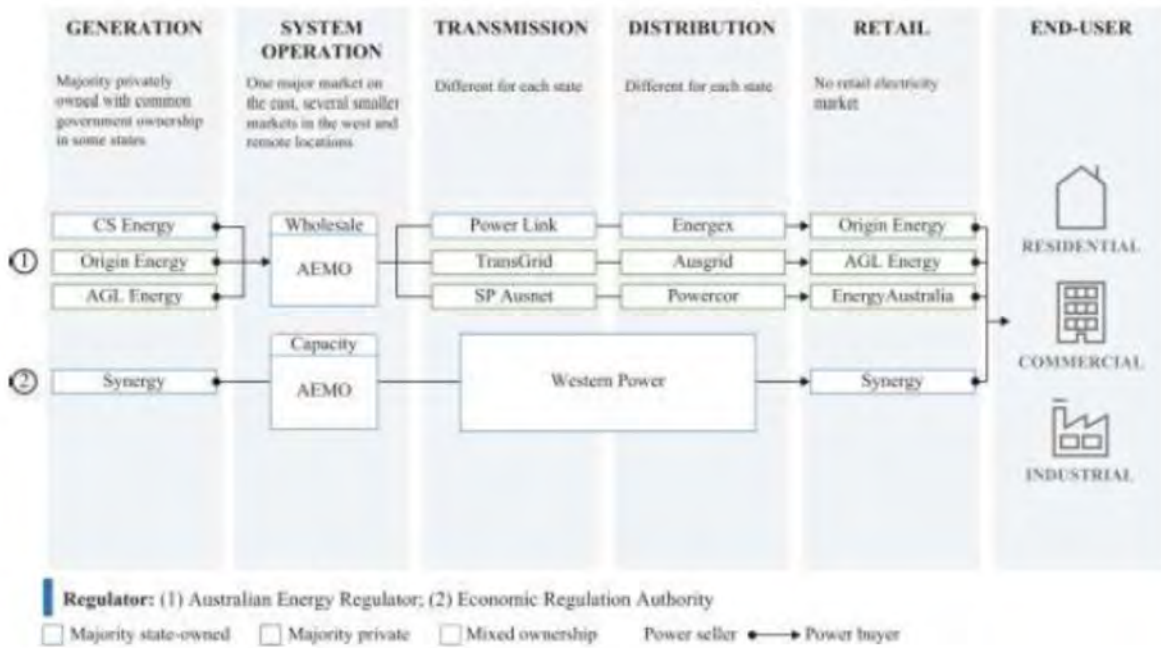
1. Energy security;
2. International engagement;
3. Energy efficiency programs; and
4. Energy markets.

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.



Source: AEMO

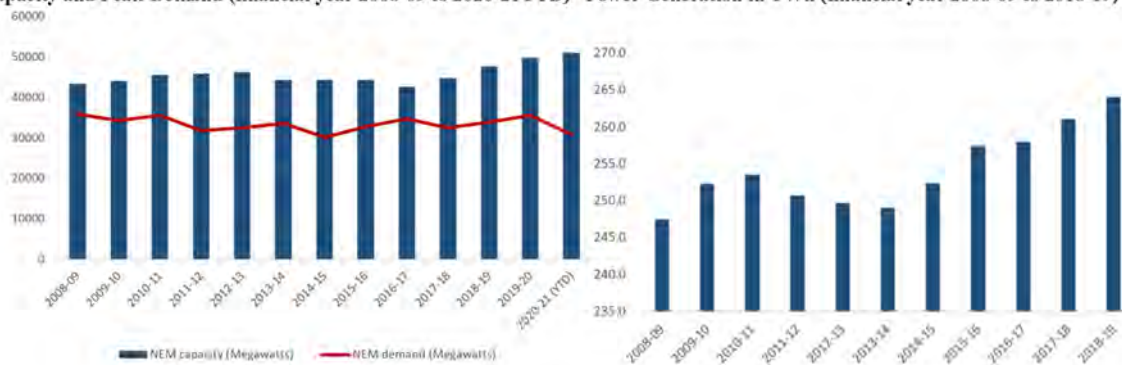
Market Structure



Electricity Supply and Demand

According to AER, power generation capacity increased by 4.1% year-on-year to 49,832MW in financial year² 2019-20, 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)

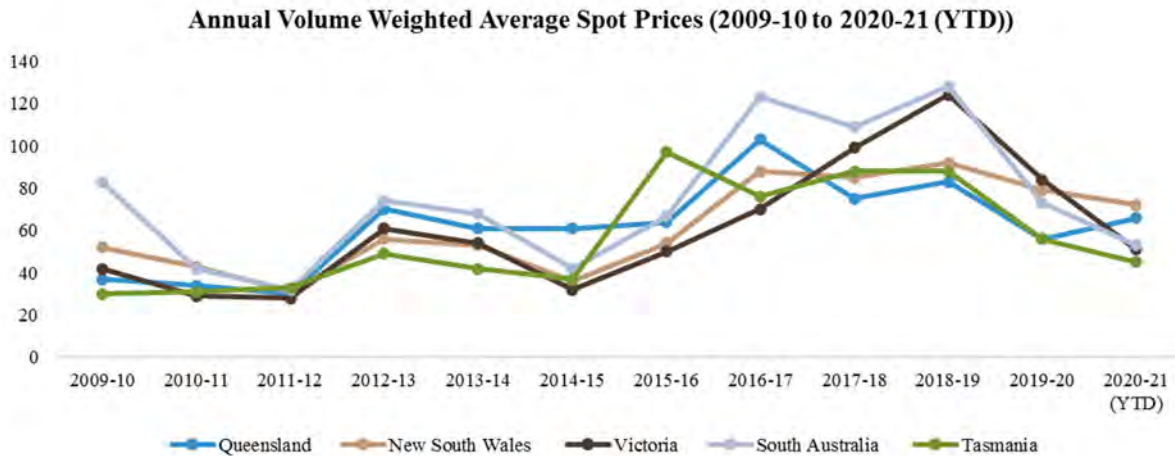


² According to AER, financial year ends 30 June

Power Prices

Spot power prices throughout financial year³ 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 the Australia Power Report for the second quarter of 2021 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.



Source: Australian Government - Department of Industry, Science Energy and Resources

Note: 2021 YTD is as of 30 June 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.

³ According to Australian Government - Department of Industry, Science Energy and Resources, financial year ends 30 June

From 2012–2017, there were twelve coal-fired power plant closures across Queensland, New South Wales, Victoria, Western Australia and South Australia with capacity totalling 5,589MW. According to the AEMO, it is expected that 15GW or 63% of operational coal-fired generation will reach the end of its technical life and be retired by 2040.

List of coal-fired powered station closures since 2012

Station	State	Capacity (MW)	Year of closure
Swanbank B	Queensland	500	2012
Munmorah (3&4)	New South Wales	600	2012
Collinsville	Queensland	180	2012
Morwell	Victoria	189	2014
Redbank	New South	144	2014
Wallerwarang 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 (A&B)	Western Australia	240	2017

Source: IEA, MEMR, ESDM.

List of planned coal-fired powered station closures by 2030

Station	State	Capacity (MW)	Year of closure
Muja (C)	Western Australia	200	2022
Liddell	New South Wales	2,000	2023 (planned)
Muja (D)	Western Australia	227	2024 (planned)
Yallourn	Victoria	1,480	2028 (planned)
Callide B	Queensland	700	2028 (planned)
Eraring	New South Wales	2,922	2030 (planned)

Source: Global Energy Monitor

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 Large-scale 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:

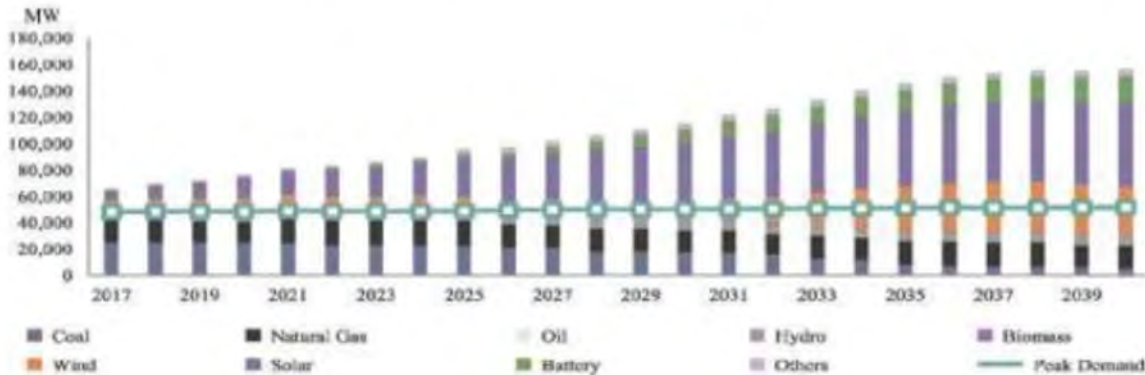
1. Coal-fired generation is expected to drop from 23GW to 9GW
2. Small-scale distributed energy resource systems are expected to double or triple
3. Over 26GW of grid-scale variable renewable energy will be needed beyond what is already committed and anticipated
4. 6-19GW of new dispatchable resources will be needed in support of the increase in VREs
5. 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.

Capacity and Peak Demand (2017–2040)



Source: BNEF as of 2019

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 the second quarter of 2020, 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.

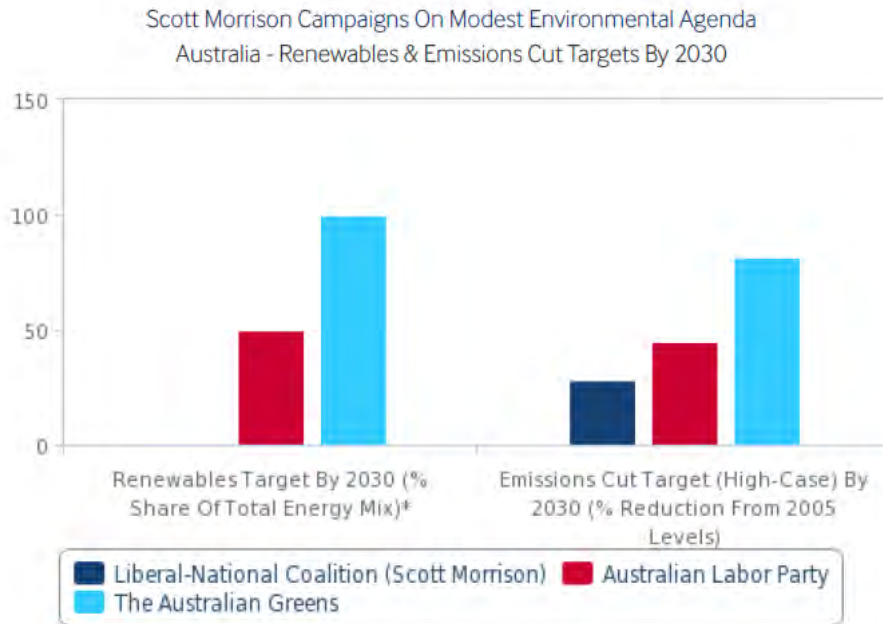
Australia's various carbon emission targets and renewable energy capacity targets were backed up with various legislative measures, including carbon taxes, subsidies for the development of green energy and investment in research and development. Australia's sustainable energy policy is, however, in a 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 forward. Australia’s national grid achieved a record-breaking 50.4% share of renewable energy on 7 September 2020, largely from wind and solar output. This is the first time that the combined output of renewables exceeded that of fossil fuels.

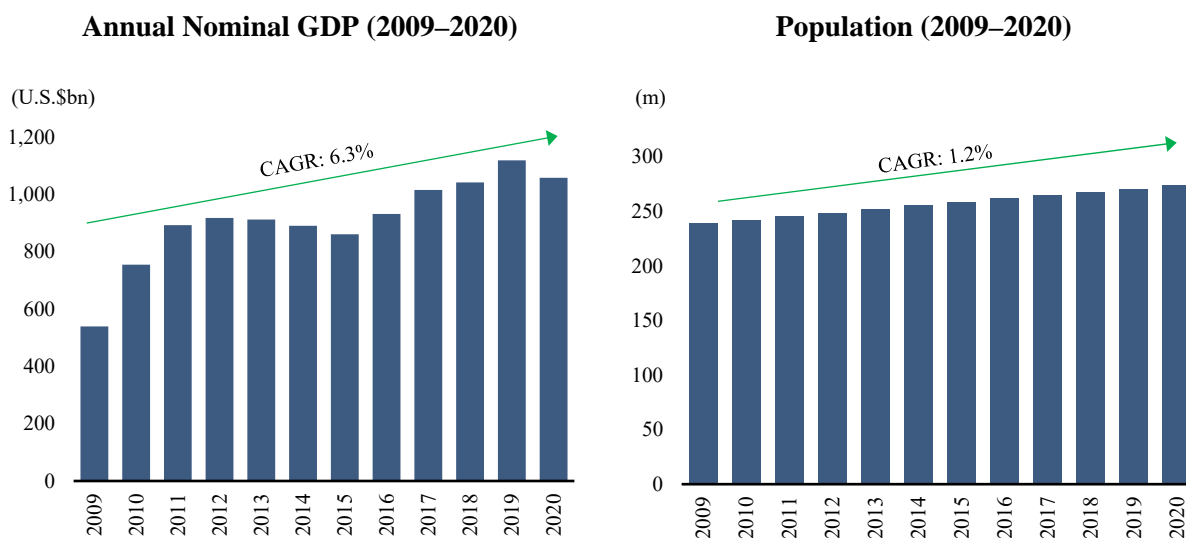
That said, policy mechanisms and renewable energy targets vary by state and territories, given that they have some autonomy when setting regulations. They include specific rooftop solar policies, FiTs, capacity auctions and battery storage incentives. Electricity retailers are also becoming more important in determining FiTs at the distributed level.



Source: Fitch Solutions

INDONESIA ENERGY MARKET

According to the World Bank, Indonesia's nominal GDP decreased by 5.4% to U.S.\$1,058 billion in 2020, driven largely by private consumption as inflation remained low, and labour markets strong. Household spending accounted for more than half of GDP. Indonesia's population grew by 1.1% year-on-year to reach 273.5 million in 2020.



Source: World Bank

In the second quarter of 2020, the Indonesian economy experienced its first contraction since 1999, recording a 5.3% decline. Prior to the COVID-19 outbreak in the first quarter of 2020, the economy's GDP saw an increase of 3.0% in the first quarter of 2020 (year-on-year). This was followed by a contraction of 2.2% in the fourth quarter of 2020, resulting in an overall decline of 2.1% for the full year 2020. In anticipation of a reopening of the economy, 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.

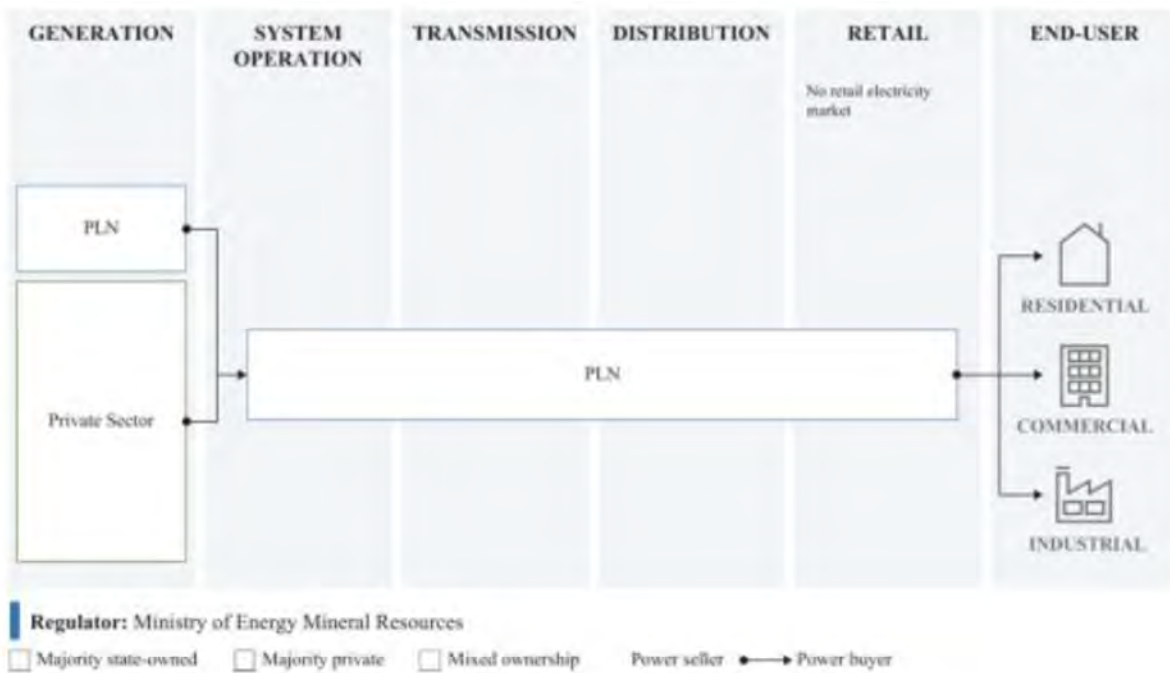
Each power generation source and respective activities are guided by a specific set of laws:

- 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

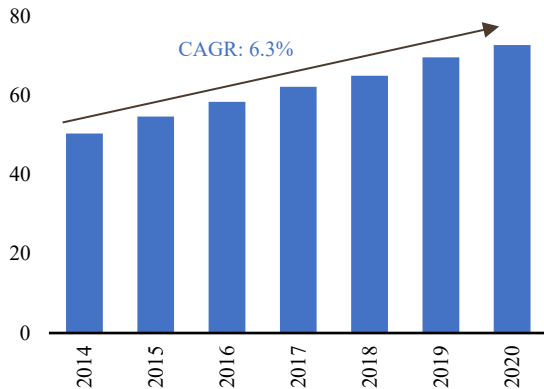


Electricity Supply and Demand

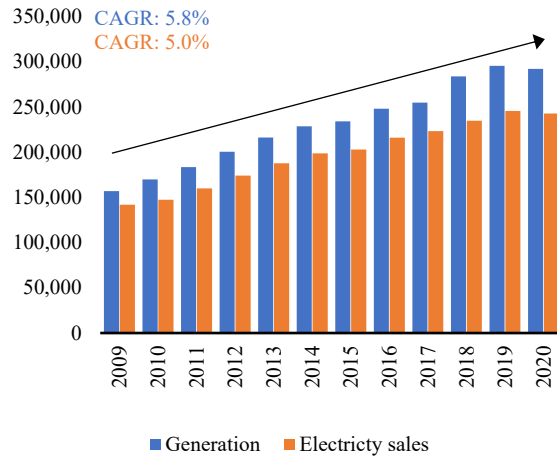
According to Indonesia’s Ministry of Energy and Mineral Resources, Indonesia’s power capacity increased by 4.5% year-on-year to reach 73.8 GW in 2020. The MEMR also noted that the installed capacity of power plants in Indonesia was recorded 71 GW at the end of June 2020, 1.9% higher than its record at the end of 2019.

According to Indonesia’s Ministry of Energy and Mineral Resources, power generation decreased at a rate of (1.2%) year-on-year to 291,956 GWh in 2020 from 295,448 GWh in 2019, equivalent to a 5.8% CAGR during 2009–2020. 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 sales decreased by 1.2% year-on-year, a CAGR of 5.0% during 2009–2020.

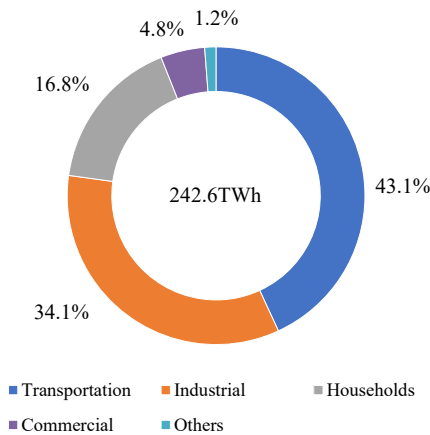
Capacity GW (2014–2020)



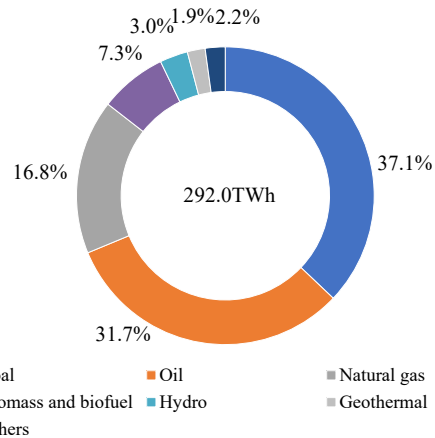
Power Generation and Consumption Sales in GWh (2009–2020)



Energy consumption by sector (2020)



Energy generation by source (2020)



Source: IEA, MEMR, ESDM.

Power Prices

Spot power prices throughout 2010–2020 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:

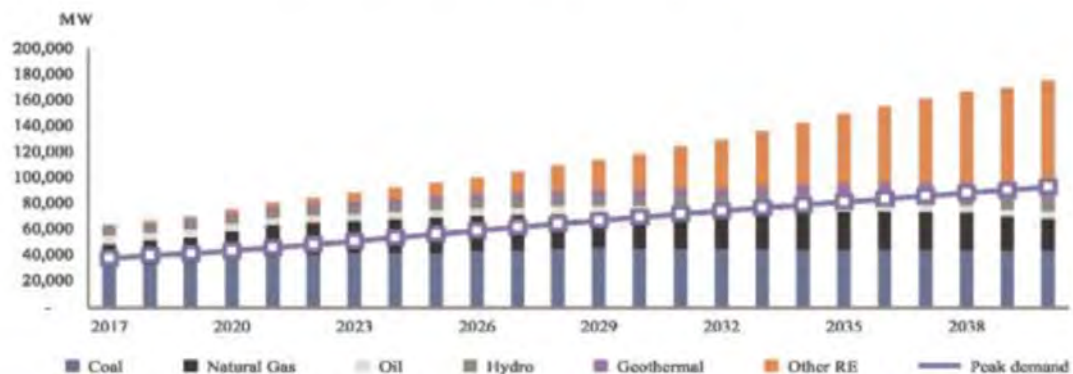
- Liquefied coal;
- Coal bed methane;
- Gasified coal;
- Nuclear energy; and
- Renewable sources.

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 cancelled the system in 2014. Additionally, the National Energy Policy targets a 23% share of renewable energy in the total energy mix by 2025. Recently, state-owned electricity utility PLN committed to this goal by declaring that coal-fired plants will no longer be built past 2023. This implies that additional electrical capacity will necessarily come from renewable sources.

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 as of 2019

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.

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.

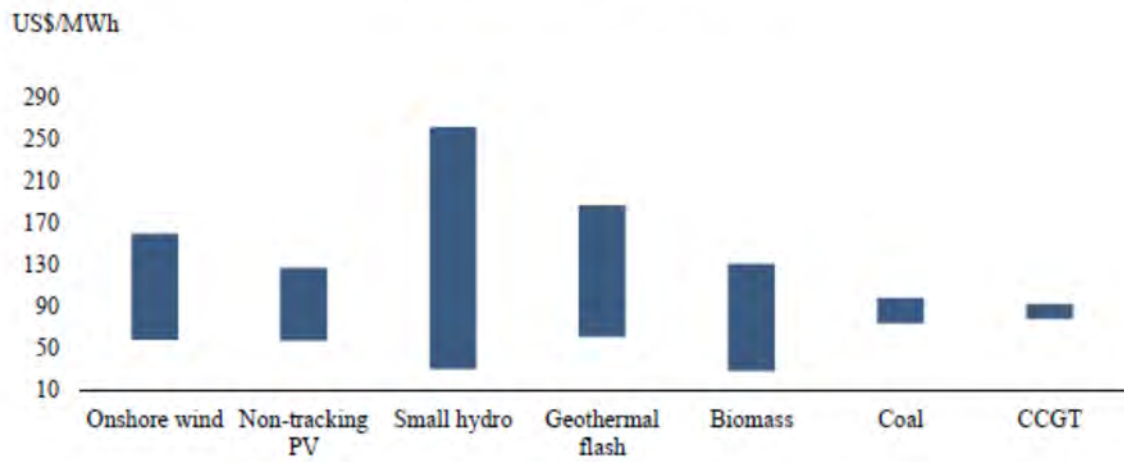
The cost of electricity from wind and PV has dropped 49% and 85% since 2010, respectively. BNEF expects these costs to fall further by 2050 with the cost of an average PV plant dropping by 63% and onshore wind farms by another 50% on a U.S./MWh basis.

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.

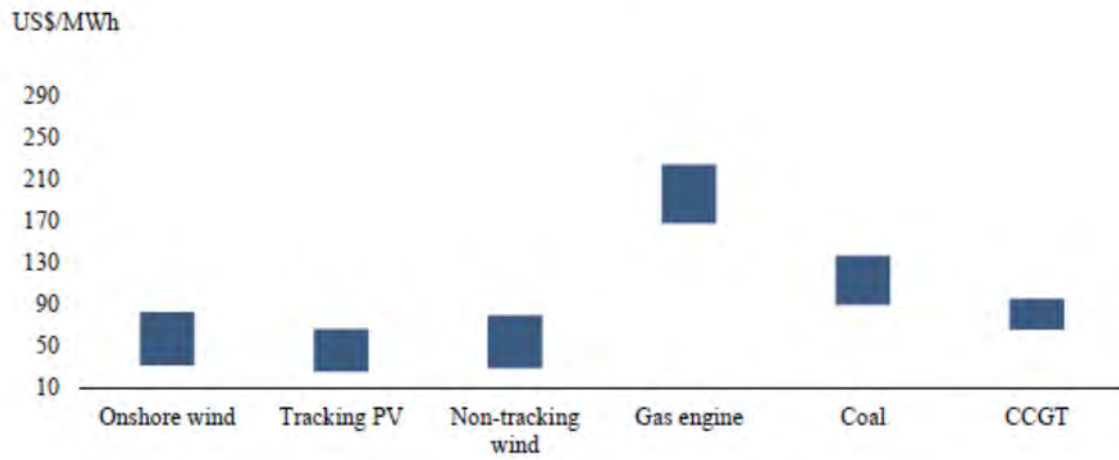
By 2050, BNEF expects PV and wind to provide almost 50% of the world’s electricity, with hydro, nuclear and other renewables supplying a further 21%. BNEF expects coal to only account for 12% of electricity generation compared to 37% today.

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.

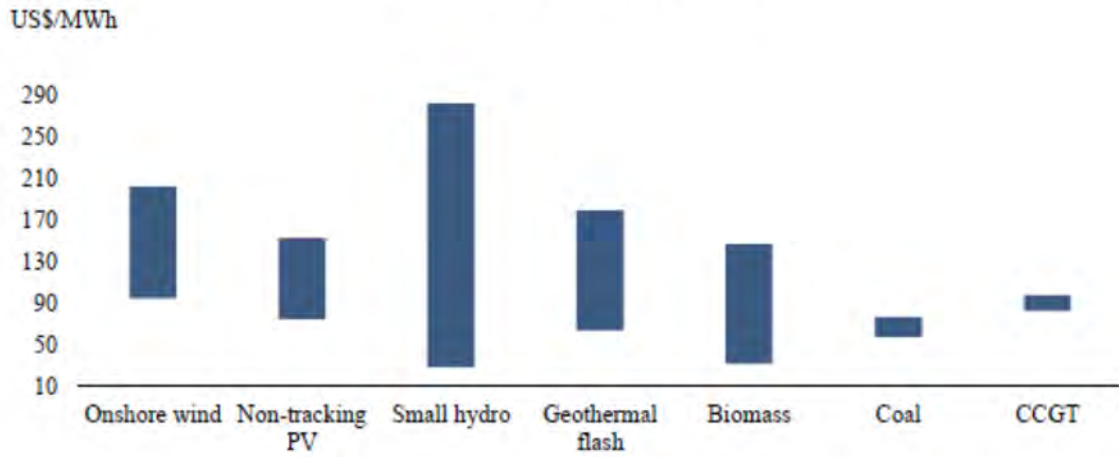
Philippines 1H2020 LCOE



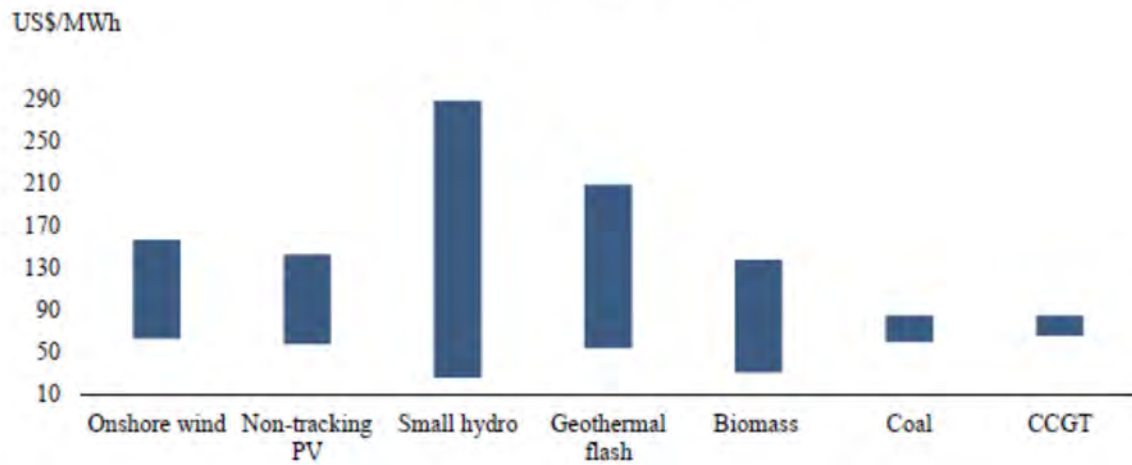
Australia 1H2020 LCOE



Indonesia 1H2020 LCOE



Vietnam 1H2020 LCOE



Source: BNEF as of 2019

DESCRIPTION OF THE ISSUER

GENERAL

The Issuer was incorporated as an exempted company with limited liability in the Cayman Islands on 5 August 2021. The registered address of the Issuer is at the offices of Maples Corporate Services Limited, PO Box 309, Umland House, Grand Cayman KY1-1104, Cayman Islands. The Issuer is a wholly-owned subsidiary of the Guarantor. The Issuer has no subsidiaries.

BUSINESS ACTIVITY

The Issuer was established for the purpose of, among other things, raising financing for the Guarantor through bilateral and syndicated bank loans, and capital market transactions such as notes, all of which are guaranteed by the Guarantor. The Issuer has not engaged, since its incorporation, in any other material activities other than those relating to the proposed issue of the Notes and the authorization of documents and agreements referred to in connection therewith to which it is or will be a party.

MANAGEMENT

The board of the directors of the Issuer consists of John Eric T. Francia, Patrice R. Clause and Maria Corazon G. Dizon. There are no officers of the Issuer.

CAPITALIZATION

The authorized share capital of the Issuer is U.S.\$ 50,000 and is divided into 50,000 ordinary shares of a par value of U.S.\$1.00 each. 20,000 ordinary shares have been issued and paid up and are held by ACEN.

As of the date of this Offering Circular, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unused), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

BUSINESS

OVERVIEW

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 expanded 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 in oil and gas through its subsidiary, ACE Enexor, Inc. (“**ACE Enexor**”), formerly PHINMA Petroleum and Geothermal, Inc., and in renewable energy, focusing on wind and solar energy, in the pursuit of clean and sustainable power projects.

ACEN is a subsidiary of AC Energy and Infrastructure Corporation (“**ACEIC**”), which is a wholly-owned subsidiary of Ayala Corporation, one of the largest and most diversified conglomerates in the Philippines, with interests in real estate, banking, telecommunications, water, power, infrastructure, industrial technologies, healthcare, and education. Ayala Corporation was founded in 1834 and has developed a unique portfolio of businesses providing various engines for growth and diversification amid the Philippines’ economic growth. Ayala Corporation is a publicly-held company listed on the Philippine Stock Exchange (“**PSE**”). As of 30 June 2021, Ayala Corporation had a market capitalization of ₱315,363.2 million (U.S.\$6,496.4 million).

As of 30 June 2021, ACEN had a total Net Attributable Capacity of 2,589 MW from operating projects and projects under construction. The table below presents the Net Attributable Capacity as of 30 June 2021, and attributable generation for the six months ended 30 June 2021, broken down by geography and energy source:

	Net Attributable Capacity (MW)			Attributable Generation (GWh) ⁽¹⁾
	Operating Projects	Projects Under Construction	Total	
By Geography				
Philippine Assets	890	291	1,181	1,388
International Assets:				
Vietnam	299	339	637	276
Australia	—	417	417	—
Indonesia	186	—	186	560
India	168	—	168	19
Total International Assets	653	756	1,408	855
Total	1,542	1,047	2,589	2,244
By Energy Source				
Renewable Assets:				
Solar	729	457	1,186	329
Wind	232	475	707	322
Geothermal	138	—	138	526
Battery	—	40	40	—
Total Renewable Assets	1,185	972	2,070	1,177
Thermal Assets:				
Coal	244	—	244	892
Diesel	200	75	275	175
Total Thermal Assets	444	75	519	1,067
Total	1,542	1,047	2,589	2,244

Note:

- (1) Attributable Generation refers to the product of (i) the Company's effective economic interest in the relevant power projects, and (ii) the projects' GWh generation for the period.

ACEN's strategies and objectives are aligned 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, ACEN is additionally focused on protecting the wider environment and creating value for the communities it serves. The Company's Environmental and Social Policy has the following objectives:

- Achieve a low carbon portfolio by 2030
- Aspire for excellence in environmental management
- Fulfil its commitment to the community

For the years ended 31 December 2018, 2019 and 2020, the Company had total revenue and other income of ₱15,243.7 million, ₱16,850.6 million and ₱21,347.5 million (U.S.\$439.8 million), respectively, while the Company had a net loss attributable to equity holders of the Company of ₱560.5 million for the year ended 31 December 2018 and net income attributable to equity holders of the Company of ₱57.7 million and ₱3,753.8 million (U.S.\$77.3 million) for the years ended 31 December 2019 and 2020, respectively. Prior to the close of ACEIC's acquisition of the Company on 19 June 2019, PHINMA, Inc. and PHINMA Corporation held majority control of the Company (then known as PHINMA Energy Corporation). At the Annual Stockholders' Meeting held on 17 September 2019, the Company's management was formally transferred to ACEIC.

For the six months ended 30 June 2020 and 2021, the total consolidated revenues and other income of the Company was ₱11,844.9 million and ₱15,655.7 million (U.S.\$322.5 million), respectively. For the six months ended 30 June 2020 and 2021, the total net income attributable to equity holders of the Company was ₱2,573.4 million and ₱2,690.4 million (U.S.\$55.4 million), respectively.

As of 31 December 2020 and 30 June 2021, the Company had total consolidated assets of ₱141,815.8 million (U.S.\$2,952.3 million) and ₱168,783.8 million (U.S.\$3,476.9 million), respectively.

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 energy industry.

Portfolio of projects across geographies, technologies, energy sources and regulatory regimes 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. Following its investment in power generation and supply, the Company grew a portfolio of both renewable and conventional power generation projects while maintaining some investments in petroleum exploration.

The Company is one of the pioneers in the Philippine energy industry, with a Net Attributable Capacity of 2,589 MW in operation and under construction as of 30 June 2021. The following were ACEN's power assets when it was acquired by ACEIC (formerly, AC Energy Holdings, Inc.):

- 45% of the 244 MW coal-fired power plant in Calaca, Batangas through SLTEC, a joint venture with ACEIC;
- 54 MW wind power project in San Lorenzo, Guimaras under GWC (wholly-owned);

- 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;
- 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
- 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 its Net Attributable Capacity of thermal and renewable assets by 176 MW through the infusion of the following assets:

- 68% of the 52 MW Northwind Power in Ilocos Norte through NPDC;
- 36% of the 81 MW North Luzon Renewables also in Ilocos Norte through NLREC;
- 100% of the 18 MW MonteSol solar farm in the province of Negros Oriental;
- 35% of the 244 MW SLTEC power plant, including the purchase of another 20% stake from Axia Power, resulting in an effective economic interest in SLTEC of 100%;
- Minority stakes in the SacaSol and IslaSol solar farms in Negros Occidental (totalling 3 MW); and
- Minority stakes (4 MW of equity carry) in other solar and biomass plants in Negros Occidental. The biomass plants were eventually sold in June 2021 to ThomasLloyd.

The transfer likewise included a development pipeline to support the Company's target of 5,000 MW of Net Attributable Capacity in renewables by 2025.

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

- 31% of the 81 MW North Luzon Renewables wind farm through GigaAce1;
- 96% of the 45 MWdc SacaSol in through GigaAce2;
- 60% of the 80 MWdc IslaSol farm through GigaAce3, after the subscription of ThomasLloyd;
- 100% of the 120 MWdc of Gigasol Alaminos under SolarAce1 (greenfield);
- 100% of the 63 MWdc of Gigasol Palauig under Gigasol 3 (greenfield);
- 50% of the 150 MW of the diesel-powered Ingrid Quick Response Thermal Plant (greenfield), under a JV with Axia Power;
- 100% of the 40 MW Alaminos Battery Energy Storage System Project under GigaAce4 (greenfield);
- 100% of the 4 MW Bataan Renewable Energy Tech Hub under Bataan Solar (greenfield);
- 50% of the 72 MWdc of the Arayat-Mexico Solar Farm in Pampanga under Grencore 3, a JV with Citicore Solar Energy Corporation; and
- 60% of the 160 MW Gigawind Pagudpud wind farm, partnering with UPC Renewables.

With the completion of the ACEIC International Transaction, the Company's Net Attributable Capacity increased by 1,408 MW as of 30 June 2021, all coming from renewable sources, as shown below (in gross capacities) (see "*Portfolio of Assets—Overview*"):

Operating projects

- 648 MW Salak & Darajat Geothermal Plants in Indonesia;
- 75 MW Sidrap Wind in Indonesia;
- 405 MWdc Ninh Thuan Solar in Vietnam;
- 80 MWdc Dak Lak and Khan Hoa Solar in Vietnam;
- 40 MW Mui Ne Wind (Phase 1) in Vietnam;
- 140 MWdc Sitara Solar in India; and
- 70 MWdc Paryapt Solar in India.

Projects under construction

- 252 MW Quang Binh Wind in Vietnam;
- 40 MW Mui Ne Wind (Phase 2) in Vietnam;
- 60 MW Lac Hoa & Hoa Dong Wind in Vietnam;
- 88 MW Ninh Thuan Wind in Vietnam; and
- 521 MWdc New England Solar Farm in Australia.

The ACEIC International Transaction further increased the Company's Net Attributable Capacity in operating and under construction assets to 2,589 MW as of 30 June 2021.

In addition to the existing portfolio of operating assets and assets under construction, the transaction allowed the Company access to a robust and visible pipeline of projects in Australia, Vietnam, Indonesia, and India to help ACEN become the largest listed renewables platform in Southeast Asia and to achieve its target Net Attributable Capacity of 5,000 MW of renewables by 2025.

Along with exploration and power generation, the Company is one of the pioneers in the wholesale and retail electricity market in 2006. As of 30 June 2021, the Company holds around 225 MW of retail/contestable and 310 MW of wholesale customer contracts in the Philippines. In addition, the Company has feed-in tariffs and long-term contracts for its operating assets in Indonesia, Vietnam and India.

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, technologies, geographies, and regulatory regimes that the Company is able to leverage for continued renewable capacity expansion and growth, in the Philippines and internationally.

The Company's core focus in renewable energy is aligned with the Philippines' embracement of renewable energy sources to address the country's long-term energy needs.

The narrative of the Philippine power sector is underpinned by the country's robust economic fundamentals and attractive demographic qualities. The Philippines' GDP has been growing at a 7% compound annual growth rate ("CAGR") from 2009 to 2020. However, in 2020, as the economy felt the impact of the COVID-19 pandemic, the country's GDP shrank by 9.6%. In its latest Philippines Economic Update report released in December 2020, the World Bank projects that economic growth is expected to return to above 5.9% in 2021 and 6.0% in 2022. 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 the development of indigenous and environmentally-friendly energy sources.

Under the RPS Rules, the mandated participants include:

- Distribution Utilities for captive customers;
- RES for contestable customers;
- Generating Companies, to the extent of the demand of their actual supply to their directly-connected customers; and
- 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:

- Biomass;
- Waste-to-energy technology;
- Wind energy;
- Solar energy;
- Run-of-river hydroelectric power systems;

- Impounding hydroelectric power systems;
- Ocean energy;
- Hybrid systems as defined in the RE Act with respect to the RE component;
- Geothermal energy; and
- Other RE technologies that may be later identified by the DOE;

provided that, for 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 5,000 MW 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.

Beyond the Philippines, there has also been an accelerated transition to renewable energy and complementary technologies, such as energy storage. The Company is well-positioned to serve the region’s renewable energy requirements with its pipeline of projects not just in the Philippines but also across the Asia Pacific region.

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 ability to work with various partners is a key strength of its growth platform. The Company also believes that these partners 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 ability to forge partnerships in various market segments have 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 1,100 MW of expected gross capacity that are targeting financial close between the second half of 2021 to 2022 across various technologies in the Philippines and abroad, helping drive the Company towards its goal of achieving 5,000 MW of Net Attributable Capacity in renewables by 2025.

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.
- 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**”) is 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 Quick Response Thermal 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 Arayat-Mexico Solar Farm in 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.

Key among the Company’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 a partner for projects in the 75 MW Sidrap Wind Project in Indonesia and the 60 MW Lac Hoa and Hoa Dong Wind in Vietnam.

ACEN, 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 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 Pumped Hydro and the 300 MW Bridle Solar in Australia.

Another joint venture company with UPC Renewables, 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, Taiwan and other countries in the Asia Pacific. Following the completion of the joint venture’s first two solar projects in India, it is currently working on developing the 300 MWdc Masaya Solar plant in Madhya Pradesh.

- BIM Group, one of Vietnam’s leading business groups with interests in real estate, food, and commercial services. The BIM Group is ACEN’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 ACEN’s partner for the 80 MWdc Dak Lak and Khanh Hoa Solar and the 252 MW Quang Binh Wind in Vietnam.

- The Blue Circle, an international platform based in Singapore engaged in the development, construction, and operation of its pipeline of around 1,500 MW of wind projects across Southeast Asia, including around 700 MW in Vietnam. The Blue Circle is ACEN'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 ACEN's partners for its 648 MW Salak & Darajat Geothermal Plants in Indonesia.

The Company has also engaged with the Yoma Group for the potential joint exploration and development of around 200 MW renewable energy projects within Myanmar including participation in large utility scale renewable projects for the development of micro power plants and mini-grids. Due to the current situation in the country the Group has taken a more conservative approach to possible expansions in Myanmar. The Group takes a long-term view on its investment in Myanmar and continues to monitor the situation closely

On 4 August 2021, ACEN obtained Board Approval to enter into a joint venture through its wholly-owned subsidiary AC Renewables International, with NEFIN Holding Limited ("NEFIN"), a leading solar photovoltaic developer and investor in carbon neutrality solutions. The final terms of the joint venture is subject to the execution of definitive documentation.

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 are only approximately 6,000 MW of private sector-initiated power projects that are either committed or indicative. There is a significant 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' stable demand, while its peaking plants can be quickly operated to supplement requirements during peak periods. In addition, the generation profile of the Company's portfolio of solar plants is well-suited to match the Luzon load curve.

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 2023, and the supply shortages during the peak summer season of 2021 is indicative of the need for more reliable power supply. 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.

The Company's assets and operations are strategically located in a rapidly growing region that is increasingly embracing renewable energy to address its long-term energy needs

Through the ACEIC International Transaction, the Company gained access to highly attractive markets in the Asia Pacific region in which to pursue growth, particularly in the renewable energy space. The Company's current 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 before the pandemic, with GDP growing at 7.4% CAGR from 2008 to 2019 (U.S.\$1,119 billion in 2019), according to the World Bank. In 2020, Indonesia's GDP fell by only 2.1% reflecting less stringent containment measures and lower dependence on highly impacted sectors like tourism. The World Bank expects the Indonesian economy to rebound by 4.4% in 2021 and 5.0% in 2022, assuming faster vaccine rollouts. 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 at least 48% of total installed capacity by 2030 based on the 2021-2030 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 favourable 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. As one of the countries that best managed the pandemic, Vietnam posted a GDP growth of 2.9% in 2020 showing remarkable resilience. The World Bank also sees Vietnam's GDP growing by 6.6% in 2021 and 6.5% in 2022 on the back of successful control of COVID-19 infections, strong performance by export-oriented manufacturing and robust recovery in domestic demand. 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 234 GW in 2040 (base-load scenario). 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 57% 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 August 2021, 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.\$1.4 trillion, representing a CAGR of 3% from 2008 to 2019. GDP performance continued to be driven by a low unemployment rate, and constant infrastructure investments. While in 2020 Australia's GDP fell by 0.3% as reported by World Bank, after suffering its first recession in nearly 30 years, the rebound in the second half of the year also set records. During the same period from 2008 to 2019, 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), and will reach 51,633 MW in fiscal year 2020-21. 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 Large-scale 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 Large-scale 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 and the actual target achieved in 2020 was 27.7% (according to Clean Energy Council).

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, declined 8.6% in 2020 and ended 2020 at U.S.\$2,623 billion. Power consumption has kept pace with its economic growth, registering a 7% CAGR from FY2008-09 to FY2018-19, and a decline of 6% in 2020 due to the COVID-19 pandemic. 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 2022) and wind energy (60 GW by 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 South Korea and Taiwan.

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

The Company has around 225 MW of retail/contestable customer contracts in the Philippines as of the date of this Offering Circular. 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 of solar and wind projects 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 Offering Circular. In Indonesia, all of the Company’s wind and geothermal operating assets with a total of 723MW in gross capacity are fully contracted with PLN under long-term contracts. In Vietnam, the Company’s operating solar and wind assets totaling 525MW have feed-in tariffs.

For the six months ended 30 June 2021, 71% of the Company’s revenues are derived from a combination of long-term bilateral contracts, short-term retail electricity contract and FIT contracts and the balance from trading.

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. In March 2021, GIC Private Limited, through its affiliate Arran Investment Pte Ltd, completed the first tranche of its target 17.5% stake purchase in the Company. This ₱11.9 billion transaction strengthened the Company’s capital position, allowing it to fund more of its developmental and operational projects.

With the transfer of the assets from ACEIC, the Company's balance sheet strengthened further, thus providing the Company more 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. The Company also has good access to the capital markets as evidenced by the recent follow-on-offering that the Company completed in May 2021.

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.

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 legacy coal plants and other infrastructure assets. For additional information regarding ACEN's corporate history, see "*—History and Corporate Milestones*".

ACEIC registered a net income attributable to parent of ₱5.8 billion for the year ended 31 December 2020 and unaudited net income of ₱3.5 billion for the six months ended 30 June 2021, respectively. 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.

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 5,000 MW 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 ₱495.8 billion as of 30 June 2021 with total assets of ₱1,427.8 billion as of 31 March 2021. Under the Ayala Group is a portfolio of market leading businesses in the country, which include the following, with their respective market capitalizations as of 30 June 2021:

- Ayala Land, Inc. (PSE: ALI) (market capitalization of ₱530.4 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 ₱400.3 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 ₱245.9 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 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:

- Constituent of the FTSE4Good Index Series (2021) by FTSE Russell
- "Award of Merit," Response & Recovery Management and Communication Category, Gold Quill Awards (2021) by the International Association of Business Communicators (IABC)
- "Asia's Best Integrated Report – Silver" (2020) by Asia Sustainability Reporting Awards (ASRA)
- 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 and President and CEO 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-person 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 ten 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, Chief Finance Officer, a seasoned finance and business development professional from the Ayala Group, Jose Maria P. Zabaleta, Chief Development Officer, founder and CEO of VRC, who has developed hundreds of MWs of renewables, and Patrice

Clausse, Head of the International Group, founding member of AC Energy management since 2011. The management team is supported by a highly-engaged employee force developed and accumulated by the Company since its founding.

As of the date of this Offering Circular, the Company has 11 directors in its Board, including four independent directors, which provides oversight over the Company and its operations. All of the members of the Board are highly qualified and have extensive corporate experience in their credentials. See “*Management—Board of Directors and Senior Management*”.

In addition to this, the Company recently established an important relationship with Arran Investment Pte Ltd, an affiliate of GIC Private Limited with GIC aiming to acquire 17.5% of the Company after a series of transactions. The Company believes that the support, international network and expertise brought by GIC will further enable the Company to strengthen its position in the renewable energy space.

Highly motivated organization delivering rapid execution and performance.

The pooling of the Company’s resources with ACEIC’s team in 2019 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.

To date, the AC Energy Group has achieved several awards among which are:

- “Renewable Energy Deal of the Year-Wind (Indonesia)” for sponsoring the PT UPC Sidrap Bayu Energi U.S.\$114.47 million refinancing (2021) by The Asset Triple A Infrastructure Awards
- “Renewable Energy Deal of the Year-Wind (Vietnam)” for sponsoring the BT1 Windfarm Joint Stock Company U.S.\$118.28 million project finance facility (2021) by The Asset Triple A Infrastructure Awards
- “Best Issuer for Sustainable Finance” (2020) by The Asset Triple A Sustainable Capital Markets Country Awards
- “Green Project of the Year – U.S.\$410 million maiden green bonds” (2020) by The Asset Triple A Infrastructure Awards
- “Best Issuer for Sustainable Finance (Corporate)” (2019) by The Asset Triple A Country Awards
- “Best M&A Deal - AC Energy divestment of 60% economic stake in AA Thermal to Aboitiz Power Corporation” (2019) by The Asset Triple A Country Awards
- “Renewable Energy Deal of the Year - BIM/AC Renewables Ninh Thuan solar project” (2019) by The Asset Triple A Infrastructure Awards
- “Fastest Growing Energy Platform – Philippines” (2017) by International Finance Magazine
- “Smart Project Award” (2017) by Project Finance International Asia - Best Practice Citations

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 5,000 MW 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 5,000 MW 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. With the completion of the ACEIC International Transaction, ACEN shall 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.

Invest in accordance with globally-accepted sustainability norms and frameworks.

The Group aligns itself with the best-in-class sustainability frameworks, some of which are 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;

AC Energy will take measures to prevent, minimize and control its direct greenhouse gas (GHG) emissions and will transition to a low carbon portfolio by 2030. This will be made possible by scaling up renewable energy investments, leveraging new technologies such as energy storage, and limiting thermal energy production

By 2025: Renewables will reach 5GW of capacity and account for at least 50% of energy output

- a. Thermal capacity will be capped or limited to no more than 50% of output, estimated to be the equivalent of no more than 2,000 MW of thermal installed capacity

By 2030: Portfolio will be predominantly renewables and coal assets are expected to be divested

- a. Divestment from existing coal generation assets shall be implemented, with the aim of achieving full divestment from coal generation assets by 2030, subject to review and finalization by 2025
- b. New investments may be made in gas-fired generation, as the Company deems it as a transition fuel and low carbon alternative to complement renewables

2. Aspiring for excellence in environmental management; and

AC Energy is committed to protecting and conserving biodiversity, maintaining ecosystem services, and adequately managing living natural resources throughout the lifecycle of its power plants

3. Fulfilling its commitment to the community.

AC Energy is committed to protecting communities, including indigenous populations and vulnerable populations, that are affected by its operations

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. As of the date of this Offering Circular, U.S.\$983 million of these bonds are outstanding.

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.

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.

With the completion of the ACEIC International Transaction, ACEN also gained 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.

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 5,000 MW renewable energy capacity target by 2025. ACEN also seeks to capitalize on its presence in the Southeast Asia market 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. With the completion of the ACEIC International Transaction, ACEN’s countries of operation includes Indonesia, Vietnam, Australia and India. 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 recognises 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 as of June 2019, the completion of the ACEIC Philippine Transaction and ACEIC International Transaction has enabled the Company to increase its Net Attributable Capacity to 2,589 MW in operation and under construction as of 30 June 2021. 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. With the completion of the Company's investment and acquisition activities and the ACEIC International Transaction, the Company has a portfolio of Philippine and international assets with a Net Attributable Capacity of 2,589 MW from its operating projects and projects under construction as of 30 June 2021.

From its current portfolio of Philippine and international projects, the Company established a goal of reaching 5,000 MW 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 Endeavor and AC Renewables International, through partnerships and through acquisitions.

Strengthen team and enhance organizational capabilities.

To deliver on the Company's 5,000 MW 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 Endeavor, 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.

Further strengthen the balance sheet.

The Company aspires to continuously 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 with a total transfer value of ₱14.7 billion, the Rights Offer which provided ₱5.4 billion (U.S.\$111.2 million) in gross proceeds, the Follow-On Offering which provided ₱10.3 billion (U.S.\$212.2 million) in gross proceeds from primary shares, the private placement to GIC affiliate Arran Investment valued at ₱11.9 billion, and the ACEIC International Transaction valued at ₱85.9 billion. 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 prudent standards with regards to financing and risk management.

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. 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.

HISTORY AND CORPORATE MILESTONES

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 20 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.

The following table sets forth the Company’s corporate milestones upon acquisition by ACEIC:

Year	Milestones
2019	<ul style="list-style-type: none"> • ACEIC completed the acquisition of a controlling stake in ACEN.
2020	<ul style="list-style-type: none"> • ACEIC completed the ACEIC Philippine Transaction. • ACEN was added to the MSCI Philippines Small Cap Index of the PSE in November 2020.
2021	<ul style="list-style-type: none"> • Arran Investment Pte. Ltd., an affiliate of GIC Private Limited, agreed to acquire a 17.5% interest in ACEN, subject to satisfaction of certain conditions. As of 15 July 2021, Arran holds a 10.5% interest in the Company. • ACEN completed the rights offering of 2.3 billion Common Shares on 29 January 2021, raising ₱5.4 billion (U.S.\$111.2 million) in gross proceeds. • ACEN completed the follow-on offering of 1.9 billion Common Shares on 14 May 2021, raising ₱10.3 billion (U.S.\$212.2 million) in gross proceeds. • ACEIC completed the ACEIC International Transaction.

- ACEN was added to the 30-member benchmark index of the PSE (PSEi) effective 16 August 2021.

Reorganisation

ACEIC Philippine Transaction

Following the acquisition by ACEIC of a majority stake in the Company in 2019, on 14 May 2020, 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 (the "**ACEIC Philippine Transaction**"). As a result of the ACEIC Philippine Transaction, the Company's power generating capacity expanded to include several additional operating assets, such as:

- 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**").

The ACEIC Philippine Transaction was completed on 21 December 2020 upon the issuance by the SEC of its letter confirming compliance by the Company with the conditions.

ACEIC International Transaction

On 26 April 2021, ACEIC transferred 100% of its shares of stock in AC Energy International (ACEIC's 100%-owned subsidiary holding ACEIC's international business and investments) to the Company in exchange for the issuance to ACEIC of additional Common Shares (the "**ACEIC International Transaction**").

With the completion of the ACEIC International Transaction, ACEN expanded its portfolio to include power generation projects in Australia, Indonesia, Vietnam, and India. With the completion of the Company's investment and acquisition activities and the ACEIC International Transaction, the Company has a portfolio of Philippine and international assets with a Net Attributable Capacity of 2,589 MW from its operating projects and projects under construction as of 30 June 2021.

The Company has secured the BIR Certificate Authorizing Registration dated 29 July 2021 on 30 July 2021 for the ACEIC International Transaction and has issued 16,685,800,533 common shares to ACEIC on 11 June 2021. In turn, the shares of stock in AC Energy International from ACEIC has been registered in the name of ACEN on 29 July 2021. As conditions subsequent, on 16 August 2021, the Company submitted its request for confirmation to the Philippine SEC that all the conditions in its letter approval dated 7 June 2021 have been complied and on 16 July

2021, the Company submitted its request for approval to the PSE for the additional listing of the 16,685,800,533 common shares. Each of these requests remain pending as of the date of this Offering Circular.

RECENT DEVELOPMENTS

Joint Venture with NEFIN

On 4 August 2021, ACEN obtained Board Approval to enter into a joint venture through its wholly-owned subsidiary AC Renewables International, with NEFIN Holding Limited (“NEFIN”), a leading solar photovoltaic developer and investor in carbon neutrality solutions. AC Renewables International expects to invest an initial amount of U.S.\$10 million into the joint venture. The final terms of the joint venture is subject to the execution of definitive documentation.

Gigasol San Marcelino Solar Project

On 4 August 2021, the Board approved the 250 MWdc Gigasol San Marcelino Solar Project. The Gigasol San Marcelino Solar Energy Power Plant will be located in Brgy. Santa Fe, San Marcelino, Zambales. Phase 1 of the project is for approximately 250MWdc, with a projected annual power generation of over approximately 350GWh. The Company targets to issue full notice to proceed with the project within the year.

Inclusion of ACEN in the PSE Index

On 5 August 2021, the PSE announced that ACEN would be included in the PSE Index effective 16 August 2021. This is a result of the PSE’s regular review of the PSE Index and sector indices covering trading activity for the period July 2020 to June 2021. Companies that qualify for inclusion in the PSEi are those with a free float level of at least 15%, rank among the top 25% by median daily value per month for at least nine out of 12 months, and rank among the highest in market capitalization. On 5 August 2021, the PSE revised its policy on index management, including the increase in free float level to 20% from the current 15%. The new free float level is expected to be implemented for the December 2022 index review.

Sale of Power Barges (“PB”) 101, 102 and 103

On 20 August 2021, the Executive Committee of the Company approved the sale of (i) PB 101 to Prime Strategic Holdings Inc. or its designated affiliate or subsidiary, and (ii) PB 102 and PB 103 to SPC Power Corporation or its designated affiliate or subsidiary. The sale of the PB’s is expected to be completed in the fourth quarter of 2021, subject to satisfaction of agreed conditions precedent, including obtaining the applicable regulatory approvals. PB 101 is an operating power plant while PB 102 and PB 103 are non-operating as of the date of this Offering Circular.

Joint Venture with ib vogt Singapore Pte Ltd

On 25 August 2021, the Company obtained Executive Committee approval to enter into a joint venture with ib vogt Singapore Pte Ltd for the development of solar projects in the Philippines, with an initial target of 300 MWdc of generating capacity. ib vogt Singapore Pte Ltd is an affiliate of ib vogt GmbH, a German company focused on developing and delivering high-quality large-scale turnkey photovoltaic plants worldwide. The final terms of the joint venture, including the initial investment of the Company, is subject to due diligence and the execution of definitive documentation.

Capital Expenditure Budget Approval

On 25 August 2021, the Executive Committee of the Company approved the capital expenditure budget for the Company’s proposed approximately 288MW solar project in Buguey and Lal-lo, Cagayan and the proposed 275MW expansion of the Company’s Gigasol Palauig solar project in Zambales.

COVID-19 PANDEMIC

In December 2019, an outbreak of the novel coronavirus disease (“**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. In a move to contain the spread of COVID-19, 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 imposing an ECQ throughout the island of Luzon until 12 April 2020, unless earlier lifted or extended. The ECQ was extended until 15 May 2020 and during this period, power demand fell by approximately 30%, reflecting the decline in power use by shuttered businesses. Since then, various community quarantine measures or modifications of the ECQ have been imposed throughout the country.

As part of its measures to address the impact of the pandemic, the Philippine 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 and subsequently, the Bayanihan to Recover as One Act (the “**Bayanihan 2 Act**”) was passed. 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 which will be 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.” In addition, the Bayanihan 2 Act also imposed 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 instalments.

Business Impact

COVID-19 and the various measures to contain it have caused disruptions to businesses and economic activities. In respect of the Company’s operations in the Philippines, the ECQ and various community quarantines resulted in delays in the construction of power projects, a decline in demand for the Company’s output from industries, offices, and shopping malls, which account for the bulk of energy consumption, and a decline in WESM prices as demand for electricity decreased. In addition, the ERC directed distribution utilities and retail electricity suppliers to allow consumers a grace period for the payment of their electric consumption falling due within the period of ECQ and modified ECQ without interest, penalties and other charges. Any unpaid balance after the lapse of the 30-day grace period shall be payable in three equal monthly instalments without incurring interest, penalties, and other charges. As of the date of this Offering Circular, the Company has collected all such receivables. In April 2021, the ERC released a public advisory that there will be a moratorium on the imposition of interest on delayed FIT payments due to the COVID-19 pandemic. This will be imposed for six billing periods from the relevant billing period wherein the interest had first been incurred. The moratorium is not expected to have a significant impact on ACEN cash flows. See “*Risk Factors—Risks Relating to the Company and its Businesses—COVID-19, future pandemics, epidemics outbreaks of diseases could have an adverse effect on economic activity in the Philippines and other countries where the Company operates and could materially and adversely affect the Company’s business, financial condition and results of operations.*”

As the DOE recognizes that energy utilization is a basic necessity and is vital to the society, 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, continue to be permitted. As such, ACEN continues to ensure uninterrupted access to power regardless of any community quarantine restrictions imposed. Construction has resumed in the Company’s projects located in the Philippines, and construction of the projects in India has been completed as planned. However, the current project construction in Vietnam has been impacted by the recent COVID-19 outbreak in the country, wherein stricter restrictions of travel and movement of both people and equipment are imposed. This can potentially lead to restricted access of foreign consultants to the site and construction delays, resulting in portions of the projects to miss the FIT deadline if not extended by the Vietnam government.

The Company’s operations in Vietnam and Indonesia were not significantly affected by the COVID-19 outbreak and related measures and continue to receive stable cash flows pursuant to long term contracts and FIT schemes. In Australia, while the pandemic has had no significant impacts to the construction of the New England Solar Farm, the Company did opt to delay the commencement of construction to 2021, after the initial wave of the pandemic in 2020. Travel restrictions have also posed some difficulties in the conduct of physical site visits, impacting the conduct of

predevelopment works in the country. Similarly, the Company's two solar projects in India were completed despite the pandemic, and both started operations in the second quarter of 2021. However, the Company has experienced some delays in predevelopment work for other projects in its pipeline, given the implementation of lockdowns in India. See "*Industry Overview*" for further discussion on the impact of COVID-19 in the Company's Philippine and international operations.

For its own employees and contractual workers, ACEN has earmarked ₱8 million as an emergency response and continues to provide salaries and financial support despite temporary work stoppage for some roles. The Company also offers COVID-19 RT-PCR testing for all its employees reporting at its plants and other frontline workers, quarantine, isolation and medical facilities for all employees and employees' household members, as well as COVID-19 and influenza vaccinations for all employees. ACEN also continues to offer work-from-home arrangements for head office employees and plant personnel where applicable.

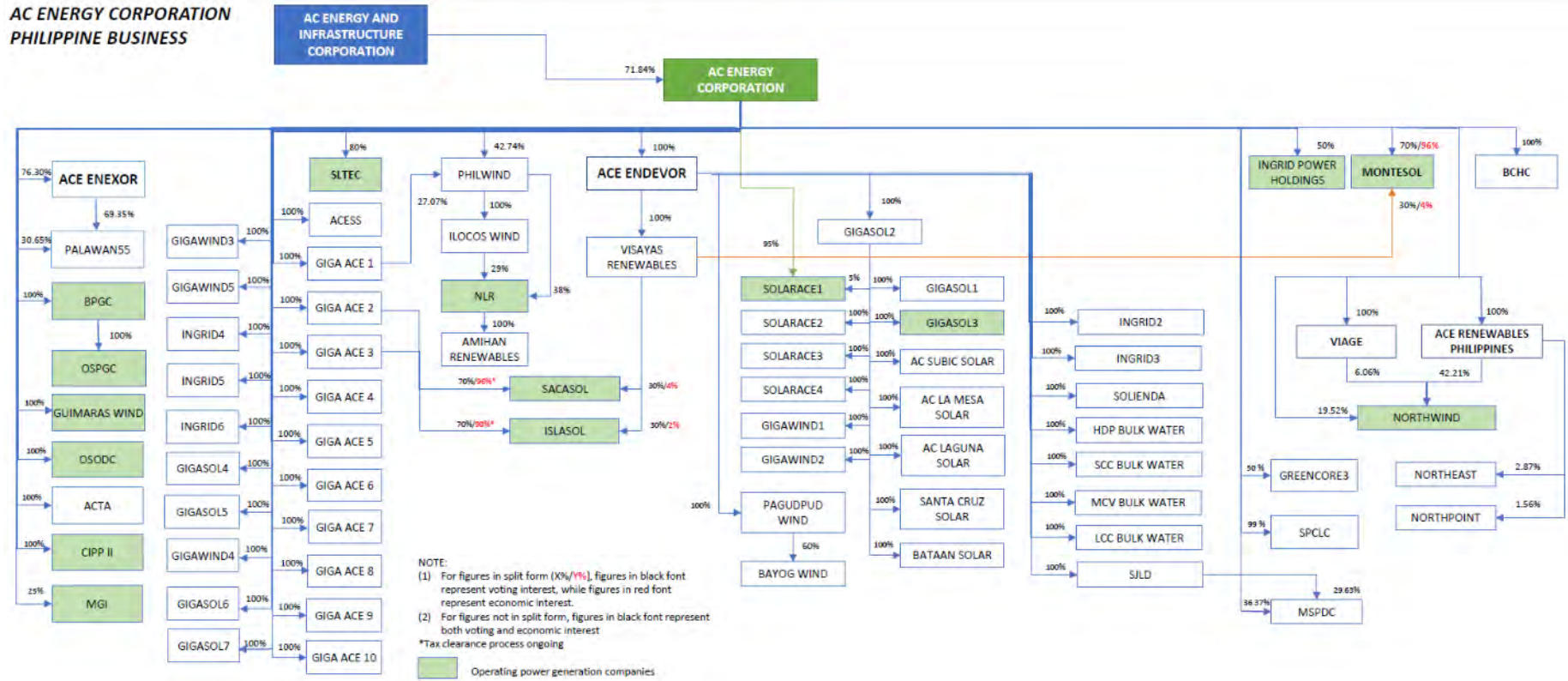
In the AC Energy Group, as of 19 August 2021, there are 13 active COVID-19 cases out of 745 employees. A total of 87 recoveries have been recorded since the start of the pandemic, and there have been no fatalities among the Company's employees as a result of COVID-19.

Outlook

The Company has seen demand for electricity in the Philippines rebound to pre-COVID-19 levels starting in September 2020 and expects more stable recovery over time. As of the date of this Offering Circular, the construction of the Company's projects that were paused in early 2020 have since recommenced. The Company believes that financial market liquidity has significantly improved since the height of the health crisis and will refresh its key assumptions and post-COVID-19 business plans as necessary.

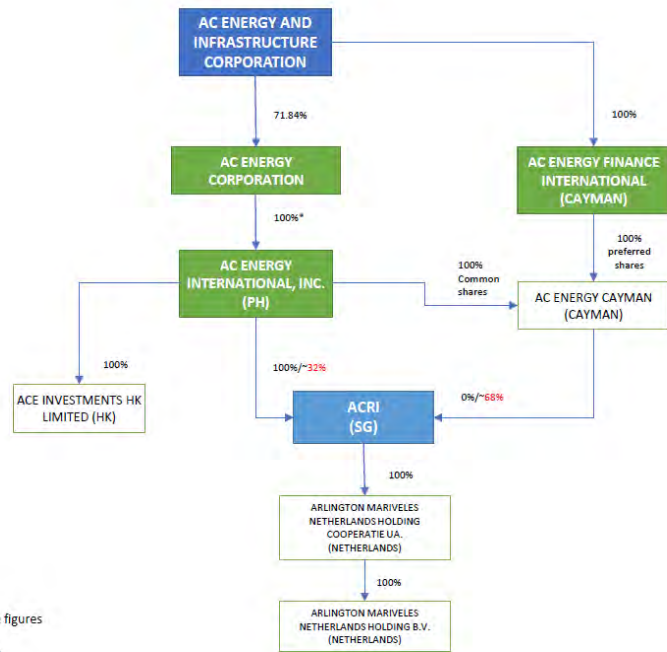
CORPORATE STRUCTURE

The following chart illustrates the Company's material shareholders and Subsidiaries as of the date of 30 June 2021.



NOTE:
 (1) For figures in split form (X%/Y%), figures in black font represent voting interest, while figures in red font represent economic interest.
 (2) For figures not in split form, figures in black font represent both voting and economic interest
 *Tax clearance process ongoing
 Operating power generation companies

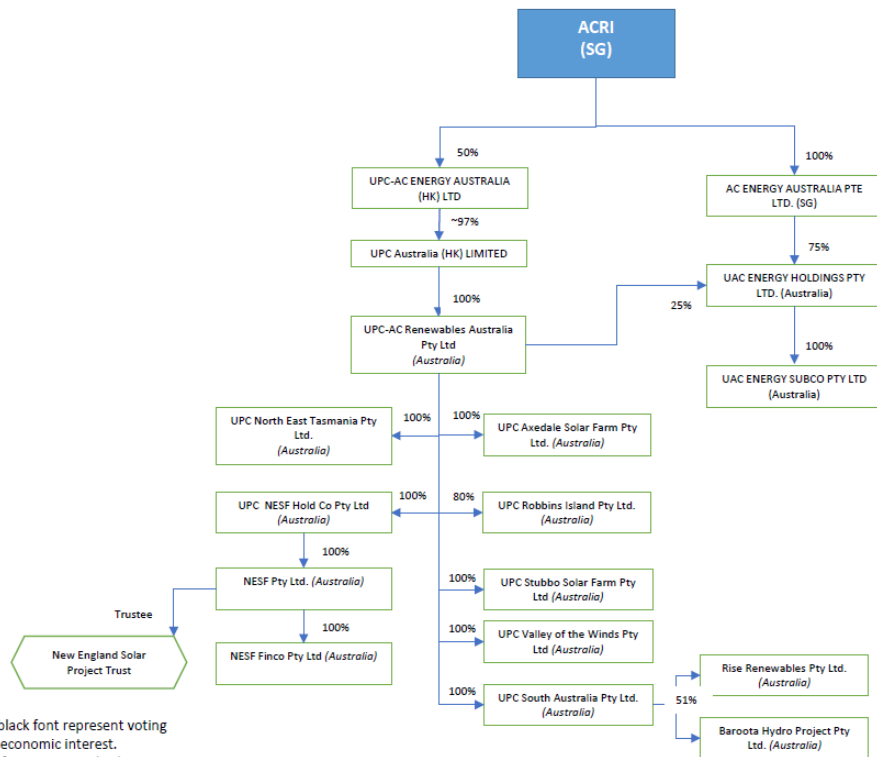
**AC ENERGY CORPORATION
INTERNATIONAL BUSINESS**



Note:
 (1) For figures in split form (X%/Y%), figures in black font represent voting interest, while figures in red font represent economic interest.
 (2) For figures not in split form, figures in black font represent both voting and economic interest
 * The Certificate Authorizing Registration for the transfer to AC Energy Corporation of the shares in AC Energy International, Inc. is currently being processed with the Bureau of Internal Revenue

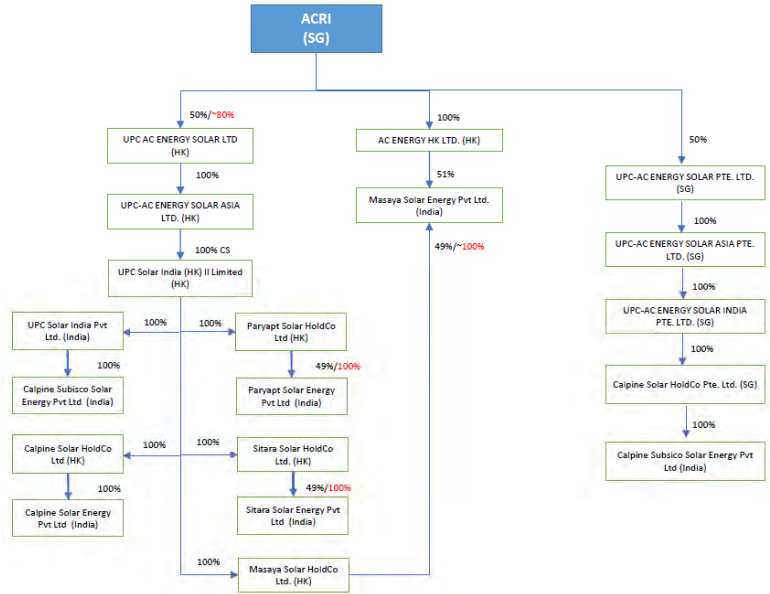
ACRI = AC Renewables International Pte. Ltd.

INTERNATIONAL BUSINESS - AUSTRALIA



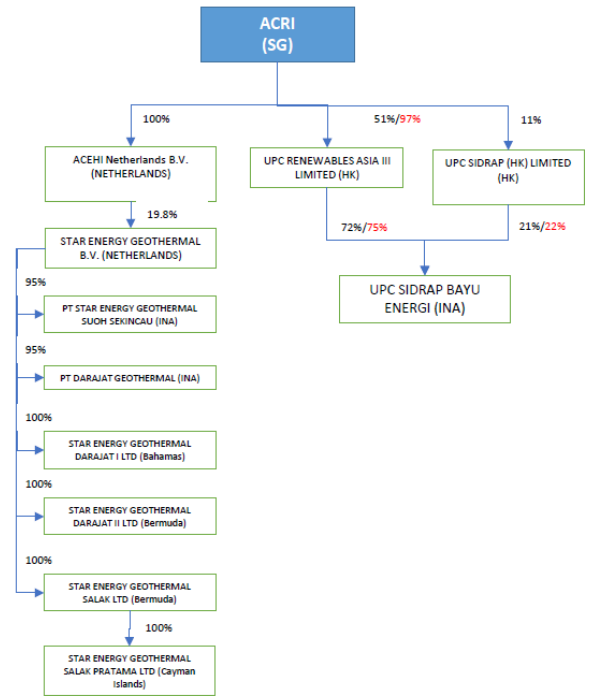
Note:
 (1) For figures in split form (X%/Y%), figures in black font represent voting interest, while figures in red font represent economic interest.
 (2) For figures not in split form, figures in black font represent both voting and economic interest

INTERNATIONAL BUSINESS - INDIA

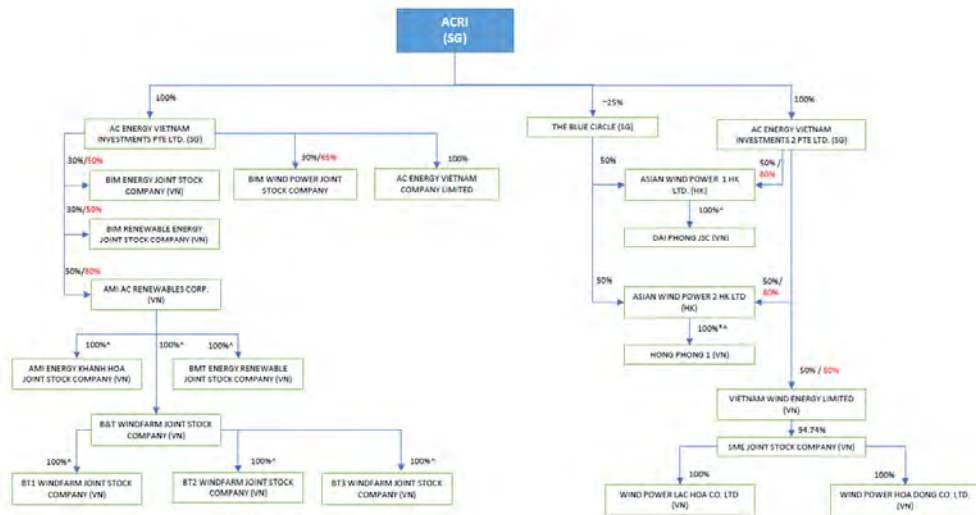


Note:
 (1) For figures in split form (X%/Y%), figures in black font represent voting interest, while figures in red font represent economic interest.
 (2) For figures not in split form, figures in black font represent both voting and economic interest

INTERNATIONAL BUSINESS - INDONESIA



Note:
 (1) For figures in split form (X%/Y%), figures in black font represent voting interest, while figures in red font represent economic interest.
 (2) For figures not in split form, figures in black font represent both voting and economic interest



Note:
 (1) For figures in split form (X%/Y%), figures in black font represent voting interest, while figures in red font represent economic interest.
 (2) For figures not in split form, figures in black font represent both voting and economic interest.

PORTFOLIO OF ASSETS

Overview

The Company operates, manages and is developing a diversified portfolio of assets across multiple jurisdictions. The charts below show the breakdown of the Company’s power project portfolio per country, technology, and status (in terms of Net Attributable Capacity as of 30 June 2021):

Total Net Attributable Capacity¹ **2,589 MW**

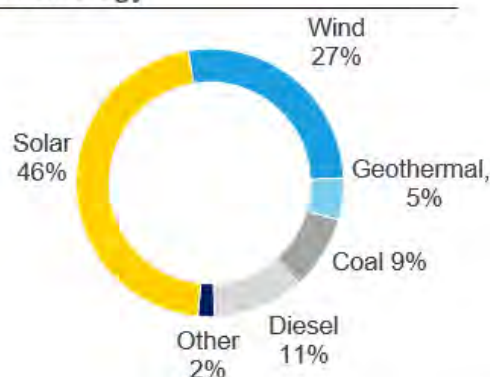
Operating Status



Geography



Technology



Note:

1. Pertains to ACEN's share of capacity, including that of International Assets, upon completion of ACEIC International Transaction.

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 30 June 2021.

Plant/ Project Name	Location	Project type	Net dependable capacity (MW)	Effective Economic Interest (%) ⁽¹⁾	Net Attributable capacity (%) ⁽²⁾	COD
OPERATING ASSETS						
Renewable Energy						
<i>Philippines</i>						
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

Plant/ Project Name	Location	Project type	Net dependable capacity (MW)	Effective Economic Interest (%)⁽¹⁾	Net Attributable capacity (%)⁽²⁾	COD
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
Maibarara Geothermal Plant	Batangas, Philippines	Geothermal	32	25%	8	Unit 1 (20MW): 2014 Unit 2 (12MW): 2018
Gigasol Alaminos	Alaminos, Laguna	Solar	120	100%	120	2021
Gigasol Palauig	Palauig, Zambales	Solar	63	100%	63	2021
<i>Vietnam</i>						
Ninh Thuan Solar	Ninh Thuan, Vietnam	Solar	405	50%	203	2019
Dak Lak and Khanh Hoa Solar Plants	Dak Lak, Vietnam and Khanh Hoa, Vietnam	Solar	80	80%	64	2019
Mui Ne Wind Farm – Phase 1	Binh Thuan Province	Wind	40	80%	32	2020
<i>Indonesia</i>						
Salak-Darajat Geothermal Projects	West Java, Indonesia	Geothermal	648	20%	130	2017
Sidrap Wind Project	South Sulawesi, Indonesia	Wind	75	75%	56	2018
<i>India</i>						
Sitara Solar	Rajasthan, India	Solar	140	80%	112	2021
Paryapt Solar	Gujarat, India	Solar	70	80%	56	2021
<i>Thermal Energy</i>						
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)
CIPP	La Union, Philippines	Diesel	20	100%	20	2013
<i>UNDER CONSTRUCTION</i>						
<i>Renewable Energy</i>						
<i>Philippines</i>						

Plant/ Project Name	Location	Project type	Net dependable capacity (MW)	Effective Economic Interest (%)⁽¹⁾	Net Attributable capacity (%)⁽²⁾	COD
Alaminos Battery Energy Storage System Project	Alaminos, Laguna	Battery	40	100%	40	2021 target
Bataan RE Lab	Mariveles, Bataan	Solar	4	100%	4	2021 target
Arayat-Mexico Solar Farm	Pampanga	Solar	72	50%	36	2023 target
Gigawind Pagudpud	Ilocos Norte, Philippines	Wind	160	85%	136	2023 target
<i>Vietnam</i>						
Quang Binh	Quang Binh Province	Wind	252	80%	202	2021 target
Mui Ne Wind Farm – Phase 2	Binh Thuan Province	Wind	40	80%	32	2021 target
Lac Hoa Wind & Hoa Dong Wind Farm	Lac Hoa & Hoa Dong, Soc Trang Province	Wind	60	80%	48	2021 target
Ninh Thuan Wind Farm	Ninh Thuan, Vietnam	Wind	88	65%	57	2021 target
<i>Australia</i>						
New England Solar Farm Phase 1	New South Wales, Australia	Solar	521	80%	417	2023 target
Thermal Energy						
Ingrid Quick Response Thermal 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 intends to provide ancillary services to NGCP. Commercial operations date subject to receipt of the COC from the ERC.

Renewable Energy Portfolio

As of 30 June 2021, the Company's portfolio of projects under its renewable energy platform had a total attributable capacity of approximately 2,070 MW of renewable energy (equivalent to 80.0% of the Company's total portfolio as of 30 June 2021) in operation divided into 1,185 MW of solar energy, 707 MW of wind power and 138 MW of geothermal power. In addition to the Company's interests in power projects, the Company has established renewable energy development platforms as part of its renewable energy strategy. As of 30 June 2021, the Company's Net Attributable Capacity in operational projects under the renewable energy platform was 2,070 MW.

Renewable Energy Projects in Operation in the Philippines

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 was ₱8.59/kWh and remains unchanged in 2021.

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 and the six months ended 30 June 2021 are as follows:

	<u>For the year ended 31 December 2019</u>	<u>For the year ended 31 December 2020</u>	<u>For the six months ended 30 June 2021</u>
Availability Factor (%)	95	94	95
Net Capacity Factor (%).....	19	18	22

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.

MonteSol

Background. In 2015, ACEIC entered into a subscription and shareholders’ agreement with VRC 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 favour 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 was ₱10.12/kWh and remains unchanged in 2021.

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 and the six months ended 30 June 2021 were at 16%, 15%, 16% 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.

Northwind Power

Background. 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%.

Power Offtaker / Energy Sales. Northwind Power delivers all its generation to the national grid via its own 57 kilometre 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 Rates in 2020 were ₱6.92/kWh and ₱9.90/kWh for Phases 1 and 2, respectively, and remain unchanged in 2021.

Operations Review. 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 and the six months ended 30 June 2021 are as follows:

		For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020	For the six months ended 30 June 2021
Phase 1 & 2	Availability Factor (%)	90	91	94	93
	Net Capacity Factor (%)	28	23	27	33
Phase 3	Availability Factor (%)	96	93	90	64
	Net Capacity Factor (%)	34	25	28	17

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.

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 NLREC to Luzon Wind Energy Holdings BV. Subsequent to such sale, ACEIC remains the single largest shareholder in NLREC 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 kilometres, 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 was ₱9.90/kWh and remains unchanged in 2021.

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 and the six months ended 30 June 2021 are as follows:

	<u>For the year ended 31 December 2018</u>	<u>For the year ended 31 December 2019</u>	<u>For the year ended 31 December 2020</u>	<u>For the six months ended 30 June 2021</u>
Availability Factor (%)	94	94	96	95
Net Capacity Factor (%).....	38	31	35	43

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 NLREC 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. NLREC 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, NLREC 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. The power plant supplies the ACEN wholesale and retail electricity supply business.

Operations Review. The average availability factor and net capacity factor of the IslaSol I and II for the years 31 December 2019 and 2020 and the six months ended 30 June 2021 are as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the six months ended 30 June 2021
Availability Factor (%)	99	98	99
Net Capacity Factor (%).....	17	16	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 ₱3.1 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 Rates in 2020 were ₱11.28/kWh and ₱10.12/kWh for SacaSol AB and SacaSol CD, respectively, and remain unchanged in 2021.

Operations Review. The average availability factor and net capacity factor of SacaSol solar farms for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021 are as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the six months ended 30 June 2021
Availability Factor (%)	99	98	99
Net Capacity Factor (%).....	17	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.

Gigasol Palauig Solar

Gigasol Palauig Solar is a standalone solar farm that is capable of supplying daytime power to the Luzon grid throughout the year. It has a designed capacity of 63 MWdc that can power approximately 30,000 houses in the region and can reduce annual carbon emission by at least 50,000MT of CO₂ of greenhouse gases.

Background. In July 2020, the Company commenced construction of its 63 MWdc solar farm located in the Municipality of Palauig, Zambales, through its wholly-owned subsidiary Gigasol3. The project uses Seraphim monocrystalline panels and sells its output to ACEN’s RES Business. On April 2021, the Company energized its Palauig Solar project and successfully ended commissioning stage in May 2021. In July 2021 the Independent Electricity Market Operator of the Philippines (“**IEMOP**”) approved Gigasol Palauig Solar project commercial operations date.

Power Offtaker / Energy Sales. Gigasol Palauig Solar is connected to the 69kV NGCP Botolan Substation via tap in connection to the 69jV NGCP Botolan-Candelaria Transmission Line. On June 2021, the ERC granted Palauig Solar provisional authority to operate. The power plant supplies the ACEN wholesale and retail electricity supply business.

Operations Review. The average availability factor and net capacity factor of the Gigasol Palauig Solar for the two months ended 30 June 2021 were 94% and 20%, respectively.

Operations and Maintenance. Gigasol Palauig Solar uses photovoltaic technology to convert sunlight to electricity utilizing Seraphim 400Wp and 405Wp monocrystalline modules and Sungrow central inverters. On February 2020, Gigasol3 signed a technical consultancy and services agreement with Modern Energy Management Co., Ltd and Strategic Industrial Development Consulting Operation Management and Renewables Inc., an Operations and Maintenance Agreement on January 2020 with JCE Electrofields Power System, Inc., 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 two years from the issuance of the Certificate for the Performance Acceptance Test for Gigasol Palauig Solar as defined in the offshore supply contract it signed with ERS Energy Sdn Bhd.

Gigasol Alaminos

GigaSol Alaminos is a greenfield stand-alone solar farm that is capable of supplying daytime power to the local grid throughout the year. It is the second largest solar power plant in the Philippines and can generate enough power to supply clean energy to approximately 80,000 homes while avoiding 111,034.37 MT CO₂ of greenhouse gases. The

GigaSol Alaminos solar farm is notable for its pioneering Sustainability Hub where ACEN has started to integrate the circular approach.

Background. In January 2020, the Company commenced construction of its 120 MWdc solar power farm located in the Municipality of Alaminos, Laguna, through its wholly-owned subsidiary SolarAce1 Energy Corp. On June 2021, the Company energized GigaSol Alaminos and achieved full commercial operations on July 2021.

Power Offtaker / Energy Sales. GigaSol Alaminos is connected to NGCP's 69kV Bay Substation through a 2.5km 69kV Transmission Line. Although the ERC granted Alaminos Solar provisional authority to operate, the plant is still awaiting COC. The power plant supplies the ACEN wholesale and retail electricity supply business.

Operations Review. The average availability factor and net capacity factor of the Alaminos Solar for the month ended 30 June 2021 were 98% and 22%, respectively.

Operations and Maintenance. Alaminos Solar uses photovoltaic technology to convert sunlight to electricity utilizing Seraphim 400Wp and 405Wp monocrystalline modules and Sungrow string inverters. On August 2019, SolarAce1 Energy Corp. signed a technical consultancy and services agreement with Modern Energy Management Co., Ltd and Strategic Industrial Development Consulting Operation Management and Renewables Inc., an Operations and Maintenance Agreement on November 2019 with JC Electrofields Power System, Inc., 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 two years from the issuance of the Certificate for the Performance Acceptance Test for Alaminos Solar as defined in the offshore supply contract it signed with ERS Energy Sdn Bhd.

Renewable Energy Projects in Operation in Vietnam

Khanh Hoa Solar Plant and Dak Lak Solar Plant

Background. The Khanh Hoa Solar Plant has a capacity of 50MWp and is located in the Khanh Hoa province. The Dak Lak Solar Plant has a capacity of 30MWp and is located in the Dak Lak province. The projects reached commercial operations in the second quarter of 2019.

Power Offtaker / Energy Sales. The Khanh Hoa Solar Plant delivers its power through a 5.5km 110kV transmission line to an EVN substation. The Dak Lak Solar Plant delivers its power through a 110kV transmission line adjacent to an EVN substation.

The projects have a 20-year PPA with EVN with a FIT rate of U.S.\$0.0935/kWh. The contract is paid in Vietnamese Dong but amount received is indexed against the U.S. Dollar on a monthly basis, preserving the U.S. Dollar FIT rate under the PPA.

Operations Review. The Dak Lak Solar Plant and the Khanh Hoa Solar Plant have a combined capacity of 80MWdc. Since commencing operations, the Dak Lak Solar Plant and the Khanh Hoa Solar Plant both had a combined average capacity factor of 17% for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021, respectively.

Operations and Maintenance. ERS, the main contractor for the Khanh Hoa Solar Plant and the Dak Lak Solar Plant, has also been engaged to perform the O&M services for both plants for a period of five years. The Dak Lak Solar Plant and the Khanh Hoa Solar Plant uses the 345wp and 340wp solar panels from Seraphim, respectively.

Ninh Thuan Solar Plants

Background. In October 2017, the Company, through its subsidiary, entered into a partnership with the BIM Group for the development of an up to 330MWp of solar plants—the Ninh Thuan Solar Plants. Total capacity was divided among three sites—30MWp in site 1, 50MWp in site 2, and up to 250MWp in site 3. The project is the first project under the partnership with the BIM Group and is one of the largest solar farms in Vietnam. The Ninh Thuan Solar Plants commenced operations in the second quarter of 2019. In the second quarter of 2020, the Company commenced

construction of a 75MWp expansion within the site area of the existing 330MWp Ninh Thuan Solar Plants, which reached commercial operations in the fourth quarter of 2020.

Power Offtaker / Energy Sales. Site 1 delivers its output through the project's 110kv substation transiting to an EVN 110kv line while Site 2 (via a 0.3km transmission line) and Site 3 (via a 5.5km transmission line) are connected to the 220 kv Quan Switchyard transiting to an EVN 220kv line. The solar expansion is connected to the Site 3 substation.

All three sites have a 20-year PPA with EVN with a FIT rate of U.S.\$0.0935/kWh. The solar expansion has been awarded the second phase ground mounted solar projects FIT rate of U.S.\$0.0709/kWh 20-year PPA with EVN. The contracts are paid in Vietnamese Dong but amount received is indexed against the U.S. Dollar on a monthly basis, preserving the U.S. Dollar FIT rate under the PPA.

Operations Review. Since commencing commercial operations in the second quarter of 2019, the Ninh Thuan Solar Plants had an average capacity factor of 18%, 18% and 19% for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021. The solar expansion has an average capacity factor of 18% for the six months ended 30 June 2021.

Operations and Maintenance. Sites 1 and 2 have a 5-year O&M contract with Juwi while Site 3 has a 5-year O&M contract with Bouygues. The Ninh Thuan Solar Plants utilizes JA Solar 325wp (30MWp) and Trina and Jinko 325wp (300 MWp) solar panels. The solar expansion has a five-year O&M contract with PowerChina and utilizes Jinko 400wp solar panels.

Mui Ne Wind Farm (Phase 1)

Background. Construction of the first phase of the Mui Ne Wind Farm (40MW) located in the Binh Thuan Province commenced in 2019. The project uses 10 4.2MW V150 wind turbines from Vestas.

Power Offtaker / Energy Sales. The project delivers its power through a combination of 6.5km transmission lines to the 110kV Mui Ne substation. The project is qualified for a 20-year PPA with EVN and FIT rate of U.S.\$0.085/kWh which EVN has been paying the project since the second half of 2020. The contract is paid in Vietnamese Dong but the amount received is indexed against the U.S. Dollar on a monthly basis, preserving the U.S. Dollar FIT rate under the PPA.

Operations Review. Mui Ne Wind Phase 1 had an average capacity factor of approximately 30% and approximately 42% for the year ended 31 December 2020 and the six months ended 30 June 2021, respectively.

Operations and Maintenance. The Company, through its subsidiary, entered into a 10-year Service and Energy Based Availability Agreement for Wind Turbine Generators with Vestas as the Contractor in March 2019 with an option for extension, where the latter warrants to the Company that the average Availability of the Wind Farm be no less than 96.5% for the first availability period and 97% for the succeeding availability periods. If the average availability of the Mui Ne Wind Farm (Phase 1) is less than the availability warranty, Vestas will pay the availability liquidated damages.

Renewable Energy Projects in Operation in Indonesia

Sidrap Wind Project

Background. In January 2017, the Company, through its subsidiary, invested in the development of a 75MW wind farm in Sidrap, South Sulawesi, Indonesia. The project uses 30 x 2.5MW Gamesa turbines for total effective capacity of 75MW. Sidrap commenced commercial operations in April 2018. The project is the first utility-scale wind farm project in Indonesia and is also the first greenfield offshore investment of the Company, through its subsidiary, and was undertaken with UPC Renewables.

Power Offtaker / Energy Sales. The Sidrap Wind Project delivers its power through a 7.5km 150kV transmissionline to a PLN substation. The ownership and maintenance of the transmission asset is with PLN but the project is compensated through a tariff supplement.

The Sidrap Wind Project has a 30-year PPA with the PLN at a US dollar-linked, levelized tariff of U.S.\$0.1141/kWh, providing ACEN with a hedge against any potential volatility in the Indonesia Rupiah.

Operations. Sidrap Wind Project has a five-year maintenance and availability agreement with Gamesa with standard availability guarantees. The average capacity factor of the Sidrap Wind Farm's for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 were at 31%, 36%, 31% and 26%, respectively.

Salak-Darajat Geothermal Projects

Background. In April 2017, the Company, as part of an Indonesian consortium, completed the purchase and acquisition of Chevron's geothermal assets and operations in Indonesia. The consortium consists of ACEN (with a 19.8% economic stake), the Star Energy Group and EGCO. 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 637MW of steam and power. The project has a combination of long term steam and power supply agreements with PLN.

Power Offtaker / Energy Sales. The project has multiple agreements with PLN to purchase steam and energy with various tariff ranging from U.S.\$0.06-0.07 /kWh with various tenors until 2047.

Operations. For the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2021, the plants had an average capacity factor of 87%, 84%, 93% and 89%, respectively.

Renewable Energy Projects in Operation in India

Sitara Solar

Background. In July 2020, the Company, through its joint venture UPC-AC Energy Solar, issued notice-to-proceed for a 140 MWdc solar plant in Rajasthan, a desert state with the highest irradiation in India. The project utilizes Risen Energy monocrystalline panels and is expected to start power generation in the first half of 2021. In May 2021, despite the worsening pandemic situation in India, the 140 MWdc Sitara Solar project in Rajasthan started commercial operations.

Power Offtaker / Energy Sales. The project will supply energy to the Solar Energy Corporation of India. UPC-AC Energy Solar won the power supply agreement for Sitara Solar via a competitive bid at INR 2.48 per kWh, fixed over a 25-year period.

Operations. Since the start of operations until 30 June 2021, the plants had an average capacity factor of 19%.

Paryapt Solar

Background. In October 2020, the Company, through its joint venture UPC-AC Energy Solar, issued notice-to-proceed for a 70 MWdc solar plant in Gujarat, one of the first states to develop solar generation capacity in India and with its own target to set up 8,000MW of solar power by 2022. The Paryapt Solar Farm uses Jinko monocrystalline solar panels. The project is expected to supply energy to Gujarat Urja Vikas Nigam Ltd. UPC-AC Energy Solar won the power supply agreement for the project via a competitive bid at INR 2.55 per kWh, fixed over a 25-year period.

Power Offtaker / Energy Sales. In April 2021, UPC-AC Energy Solar achieved a significant milestone with the start of commercial operations of its 70 MWdc Paryapt Solar project located in the State of Gujarat, India.

Operations. Since the start of operations until 30 June 2021, the plant had an average capacity factor of 5%.

Renewable Energy Projects Under Construction in the Philippines

Alaminos Battery Energy Storage System Project

In October 2020, the Company commenced construction of the 2x20 MW Alaminos Battery Energy Storage System Project located in the Municipality of Alaminos, Laguna. The Alaminos Battery Energy Storage System is expected to be completed in 2021.

Bataan Solar (Bataan RE Laboratory)

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, Inc.

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.

Arayat-Mexico Solar Farm

On 26 April 2021, ACEN issued a notice to proceed for its 72 MWdc Arayat Solar project located in Arayat and Mexico, Pampanga. The project is under Greencore, a joint venture between ACEN and Citicore Solar Energy Corporation, and is targeted to be completed by 2022. ACEN's joint venture partner, Citicore Solar Energy Corporation (through its affiliates), is expected to provide the engineering, procurement and construction services for the Arayat-Mexico Solar project as well as project development and plant operations and maintenance.

GigaWind Pagudpud

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 Gigawind Pagudpud in Ilocos Norte.

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 Gigawind Pagudpud with a target capacity of up to 160 MW.

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 Endeavor, and ACE Endeavor executed a Deed of Accession to accede to the agreements executed in relation to the Balaoi-Caunayan wind farm project.

On 18 May 2021, the Company commenced construction of the 160 MW GigaWind Pagudpud wind farm in Pagudpud, Ilocos Norte province, which is set to be the biggest wind farm in the Philippines to date. The ₱11.4 billion facility will be the Company's third wind development in Ilocos Norte. The Company is developing the Ilocos Norte Wind Project in partnership with UPC Renewables. The Ilocos Norte Wind Project is targeted to commence commercial operations in 2023.

Renewable Energy Projects Under Construction in Vietnam

Mui Ne Wind Farm (Phase 2)

In the second quarter of 2021, the Company awarded General Electric the turbine supply of the 40MW second phase of the Mui Ne Wind Farm located in Binh Thuan Province under its partnership with The Blue Circle. The project will use eight 5.3MW GE158 wind turbines from General Electric. Project completion is expected in 2021 and the project is expected to qualify for the wind FIT rate of U.S.\$0.085/kWh PPA with EVN.

Ninh Thuan Wind Farm

The Company commenced construction of an 88 MW wind farm located in Ninh Thuan Province, Vietnam under its partnership with the BIM Group (the “**Ninh Thuan Wind Farm**”) in 2020. The project uses 5.5MW GE turbines and is expected to be completed in 2021 to qualify for the wind FIT rate of U.S.\$0.085/kWh PPA with EVN.

Quang Binh Wind Farm

As part of the joint venture with AMI Renewables signed in December 2017, the joint venture, through its subsidiary, B&T WindFarm Joint Stock Company, owns the Quang Binh Wind Farm in Quang Binh Province. In July 2020, construction commenced on one of the largest onshore wind farms in Vietnam with an aggregate capacity of 210 MW. The Quang Binh Wind Farm has two phases consisting of 109.2 MW and 100.8 MW, with firm orders already having been issued to the wind turbine supplier for both phases. In the first quarter of 2021, the joint venture issued a notice to proceed for a 42 MW expansion of the Quang Binh Wind project. The project’s capacity is expanded to 252 MW. The Quang Binh Wind Farm is expected to be completed in 2021 and to qualify for the wind FIT rate of U.S.\$0.085/kWh PPA with EVN.

However, the current project construction in Vietnam has been impacted by the recent COVID-19 outbreak in the country, wherein stricter restrictions of travel and movement of both people and equipment are imposed. This can potentially lead to restricted access of foreign consultants to the site and construction delays, resulting in portions of the projects to miss the FIT deadline if not extended by the Vietnam government. See “*Risk Factors—Risks Relating to the Company and its Businesses—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*”.

Lac Hoa Wind & Hoa Dong Wind Farm

The Company and UPC is under a joint venture in the construction of two wind projects, the Lac Hoa and Hoa Dong Wind Farm, in the Soc Trang province of southern Vietnam, with an aggregate capacity of 60 MW. The projects will utilize wind turbines from Vestas delivered in different power ratings with site-specific towers for both projects. To maximize energy yields on both sites, the turbines will feature a record hub height of 162m. The project commenced construction in June 2020 and is targeted for completion in 2021 to qualify for the wind FIT rate of U.S.\$0.085/kWh under a PPA with EVN.

However, the current project construction may be impacted by the recent Vietnam COVID-19 outbreak wherein stricter restrictions of travel and movement of both people and equipment are imposed. This potentially can lead to construction delays and restricted influx of foreign experts to the site and may result to the project partially missing the FIT should there be no FIT extension announced by the Vietnam government.

Renewable Energy Projects under Construction in Australia

UPC-AC Energy Renewables Australia issued a notice to proceed on the Group’s first project in Australia – the first phase of the New England Solar Farm located near Uralla in New South Wales. The first phase of the NE Solar Farm, which will have a capacity of 521MWdc, as well as an adjacent 50 MW battery energy storage system, achieved financial close in February 2021 and is expected to be completed in 2023.

Conventional Energy Portfolio

As of 30 June 2021, the Company's conventional energy portfolio had a total Net Attributable Capacity of 519 MW (equivalent to 20.0% of the Company's total portfolio as of 30 June 2021) with 444 MW in operation and 75 MW under construction.

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 and the six months ended 30 June 2021 were 99%, 100% 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 and the six months ended 30 June 2021 were at 68%, 95% and 94%, 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 26 December 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.

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 favour 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 up to 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 and the six months ended 30 June 2021 were at 62%, 66%, 83% and 87%, respectively.

Power Barge 101

Background. Power Barge 101 was commissioned in 1981 and is directly owned by the Company. It is a barge-mounted bunker-fired diesel generating power station with Hitachi diesel generator units and a net dependable capacity of 24 MW as 30 June 2021. It was were acquired by ACEN from PSALM through an Asset Purchase Agreement in July 2015.

Power Barges 101 started providing dispatchable reserve services to the Visayas grid in 2018.

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.

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 and the six months ended 30 June 2021 are 88%, 85% and 94%, respectively.

Thermal Projects under Construction

Ingrid Quick Response Thermal Plant

On December 2019, the Company has commenced construction 150 MW diesel power plant in Brgy. Malaya, Piliia, 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 plant has completed testing but is still awaiting receipt of the COC. The Company is targeting to sign an ASPA with NGCP.

Renewable Energy Pipeline

ACEN is scaling up its renewable energy platforms and existing partnerships with a strong pipeline of projects in the Philippines and across the region. The Company expects to achieve financial close on 1,000 MW worth of projects within 12 months from the date of this Offering Circular.

As of the date of this Offering Circular, ACEN has the following pipeline upon completion of the ACEIC International Transaction:

	<u>Expected gross capacity (MW)</u>
Philippines.....	>3,400
Australia	>5,200
Vietnam.....	>2,400
India and other Asia-Pacific countries	~900
Total	~12,000

This includes the pipeline projects of ACEN in the Philippines, as well as its offshore projects through AC Energy International, all in various stages of development, including those in exploratory stages that have yet to receive Board

approval. The 12,000GW represents the total gross capacity of these projects. ACEN's attributable capacity will be determined once the economic interests in these projects are finalized.

The pipeline includes projects that the Company is pursuing together with its partners in the Philippines and offshore, in line with its track record of pursuing regional expansion through strategic partnerships.

In addition, the Company utilizes organic project development capabilities to develop greenfield projects through the ACE Endeavor platform. ACE Endeavor 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 Endeavor in March 2017 with the intent to make ACE Endeavor its Philippine project development, management and operations platform. ACE Endeavor has since been infused into ACEN as part of the ACEIC Philippine Transaction. Greenfield developments in the Philippines are currently pursued under the ACE Endeavor platform.

The Company continuously works to develop new energy projects, in various renewable energy technologies, across different geographies, toward its goal of reaching 5,000MW of renewable energy capacity by 2025.

The Company's 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. 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 could have a material adverse effect on the Company's operations and financial performance"*.

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 the year ended 31 December 2020 and the six months ended 30 June 2021, the revenue sales from power supply contracts reached ₱13.6 billion and ₱8.1 billion, respectively, and contributed the bulk of total energy sold for each period.

As of 30 June 2021, the Company holds around 225 MW of retail/contestable customer contracts and 310 MW of wholesale customer contracts. In addition, the Company also has wholesale contracts with MERALCO for 200MW baseload and 110MW midmerit capacity.

Bulk Water Supply Business

ACE Endeavor 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 approximately 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 a consortia engaged in petroleum exploration. The Company's oil and gas operations are in the exploratory stage.

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.

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 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.

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.

As of 30 June 2021, the Company holds 75.0% participating interest in Service Contract 55 (“SC 55”) through Palawan55, a subsidiary 30.7% directly owned by the Company and 69.4% directly owned by ACE Enexor.

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 of award of SC 55, the block was deemed to have one sizeable prospect (with at least 500 million barrels mean resource potential) and a number of prospect leads. A block is 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

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 contractor (Palawan55) provides all required services and technology funding and will be 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. The DOE confirmed the entry of SC 55 into the Appraisal Period effective 26 April 2020 which carries a firm one well drilling commitment within the first two years of said period. The consortium composed of Palawan55 and Pryce Gases, Inc., completed their Quantitative Interpretation Studies and Resource Assessment. As a result of the assessment, they were able to commit a work program under the Appraisal Period, which includes Geological and Geophysical studies and drilling of a well within the next two years.

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 DOE approved the consortium’s request for a 12-month force majeure in SC 55 on 11 May 2021.

ACE Enexor previously held interests in Service Contract No. 6 (“SC 6”) (7.78% for Block A and 2.475% for Block B) which was issued on 1 September 1973. On 22 January 2021, the Executive Committee of ACE Enexor approved its withdrawal from the SC 6 Consortium. Thereafter, the SC 6 Consortium notified the DOE of their relinquishment of the contract area. The operator, Philodrill Corp., is in the process of settling outstanding payables to the DOE as a condition for the approval of the relinquishment. SC 6 does not have any commercial operations.

Sources and Availability of Raw Materials

For its power business, 80% of the Company’s attributable capacity is fuelled by renewable energy sources while 20% are sourced from thermal energy which is fuelled by coal and bunker fuel as of 30 June 2021.

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, it is 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 “*Regulation and Environmental Matters*”.

The Company has around 225 MW of retail/contestable customer contracts and 310 MW of wholesale customer contracts as of 30 June 2021. 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 Offering Circular.

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 one of the leading players 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, as described in its public filings.
- 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, through itself and its subsidiaries and affiliates, installed capacity of 3,495 MW, through itself and its other subsidiaries, as of 31 December 2020, as described in its public filings.
- Energy Development Corporation ("**EDC**") is a renewable energy company and a subsidiary of First Gen, with an installed capacity of 1,480 MW, as of 31 December 2020, as described in its public filings. 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 31 December 2020, as described in its public filings, 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 close to 3,000 MW total combined capacity, including 1,000 MW in renewable energy, as of 30 June 2021.

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.

In Vietnam, EVN controls the generation, transmission and distribution of energy but it also encourages independent power producers ("**IPP**") to supplement its own generation capacity. In the renewable energy space, local and international developers are actively competing to secure allocation for the FIT. The Company's Vietnam solar

projects have all been awarded the solar FIT and the Company is working to secure wind FIT allocation for its wind projects under construction. The government's support and initiatives on renewable energy to grow its supply portfolio mix will continue to bring in more market players. See "*Risk Factors—Risks Relating to the Company and its Businesses—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*". Australia has a fully open energy market that is dominated by a few big generator-retailers ("**gentailers**") including Origin, AGL, Energy Australia and ERM Power. Several international and smaller domestic players are also very active in the market.

In Indonesia, similar to Vietnam, the generation, transmission and distribution is controlled by PLN, but the Indonesian government also encourages IPP. Indonesia is a highly competitive market with major domestic and international developers. Given the continuing growth of the Indonesian economy, the Company sees competition to continue to intensify moving forward.

In India, coal continues to fuel India's economy, accounting for more than 50% of the country's installed generation capacity. However, India has added to the current target of 175GW of renewable energy capacity by 2022 with a 450GW of renewable energy capacity target by 2030. This higher RE target and the decreasing cost of RE power prices discovered through competitive tenders will likely result to the displacement of coal-based power production in India.

INTELLECTUAL PROPERTY

The Company owns exclusive rights to its corporate name and has registered with the Intellectual Property Office of the Philippines the tradenames and trademarks of the Company and its projects. Management believes that the Company's business as a whole is not materially dependent on any trademark or on any other intellectual property.

INSURANCE

The Company maintains insurance at levels that it believes are customary in the power generation industry to protect against various losses and liabilities that may arise from the risks and hazards in the operations of its power generation businesses, including all-risk insurance, business interruption insurance, commercial general liability insurance, marine cargo insurance and terrorism and political violence insurance. In addition, the Company obtains insurance that includes construction all-risks, commercial general liability insurance, marine cargo insurance and terrorism, sabotage and political violence insurance covering facilities, equipment and infrastructure under construction.

The Company further maintains Directors and Officers liability insurance to cover its Directors and Officers and employees serving as Director or Officer on any of its subsidiaries.

To determine the appropriate insurance policies and levels of insurance coverage, the Company conducts regular risk analyses. It also participates in the Ayala Group-wide insurance optimization program.

EMPLOYEES AND LABOR RELATIONS

As of 30 June 2021, the Company has 745 total employees with 213 employed by the Company directly and 532 employed by the Company's subsidiaries.

The Company's employees and the employees of its joint ventures are not members of any unions, and for the years ended 31 December 2019 and 2020, and the six months ended 30 June 2021, the Company has not been involved in any labour disputes which would have a material adverse effect on its results of operations and financial condition.

Management believes that the Company's current relationship with their respective employees is generally good and neither the Company nor any of its subsidiaries have experienced a work stoppage as a result of labour disagreements.

HEALTH AND SAFETY

The Company is subject to environmental and occupational health and safety laws and regulations in the jurisdictions in which it develops, owns, manages and/or operates power projects. These laws and regulations generally require that governmental permits and approvals be obtained both before construction and during operation of power plants. While the Company incurs costs in the ordinary course of business to comply with these laws, regulations and permit requirements, it does not expect that the costs of compliance will have a material impact on its business, financial condition or results of operations. These laws and regulations frequently change and often become more stringent, or subject to more stringent interpretation or enforcement, and therefore future changes could require the Company to incur materially higher costs.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

The Company's commitment to sustainability and social responsibility goes beyond environmental management or development of social projects. The Company, together with its parent, Ayala Corporation, integrates its sustainability principles into all aspects of its businesses and provide guidance for day-to-day operations and the Company's sustainable business strategy. To monitor its compliance with its sustainability goals, the Company has implemented an Environment and Social ("E&S") Policy and management system.

As ACEN builds a balanced portfolio of renewable and conventional power generation assets, it recognizes the importance of working with communities to create development programs that benefit its stakeholders. Its programs are classified under the key result areas of environment, livelihood, health and sanitation, and education.

Environmental, Social and Governance Initiatives

The Company's commitment to sustainability and social responsibility goes beyond environmental management and development of social projects. The Company integrates its sustainability principles into all aspects of its businesses and provide guidance for day-to-day operations and its sustainable business strategy.

The Company's strategies and objectives are aligned 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, the Company is additionally focused on protecting the wider environment and creating value for the communities it serves.

In April 2020, the Company announced the Board's approval of its E&S Policy, which highlights the Company's transition to a low carbon portfolio and the divestment of coal plants by 2030. The policy also sets out the goal of attaining at least 50% renewables share of energy output by 2025.

The Company has established a management system and eco-metrics that incorporate global best practices in biodiversity management, circular economy, community relations, and organizational diversity, well-being and safety.

AC Energy Environmental & Social Policy

Transition to low carbon portfolio involves divestment of coal assets by 2030



Community and Social Investments

As the Company aspires to continuously deliver reliable, affordable and sustainable energy, it takes strides not only to expand its renewable energy capacity but also to support its host communities, protect the environment, and contribute to sustainable development.

The Conservation Estate in Ilocos Norte

A living example of how technology and industry can thrive side by side with nature is the Company's 700-hectare modern sanctuary located in Ilocos Norte, Philippines (the "**Conservation Estate**"). The Conservation Estate has gone a long way since it was established three years ago, now replete with features that make it a bona fide conservation estate, with long-term sustainability programs that are anchored on excellent environment management, protection of biodiversity and social programs that aim to improve lives.

As the Company powers the region with renewable energy through its two wind farms, the NLR Project and the NorthWind project, reforestation initiatives have commenced. More than 326,000 seedlings have been planted in the Conservation Estate, with the goal of planting half a million seedlings by 2023. Endemic agoho and other tree species like narra and fruit-bearing trees were introduced to enhance biodiversity.

The communities living in the periphery have also found livelihood in nurturing the forests. Over 100 local residents are now employed as forest rangers and planters in the Conservation Estate. As an integral part of the reforestation program, residents are engaged in seedling production, with the seedlings being purchased from them and replanted in the Estate.

Fruit-bearing and forest tree seedlings are propagated within the 4.5 hectare model farm, a vital part of a ten year agro-forestry plan designed by experts from UP Los Baños, Philippines, with the objective to provide livelihood, self-reliance and food security to the local community.

With various training workshops to build their skills, local residents learn sustainable farming techniques such as contour hedgerow and watershed systems. They are also taught how to produce mushrooms, ginger, ube, and other root crops, fruits and vegetables. Today, there are over 1,761 fruit trees of cacao, coffee, calamansi and cashew flourishing in the farm.

As the Company creates awareness on coastal environment protection, turtle conservation and biodiversity, local residents have also discovered the value of protecting nature in their daily lives, and are now stewards of the Company's Conservation Estate.

The forests witness an increase in biodiversity as the Company, with the help of the locals, create an ecologically diverse landscape through analog forestry. And as the trees grow, the animals return – the forest is now home to 117 species of birds, 33 of which are endemic, and four are classified as vulnerable. Additionally, studies identified the presence of near-threatened monkey species, bats and other animals.

Meanwhile, in the coastal town of Bangui, species of endangered marine turtles have been observed laying eggs and nesting along the shoreline of the bay. But through awareness campaigns and continuous coordination with the locals, the danger of poaching and smuggling of the eggs have significantly decreased, with the residents acting as guardians of the endangered species, becoming partners of the Company in turtle conservation.

The Sustainability Hub in Alaminos

In Alaminos, Laguna, the Company's 120 MWdc solar plant is surrounded by Ayala Land's Carbon Forest, a woodland reserve that acts as a carbon trap and home to biodiversity. Within the solar farm compound, the Company has integrated a plastic recycling facility wherein plastic waste collected from the construction site is being upcycled into eco-bricks, which will then be used in building the solar plant facilities.

As the Company aims to engage with its host communities, from the early stages of the project and throughout the plant operations, it develops programs that will benefit neighbouring communities such as livelihood programs through a Tree Nursery with a target of producing 120,000 seedlings, and an Eco-Hub facility for a plastic waste management program. Plans to build an Eco Learning Facility are also underway, where students and other visitors will gain an understanding of renewable energy and forest protection.

This pilot Sustainability Hub will be a living example of how sustainable development can thrive with the help of partners including our host communities. It will be the first of many that the Company envisions to create within its developments.

Creating shared value

The Company reiterates its commitment to the Ayala group philosophy of creating value not just for its businesses, but for the environment and communities where it operates. The Company aims to fully support the development and prosperity of its host communities, ultimately moving towards self-actualization and contributing to national progress.

Response to COVID-19

The COVID-19 pandemic continues to create a public health and economic crisis of unprecedented scale globally, and the Company, together with the Ayala Group, launched a series of social investment and support initiatives to mitigate the impact of the community quarantine, especially for the daily wage earners and the no-work-no-pay workforce or those who belong to the informal section of the Philippine economy.

In the AC Energy Group, as of 19 August 2021, there are 13 active COVID-19 cases out of 745 employees. A total of 87 recoveries have been recorded since the start of the pandemic, and there have been no fatalities among the Company's employees as a result of COVID-19.

To aid its response to the global crisis, the AC Energy Group has raised over ₱64 million as of 31 December 2020, which has been cascaded to electricity, health and food relief, medical supplies, cash donations, and employee wages and emergency funds, with the priority to keep their people, communities and customers safe.

Vaccination Effort

Beyond navigating its business units through this crisis, the Ayala Group strives to actively contribute to the country's COVID-19 response through its vaccination efforts. Including donations to the Government, Ayala has procured one million doses of COVID-19 vaccines, which are expected to continue to come in throughout the second half of 2021.

Within the Ayala Group, the Ayala Vaccine and Immunization Program or AVIP was launched, which opened vaccination to all employees at no cost. This initiative has been extended at cost to the broader ecosystem which comprises of employee's dependents, extended dependents, and business partners.

To efficiently administer the vaccines, AC Health, the healthcare arm of the Ayala Group, is working to put up more than 20 sites across the country and now have 18 sites operating. The Ayala Group's target is to administer 10,000 doses a day to inoculate as much as 1,000,000 individuals by year-end. As of the date of this Offering Circular, AC Health has administered about 310,000 doses, on track to achieving the target. As more vaccine doses arrive and new sites become operational, the rate of inoculation is expected to grow faster.

In the AC Energy Group, 57% of employees have already had their first shot as of 17 August 2021, whether through the AVIP or through the local government units. Approximately 33% of the Company's employees are fully vaccinated.

Powering WTC and other COVID Assistance Centres

The World Trade Center ("WTC") in Pasay City, Philippines was converted into a designated quarantine facility called the "WTC We Heal as One Center" in April 2020. The Ayala Group oversaw the project, together with the ICCP Group and Manila Exhibition Center, Inc. ("MEC"), with support from the Bases Conversion Development Authority ("BCDA") and the Philippine National Government.

For its operations, the Company covered 50% of the facility's electricity cost until 31 May 2020, and has donated critical supplies such as bed frames, mattresses, pillows and other furnishings, for a total package of approximately ₱24 million for the duration of the WTC We Heal as One Center's operations.

The Company also partnered with the La Salle group as they launched their Safe Shelter project and opened their doors to provide a temporary home for COVID-19 frontline workers. The Company also covered the electricity cost of the designated facilities such as La Salle Greenhills, DLSU-College of St. Benilde, and the De La Salle University until end April 2020, and also donated needed supplies such as mattresses and pillows.

Bringing medical aid to vulnerable groups

The Company's subsidiary, SLTEC, donated funds to support the UP PGH AO project to develop venti masks, a breakthrough mask that aims to lower the risk of COVID-19 patients to be intubated and sedated, thereby allowing patients to remain conscious and fight for life.

The Company likewise supported the conversion of Qualimed in Nuvali into a COVID-19 dedicated hospital and the HOPE project in Quezon City, Philippines, a 175-bed capacity quarantine centre. The total cost for these projects was approximately ₱7 million.

Project Ugnayan and Project Pananagutan

The Company and the Ayala Group took part in Project Ugnayan, a fund-raising initiative together with more than 30 conglomerates and in partnership with the Philippine Disaster Resilience Foundation and Caritas Manila, to raise funds in support of families that have been economically displaced by the ongoing ECQ in Metro Manila, Philippines.

In April 2020, the Company raised over ₱6 million in contribution to the project, and another ₱6 million for food reserve. In true Bayanihan spirit, the Philippine business community came together and raised a total of ₱1.5 billion that month to assist the most vulnerable in society. Aside from this, the Company along with other Ayala citizens started Project Pananagutan to serve three main groups - employees of partner companies affected by "no work, no pay" employment arrangements, medical front-liners in need of personal protective equipment and other life-saving medical resources, and families in great need of access to food. To date, Ayala citizens have pooled around ₱48 million under Project Pananagutan.

DESCRIPTION OF PROPERTIES

The Company's property and equipment related primarily to its projects in operation and under construction in the Philippines. As part of the acquisition of the Bronzeoak Clean Energy, Inc. portfolio, the Company purchased 66.2% interest in Manapla Sun Power Development Corp., which owns 638,193 square meters of land located in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental that is leased to IslaSol for a period of 25 years. The Company, through its subsidiaries, also owns land and land improvements in Calaca, Batangas, Norzagaray, Bulacan, and Bacnotan, La Union, and San Lorenzo, Guimaras, Bangui, Ilocos Norte, Palauig, Zambales and San Marcelino, Zambales.

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, 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. This notwithstanding, the Company discloses that Ms. Ma. Aurora D. Geotina-Garcia, an Independent Director of the Company, has administrative and criminal complaints filed against her in relation to her previous capacity as a member of the Board of Directors of the Bases Conversion Development Authority. These cases have been dismissed in favour of Ms. Geotina-Garcia and under various levels of appeal. The Company believes that these cases will not and do not in any way affect her ability and bias her judgment and independence to act as an independent director of the Company, and 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.

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 neighbouring 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 15 September 2020, PB 102 received a copy of the PCG's resolution finding ACEIC liable for violation of M.C. No. 1-2005 and imposing an administrative fine of ₱10,000.00. 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. There is no action by the PCG Office of the Commandant to date.

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). On 12 August 2020, the Company filed its Motion for Reconsideration on the Resolution which remains unresolved to date.

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, Mr. John Eric T. Francia (in his capacity as President), and Mr. 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 and Mr. Francia filed their respective pleadings before the OCP on 19 August 2020 and 24 October 2020, respectively. The Reply-Affidavit of the PCG dated 27 November 2020 was answered by Mr. Francia on 4 February 2021. On 12 August 2021, Mr. Gambito received a copy of the 30 June 2021 OCP Resolution dismissing the complaint against him, Mr. Francia and ACEIC for lack of sufficient factual and legal basis.

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, Messrs. Rey Villareal, Jethon Villarias, and Adrienne Bodiola, for violation of Article 365 of the Revised Penal Code or Reckless Imprudence Resulting to Damage to Property. On 23 February 2021, Messrs. Villarias, Bodiola and Villareal, through their counsel, received a copy of the OCP’s Resolution dated 1 February 2021: 1) dismissing the complaint against Messrs. Villarias and 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 R.A. No. 10951 against Mr. Bodiola. Mr. Bodiola filed a Partial Motion for Reconsideration of the OCP’s Resolution on 5 March 2021. On 3 June 2021, Mr. Bodiola’s counsel received a copy of the OCP’s Resolution dated 8 April 2021, denying Mr. Bodiola’s MR. On 18 June 2021, Mr. Bodiola, through counsel filed a Petition for Review with the Office of the Regional State Prosecutor, Region VI. On 30 July 2021, Mr. Bodiola, received a copy of the OCP's Amended Resolution dated 20 May 2021 (amending the Resolution dated 8 April 2021 with respect to the Motion for Reconsideration). In the Amended Resolution, the OCP still denied Mr. Bodiola’s Motion for Reconsideration but it considered the affidavits of the alleged residents affected by the oil spill (attached as annexes to the BFP's Reply-Affidavit) and found that the damage amounted to ₱80,000.00. In view of this Amended OCP Resolution, Mr. Bodiola, through counsel, filed an Amended Petition for Review with the Office of the Regional State Prosecutor on 16 August 2021, which remains pending.

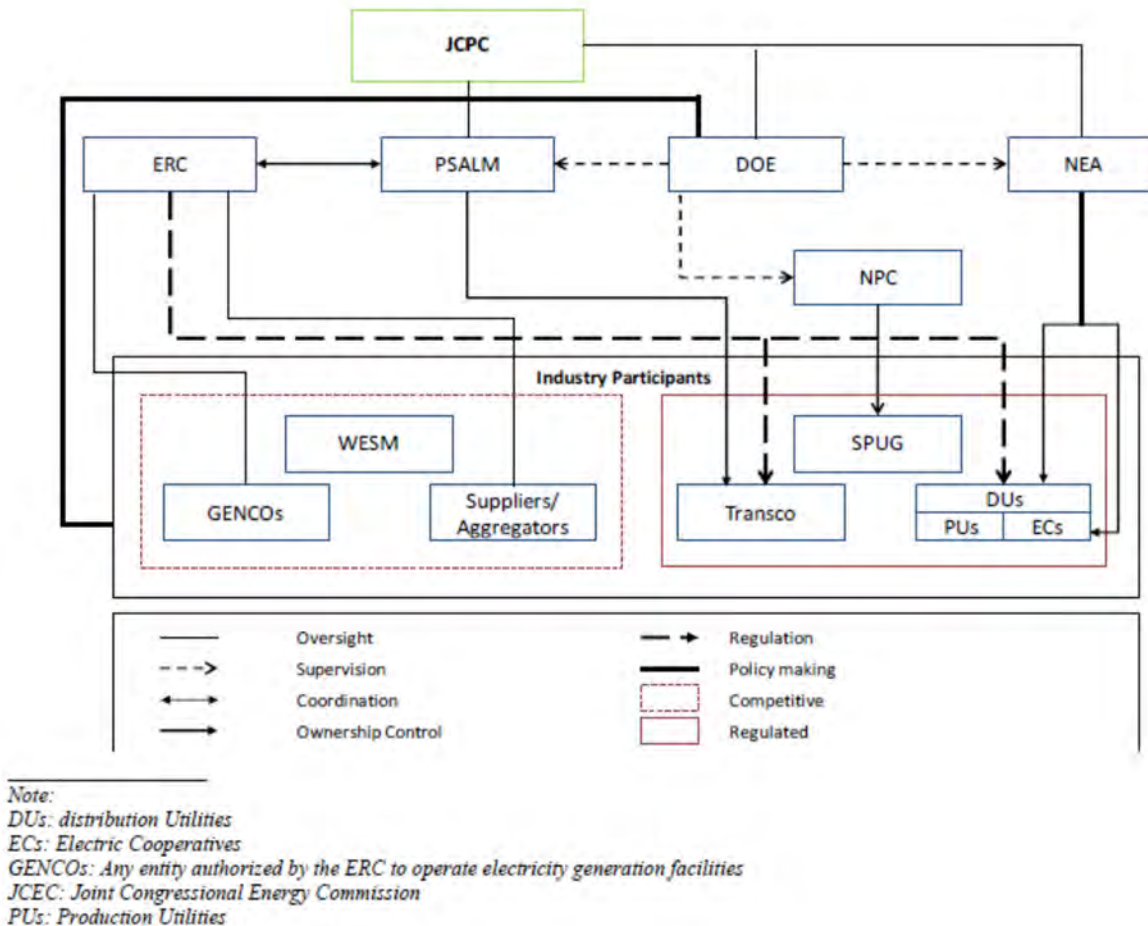
The Company believes that none of the foregoing legal proceedings would materially affect its business.

REGULATION AND ENVIRONMENTAL MATTERS

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:



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:

- promote competition and encourage market development;
- determine the pricing in the energy market;
- review and approve any plan for expansion or improvement of transmission facilities submitted by TransCo; and
- 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:

- preparation and annual updating of the Philippine Energy Plan and the Philippine Power Development Program, and thereafter integrate the latter into the former;
- ensuring the reliability, quality and security of the supply of electric power;
- exercise of supervision and control over all government activities pertaining to energy projects;
- encouragement of private investment in the power industry sector and promotion of the development of indigenous and renewable energy sources for power generation;
- facilitation of reforms in the structure and operation of distribution utilities for greater efficiency and lower costs;
- promotion of incentives to encourage industry participants, including new generating companies and end-users, to provide adequate and reliable electric supply;
- 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;
- establishment of the WESM in cooperation with electric power industry participants, and formulating rules governing its operations; and
- formulation of policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan and with the

policies on environmental protection and conservation and maintenance of ecological balance, and provision of a mechanism for the integration, rationalization and coordination of the various energy programs of the government.

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 Power Commission (“**JCPC**”) 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. The JCPC has the authority to conduct hearings and receive testimony, reports, and technical advice; invite or summon any public official or private citizen to testify before it; and require any person to produce records or documents that JCEC may require. The JCEC will also now be assisted by a secretariat who may be seconded from the Senate and the House of Representatives and may retain consultants. The secretariat shall be headed by an executive director who has sufficient background and competence on the policies and issues relating to electricity industry reforms as provided in the EPIRA. 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**”). On 7 July 2021, Republic Act No. 11571 or the JCEC Enhancement Act was signed into making the JCEC as the permanent oversight body tasked of ensuring the full implementation of landmark energy laws.

Reorganisation 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 behaviour.

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:

- Listing on the PSE;
- In accordance with the 2015 IRR of the SRC:
 - Publication in any printed material distributed in the Philippines;
 - Public presentations;
 - Advertisements or announcements on radio, television, electronic communications, information communication technology, or any other forms of communications; and
 - 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.
- 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 (the

“**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:

- 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;
- 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
- 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 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 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 behaviour.

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 decrease 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. Republic Act No. 9136 requires PEMC to divest itself of this function in favour 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 not affiliated 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.

Through the DOE Department Circular 2021-06-0015, the DOE declared the commercial operation of the Enhanced WESM Spot Market effective 26 June 2021 which shortened the dispatch, settlement and trading interval at the WESM from the current one-hour interval to five-minute interval. As part of the pre-emptive mitigating measures to address price volatilities in the WESM, the ERC, through ERC Resolution 7, Series of 2021, adopted a shorter rolling average period of 72 hours from 120 hours, in relation to the application of the secondary price cap of ₱6,245/MWh, to be applied upon breaching of a ₱9,000/MWh rolling average price over a 72 hour period.

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:

- Establishment of the WESM;
- approval of unbundled transmission and distribution wheeling charges;
- initial implementation of the cross-subsidy removal scheme;
- privatization of at least 70.0% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- 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 fulfilment 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:

- **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;
- **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;
- **ERC Resolution No. 10, Series of 2016** – A Resolution Adopting the Revised Rules for Contestability;
- **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;
- **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
- **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. In June 2011, R.A. No. 10150 extended for another 10 years the application of the lifeline rate subsidy. In May 2021, R.A. No. 11552 extended the

implementation of the current level of consumption, subsidy and rate to all marginalized end-users until such time that a new level shall be determined and approved by the ERC.

Implementation of the PBR

On 12 July 2016, 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 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 “Revised 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 1.25x 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 approves PSAs between distribution utilities and power suppliers. Aside from the regulatory certificates from the SEC, BOI, DOE, and the like, the ERC also requires additional documentary support for PSA approval, such as but not limited to financial data such as debt-to-equity ratios, project costs, annual interests, weighted average cost of capital, bank loans, cash flow on the initial costs, operating & maintenance expenses, minimum energy offtake, fuel costs, 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, among others.

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:

- Failing to comply with energy labelling;
- 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;
- Failing to provide accurate information or provision of false or misleading energy information as required to be submitted under the EECA;
- Selling, leasing, or importing energy-consuming products that do not comply with the minimum energy performance;
- Failing or wilfully refusing to appoint or designate a Certified Energy Conservation Officer or Certified Energy Manager;
- Wilfully refusing to submit to an on-site inspection by the DOE;
- Failing or wilfully refusing to submit any of the reports required;
- Failing to comply with issued orders of the DOE in the discharge of its enforcement powers; and
- 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:

- 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.
- 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.
- Special realty tax rates on equipment and machinery.
- 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.
- RE developers shall enjoy a 10% corporate income tax rate after the expiration of its ITH.
- Accelerated depreciation if the RE project fails to receive an ITH before full operation.
- 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.

- Cash incentive for RE developers for missionary electrification.
- Tax exemption of carbon credits.
- 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-AII**”).

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:

- Such FITs are indispensable for their continued operations;
- 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,
- 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. Under ERC Resolution No. 15, Series of 2012, as the FIT-All Fund Administrator, TransCo ensures that the FIT-All fund is sufficient to pay all renewable energy producers regularly.

Renewable Portfolio Standards

The RE Law also provides for the establishment of the Renewable Energy Market (“**REM**”), a venue where the Renewable Energy Certificates may be traded; and a facility to determine the compliance of Mandated Participants with their Renewable Portfolio Standards (“**RPS**”) obligations.

To mandate electric participants to source an agreed portion of their energy supply from eligible RE resources, DOE issued Department Circular Nos. DC2017-12-0015 and DC2018-08-0024 prescribing the rules and guidelines governing the establishment of the Renewable Portfolio Standards for On-Grid on 22 December 2017, and for Off-Grid Areas on 24 August 2018 (“**RPS Rules**”), 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.

Also, the DOE issued Department Circular No. DC2019-12-0016 or the REM Rules which established the guidelines, requirements and procedures for the operation and governance of the REM. The REM operations is supervised and monitored by the REM Governance Committee (“**RGC**”) under the oversight of PEMC Board. Currently, RGC is composed of one independent member to be elected from the independent members of the PEM Board, who shall be the Chairperson, one representative each from the RE Registrar, REM Generators/Retail Electricity Suppliers, Electric Cooperatives, and Private DUs to be appointed by the PEM Board.

Green Energy Auction Program

DOE Circular No. DC2020-07-0017, or the Green Energy Auction Program (“**GEAP**”) Guidelines, sets out the framework for the mechanism established by the DOE which provides mandated participants an additional avenue to meet their RPS requirements under DOE Department Circular No. 2017-12-0015, and to promote investment in RE resources to meet the nationally set RE targets.

The Green Energy Auction facilitates contracting of supply between qualified suppliers and qualified customers by consolidating the RPS requirements of the qualified customers and auctioning them off to the qualified suppliers under a competitive process. In August 2021, the DOE released a draft circular revising the original guidelines where the GEAP will adopt the framework for the Feed-in-Tariff system. Under this framework, the energy will be sold to the WESM, the bid price of the winning bidders will be their guaranteed payment, and any difference between the bid price and the spot price will be settled through the Feed-in-Tariff system.

The DOE originally planned to auction 2,000 MW of RE capacity in June 2021 but deferred the schedule to October 2021 due to the impact of the COVID-19 pandemic to the demand-supply scenario and in light of the proposed revisions to the GEAP Guidelines.

Green Energy Option Program

DOE Department Circular No. DC2018-07-0019, or the Green Energy Option Program (“**GEOP**”) Guidelines, provides for the mechanism where eligible end-users with average peak demand of 100 kW and above are given the option to choose RE resources as their source of energy. With GEOP, consumers can choose RE as its supply of energy at competitive costs; contribute to the growth of the RE industry in the country; contribute to a cleaner and sustainable environment; and support national and global decarbonization goals.

All entities engaged in the business of generating and/or supplying electricity from RE resources may become an RE supplier under GEOP after obtaining an operating permit from the DOE. This includes any RE facility, whether eligible for RPS compliance, as long as there is still available capacity or energy for supply under GEOP. Existing retail electricity suppliers may be automatically issued an operating permit as RE supplier under the GEOP, subject to the submission of certain documents. As of 31 May 2021, there are only 12 registered RE Suppliers under the GEOP.

The ERC has recently issued ERC Resolution No. 08, Series of 2021 or A Resolution Adopting the Rules for the Green Energy Option Program. ERC Resolution No. 08, Series of 2021 provides for, among others, the regulatory framework of the GEOP; guidelines for eligible end-users; procedures for customer switching; billing procedures and disconnection process; procedures to facilitate arrangements between the PEMC, IEMOP, RE Suppliers, Distribution Utilities. It also provides for the technical and interconnection standards, and templated agreements for the seamless implementation of the GEOP.

Competitive Selection Process

Distribution Utilities (“**DU**”)s are now required to conduct a competitive selection process (“**CSP**”) in the procurement of their electricity requirements. Prior to 2018, DUs were allowed to procure their electricity requirements through direct negotiation with power suppliers or generation companies. On 1 February 2018, the DOE issued Department Circular No. DC2018-02-003 Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreements for the Captive Market (the “**CSP Circular**”). The CSP Circular provides for a simplified and streamlined procurement process and was promulgated to, among others, ensure transparency in the procurement of the electricity requirements of the DUs, ensure wide dissemination of bid opportunities and participation of all power suppliers or generation companies, and guarantee the electricity demand of DUs are met at the least cost of electricity to consumers, among others.

Energy Virtual One Stop Shop Law

Republic Act No. 11234 or the Energy Virtual One Stop Shop (“**EVOSS**”) Law which became effective on 30 March 2019 established an online process of completing the requirements of energy related projects to ensure the timely completion of power generation, transmission and distribution projects by eliminating duplication in documentary submissions and processes through an online platform for government agencies to coordinate and share information. It provides for the paperless and electronic application and processing system which proponents can access all information necessary in the application of new projects, submit all requirements and monitor the approval.

The EVOSS Law provided specific timeframe within which the government agencies involved to issue the required permits and licenses upon receipt of the complete documents. The failure of a particular agency to act upon the application or release the permits and licences within the prescribed period shall deem the application approved and warrants corresponding penalty. It also created the EVOSS Steering Committee which had a limited life of two (2) years from the effectivity of the law or until 29 March 2021. Thus, to maintain the momentum and continuity of the initiatives of the law, Executive Order No. 143 was signed on 2 July 2021, which created the EVOSS Task Group, which has the same composition and has the same powers and functions as the EVOSS Steering Committee.

The Philippine Energy Research and Policy Institute Act

Republic Act No. 11572 created the Philippine Energy Research and Policy Institute tasked to enhance and promote the acquisition of knowledge in recent developments and scientific breakthroughs in the field of energy. It is an independent agency attached to the University of the Philippines.

The Institute will be headed by an executive director to be appointed by the UP President upon recommendation of the Executive Board. The Executive Board shall be composed of seven members comprised of the UP President as the ex-officio chairperson, and at least one representative from the fields of engineering, law, science, statistics, economics, social science, and public health, either from the academe or the private sector. Four members shall come from the academe, two members shall come from the private sector, while each representative shall come from different fields.

The Institute shall support the education and training for its officers and employees to include advanced degree studies, short-term programs, online courses, and participation in conferences. Research papers, data, and other resources shall be made available to the public through its website. However, proprietary or confidential data and other resources cannot be posted or disclosed unless prior consent of the source or owner of such data and resources has been obtained by the requesting party.

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:

- increasing oil and gas exploration;
- strengthening of the PNOC to spearhead the development of indigenous energy resources and building global partnerships and collaborative undertakings;
- 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;
- expanding the use of natural gas; and
- 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:

- Characteristics of the project or undertaking

- size of the project;
 - cumulative nature of impacts compared to other projects;
 - use of natural resources;
 - generation of wastes and environment related nuisance; and
 - environment related hazards and risk of accidents.
- Location of the project
 - vulnerability of the project area to disturbances due to its ecological importance endangered or protected status;
 - conformity of the proposed project to existing land use, based on approved zoning or on national laws and regulations; and
 - relative abundance, quality and regenerative capacity of natural resources in the area, including the impact absorptive capacity of the environment.
 - Nature of the potential impact
 - geographic extent of the impact and size of affected population;
 - magnitude and complexity of the impact; and
 - 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 centres 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, 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 15 August 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 wilfully 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:

- both the transaction value and the size of the ultimate parent entity of either party is at least ₱50 billion; and
- 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 8 March 2019. Among the salient features of the Revised Corporation Code are:

- 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.
- 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.
- 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.

- 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
- 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.

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 different categories under the Investment List, as follows:

- 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/labour intensive/cultural heritage and/or having capital of no more than Rp 10 billion); and
- 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.

IUPTL

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.

Operational Feasibility Certificate

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

Environmental Approval

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 50 MW, 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.

Forestry Area Utilization Approval, if applicable

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 favour. 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:

- 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

- 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 2021 as 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/QĐ-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. 35/2018/QH14 dated 20 November 2018 and 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. 06/2021/TT-BXD dated 30 June 2021 on classification of constructions and guidelines for application in management of construction investment (took effect on 15 August 2021)

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 17 November 2020 as from 1 January 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 13 May 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 24 November 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 defence 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/QĐ-TTg on 1 October 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 defence 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 favour 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 Ministry of Construction ("**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 (“**FPPF**”) 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 FPPF 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 fulfil 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 (the “**Electricity Act**”), primarily governs the regulatory framework of the solar power sector in India. The Electricity Act is proposed to be amended *vide* the Electricity (Amendment) Bill, 2021, which is currently pending before the Parliament of 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 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 generator and 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* (I.A. No. 85618 of 2020 in Writ Petition (Civil) No. 838 of 2019), 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.

Regulatory Framework in Gujarat

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:

- Generating company: Gujarat State Electricity Corporation Limited;
- Transmission company: Gujarat Energy Transmission Corporation Limited (“GETCO”); and
- 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.

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.

Regulatory Framework in Rajasthan

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:

- Generating company: Rajasthan Rajya Vidyut Utpadan Nigam Limited;
- Transmission company: Rajasthan Rajya Vidyut Prasaran Nigam Limited (“**RRVPNL**”); and
- 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

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. 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
(A)	<u>Applicable permits for solar projects</u>	
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.
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.

S.no.	Consents and approvals	Particulars
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 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) <u>Additional Permits</u>		
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

S.no.	Consents and approvals	Particulars
		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 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.	<p>Approvals under Factories Act, 1948 (“Factories Act”)⁽¹⁾</p> <p>Registration under the Contract Labour (Regulation and Abolition) Act, 1970 (“CLRA”)</p> <p>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”)</p> <p>Registration under the Inter-State Migrant Workmen (Regulation of Employment and Condition of Service) Act, 1979 (“Migrant Workers Act”)</p>	<p>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.</p> <p>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).</p> <p>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’.</p> <p>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,</p>

S.no.	Consents and approvals	Particulars
7.	Permission from the gram panchayat <i>i.e.</i> the village council	<p>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.</p> <p>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 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.</p>

Note:

- (1) 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.

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:

- Gujarat Tenancy and Agricultural Lands (Vidharba Region and Kutch Area) Act, 1958, applicable to the Vidarbha and Kutch Regions;

- Saurashtra Gharked Tenancy Settlement and Agricultural Land Ordinance, 1949, applicable to the Saurashtra Region; and
- 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 (comprised in the resolutions passed by the GoG dated 25 January 2019 and 29 July 2019, as amended on 14 September 2020), 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.

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**”), 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.

MANAGEMENT

The overall management and supervision of ACEN is undertaken by the Board. The executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Currently, the Board consists of 11 members. The table below sets forth certain information regarding the members of the Board as of the date of this Offering Circular.

Name	Position	Citizenship
Fernando M. Zobel de Ayala.....	Director	Filipino
Jaime Augusto M. Zobel de Ayala.....	Director	Filipino
John Eric T. Francia	Executive Director	Filipino
Cezar P. Consing.....	Director	Filipino
Jose Rene Gregory D. Almendras	Director	Filipino
John Philip S. Orbeta.....	Director	Filipino
Nicole Goh Phaik Khim.....	Director	Malaysian
Sherisa P. Nuesa.....	Lead Independent Director	Filipino
Melinda L. Ocampo	Independent Director	Filipino
Consuelo D. Garcia.....	Independent Director	Filipino
Ma. Aurora D. Geotina-Garcia.....	Independent Director	Filipino

Fernando M. Zobel de Ayala is the President of Ayala Corporation since April 2006 and Chief Executive Officer of Ayala Corporation since 23 April 2021. He has been a director of Ayala Corporation since May 1994. He holds the following positions in publicly-listed companies: Chairman of ACEN, and Ayala Land, Inc. (“**ALI**”); Director of Bank of the Philippine Islands (“**BPI**”), Globe Telecom, Inc., Integrated Micro-Electronics, Inc. (“**IMI**”), and Manila Water Company Inc. (“**MWC**”); and Independent Director of Pilipinas Shell Petroleum Corporation. He is the Chairman of AC International Finance Ltd., ALI Eton Property Development Corporation, Liontide Holdings, Inc., AC Energy and Infrastructure Corporation, Ayala Healthcare Holdings, Inc., Alabang Commercial Corporation, Accendo Commercial Corp., Altaraza Development Corporation, BPI Foundation, Ayala Group Club, Inc., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc.; Vice-Chairman of AC Industrial Technology Holdings, Inc., Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc.; Director of AG Holdings Ltd., AC Infrastructure Holdings Corporation, and Asiacom Philippines, Inc. Outside the Ayala Group, he is the Chairman of the Business Harmony Realty, Inc.; Director of Isuzu Philippines Corporation and Manila Peninsula; Member of the Board of INSEAD Business School and Georgetown University; Member of the International Advisory Board of Tikehau Capital; Member of the Philippine-Singapore Business Council and Chief Executives Organization; Chairman of Habitat for Humanity International'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 of Ayala Corporation since April 2006. He has been a director of Ayala Corporation since May 1987. He served as the Chief Executive Officer of Ayala Corporation from April 2006 to 23 April 2021. He holds the following positions in publicly-listed companies: Chairman of Globe Telecom, Inc., IMI and BPI; and Vice Chairman of ACEN, and ALI. He is also the Chairman of Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Infrastructure Holdings Corporation, and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc.; Trustee of Ayala Group Club, Inc.; Director of AC Ventures Holdings

Corp., Alabang Commercial Corporation, AC Energy and Infrastructure Corporation, Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc., and AG Holdings Limited. Outside the Ayala Group, he is a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He sits on the board of the Singapore Management University and on various advisory boards of Harvard University, including the Global Advisory Council, HBS Board of Dean's Advisors, and HBS Asia-Pacific Advisory Board, which he chairs. He is Chairman Emeritus of the Asia Business Council, a member of the Global Board of Adviser of the Council on Foreign Relations, and Co-Vice Chairman of the Makati Business Club, Chairman of Endeavor Philippines, and a board member of Eisenhower Fellowships. He was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the President of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business. 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 the President and Chief Executive Officer of ACEN. Under his leadership, Ayala established its energy platform from a standing start in 2011, to become one of the largest renewable energy platforms in Southeast Asia, with over 2,000 MW of attributable renewable capacity. He is Managing Director and member of the Management Committee of Ayala Corporation since 2009 and was appointed as Chairman of Ayala's Investment Committee in 2021. He is President and Chief Executive Officer of ACEIC, and the Chairman and CEO of ACE Enexor, Inc. 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. 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 Purefoods International Limited, Ayala Healthcare Holdings, Inc., Ayala Aviation, Northwind Power Development Corporation, North Luzon Renewable Energy Corporation, Light Rail Manila Corporation, AC Infrastructure Holdings Corporation, Ayala Hotels, Inc., Michigan Holdings, Inc., AC Ventures and various companies under ACEIC. 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 in 1995.

Cezar P. Consing is a Director of Ayala Corporation since 3 December 2020. He was a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee from April 2013 to December 2020. He was the President and CEO of BPI from April 2013 to April 2021. He is a Director of BPI, Globe Telecom, Inc, and ACEN. He is an Independent Director of Jollibee Foods Corporation. His other significant positions are: Chairman of the Philippine Dealing System Holdings Corp. and its operating subsidiaries, namely: Philippine Dealing & Exchange Corporation, Philippine Securities Settlement Corp., and Philippine Depository & Trust Corporation; Director of Filgifts.com., Scream Technologies, and Endeavor Philippines. He is also a Director of the US-Philippines Society and the Philippine-American Educational Foundation, trustee of the Manila Golf Club Foundation and College of St. Benilde, 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. He served as Chairman and President of the Bankers Association of the Philippines from 2019 - 2021 and was President of Bancnet, Inc. from 2017 – 2021. 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 of Ayala Corporation and President & Chief Executive Officer of AC Infrastructure Holdings Corporation. He is also a member of the Ayala Group Management Committee since August 2016. He is a member of the board of directors of the following companies within the Ayala Group: MWC, AF Payments Inc., Light Rail Manila Holdings, Inc., MCX Tollway Inc., and ACEN. He served as President and Chief Executive Officer of MWC from 1 September 2019 to 3 June 2021. 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 MWC. During his stint as MWC 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. He graduated from the Ateneo de Manila University with a degree in Bachelor of Science in Business Management in 1981 and finished the Strategic Business Economics Program from the University of Asia and the Pacific in 1999.

John Philip S. Orbeta is a Managing Director, the Chief Human Resources Officer and Group Head for Corporate Resources of Ayala Corporation, covering Strategic Human Resources, Information & Communications Technology, AC Synergy, Knowledge Management, and Corporate Support Services. 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. He also serves as Director of ACEN, Ayala Group Legal, AC Industrial Technology Holdings, Inc., Ayala Healthcare Holdings, Inc., Ayala Retirement Fund Holdings, Inc., Generika Group of Companies, ALFM Growth Fund, Inc., ALFM Money Market Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Global Multi-Asset Income Fund, Inc., ALFM Retail Corporate Fixed Income 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), overseeing the firm's practices in executive compensation, strategic rewards, data services and organization effectiveness around the world. He was also a member of Watson Wyatt's Board of Directors. He graduated with a degree in A.B. Economics from the Ateneo de Manila University in 1982. On 25 August 2021, the Executive Committee of the Company approved the appointment of Mr. Orbeta as the Company's Chief Administrative Officer and Chief Human Resources Officer effective 1 October 2021.

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 U.S.\$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 the President and Director of the ALFM Mutual Funds Group. She is also an Independent Director of MWC, ALI, IMI, Far Eastern University, Inc., East Asia Computer Center, and FERN Realty Corp. She is also a member of the Boards of Trustees of the Judicial Reform Initiative (Chairman), and the Financial Executives Foundation. She is Senior Adviser to the Boards of Metro Retail Stores Group, Inc. and Viscal Development Corporation. 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 was awarded the ING-FINEX CFO of the Year for 2008. 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 Philippine Electricity Market Corporation, 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 the Philippine Economic Zone Authority. 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 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.

MANAGEMENT/EXECUTIVE OFFICERS

The following table sets forth the members of the Company’s management committee and senior leadership team as of the date of this Offering Circular:

Name	Position	Citizenship
John Eric T. Francia	President & CEO	Filipino
Maria Corazon G. Dizon	Treasurer & CFO; Compliance Officer; Chief Risk Officer	Filipino
Solomon M. Hermosura	Corporate Secretary	Filipino
Dodjie D. Lagazo	Assistant Corporate Secretary 1; Head of Legal and Regulatory	Filipino
Alan T. Ascalon.....	Assistant Corporate Secretary 2; VP-Legal; Data Privacy Officer	Filipino
Jose Maria Eduardo P. Zabaleta	Chief Development Officer	Filipino
Roman Miguel G. de Jesus.....	Head of Commercial Operations	Filipino
Gabino Ramon G. Mejia	Head of Plant Operations	Filipino
Irene S. Maranan	Head of Corporate Communications and Sustainability	Filipino
Peter M. Buenaseda.....	Chief Human Resources Officer	Filipino
Ronald F. Cuadro	VP-Finance and Controller	Filipino
Henry T. Gomez, Jr.	Chief Audit Executive	Filipino
Patrice R. Clause.....	Head of AC Energy International Group	Luxembourgish

John Eric T. Francia — see above.

Maria Corazon G. Dizon is the Chief Finance Officer and Treasurer of ACEIC, ACEN, and ACE Enexor, Inc. She is also the Compliance Officer and Chief Risk Officer of ACEN. She heads various functional units under Finance, which include Controllershship, 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 Group, such as South Luzon Thermal Energy Corporation, Northwind Power Development Corp, ACE Endeavor, 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 Certified Public Accountant 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 Ayala Group Legal. He likewise serves as Group General Counsel and Corporate Secretary of ALI and Corporate Secretary of Globe Telecom, Inc., IMI, AREIT, Inc., ACEN, and Ayala Foundation, Inc. He also serves as a Corporate Secretary 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 and ACEN'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 ACEN. 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 Ayala Group Legal'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, and 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 Guimaras Wind Corporation ("GWC") and is the Corporate Secretary of GWC, One Subic Power Generation Corp., One Subic Oil Distribution Corp., Palawan55 Exploration and Production Corp., Bulacan Power Generation Corporation, and CIP II Power 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 of ACEN, and Chief Executive Officer of Endeavor, the development arm of ACEN. 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, ACEIC's and ACEN's Head of Commercial Operations, Chairman of SLTEC and President of ACE Shared Services, Inc. The Commercial Operations group manages the capacity of the operating plants of ACEN 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 of Northwind and North Luzon Renewable Energy Corp., President of Negros Island Solar Power, Inc. and San Carlos Solar, Inc., Chairman of Monte Solar Energy, Inc., and Executive Vice President of GNPowder 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 an 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 Resources Officer. He has been a consultant for ACEN 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. Mr. Buenaseda will cease to act as Chief Human Resources Officer on 1 October 2021.

Ronald F. Cuadro is the Company's VP-Finance & Controller. Prior to joining ACEN, 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 Analyst, 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.

Patrice Clause is the Company's Head of International Group, with a focus on Southeast Asia and Australia. He is the Chief Operating Officer of AC Energy International, Inc. He joined Ayala Corporation in May 2010 as an advisor to the Strategy and Business Development team. He was a founding member of the Group's management in 2011 where he led the business development and operations teams. Patrice is a member of the Board of Directors/Management & Advisory Committee of AC Energy International Projects. Prior to joining Ayala, he was a management consultant with McKinsey & Company in London as well as with Marakon Associates (part of Charles River Associates). Patrice received his Bachelor's and Master's degrees in Manufacturing Engineering from Cambridge University (UK). He also holds a Master of Business Administration degree from Harvard Business School where he graduated with high distinction as Baker Scholar.

PRINCIPAL SHAREHOLDERS

As of 15 July 2021, the Company’s principal shareholders are ACEIC and Arran, each with the shareholding indicated in the table below.

	Number of Shares Held	Percent of Ownership
ACEIC.....	27,461,243,454	71.8%
Arran	3,999,999,999	10.5%
Total	31,461,243,453	82.3%

ACEIC, a 100% subsidiary of Ayala Corporation, 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. 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 legacy coal plants and other infrastructure assets.

Arran is an affiliate of GIC Private Limited (“GIC”). 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.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company transacts with its related parties, such as its subsidiaries and certain of its affiliates, associates and joint ventures. These transactions principally consist of advances, loans, reimbursement of expenses, and management, administrative and information technology services.

Due from related parties totalled ₱333.6 million as of 31 December 2018, ₱0.0 million as of 31 December 2019, ₱12,220.0 million as of 31 December 2020 and ₱28,617.9 million as of 30 June 2021.

See Note 29 to the Company's audited consolidated financial statements as of and for the years ended 31 December 2019 and 2020 and Note 29 to the Company's unaudited interim condensed consolidated financial statements included in this Offering Circular for further information.

DESCRIPTION OF MATERIAL INDEBTEDNESS

As of 30 June 2021, ACEN's outstanding loans payable (comprised of long-term borrowings) was equivalent to ₱21,272.7 million, 100% of the Company's outstanding loans payable were denominated in Philippine pesos. The breakdown of current portion of long-term loans and long-term loans as of 30 June 2021 is as follows:

	Amount (₱ in millions)	%
Current portion of long-term loans	668.9	3%
Long-term loans	20,603.8	97%
Total	21,272.7	100%

The following table describes the Company's loans payable based on its consolidated financial statements as of 30 June 2021:

Description of Indebtedness	Borrower	Lender	Original Principal Amount (₱ in millions)	Maturity	Outstanding Amount as of 30 June 2021 (₱ in millions)
Long-Term Borrowings					
Corporate Note	ACEN	Banco de Oro (“BDO”)	5,000.0	14-Nov-29	4,921.1
	ACEN	China Banking Corporation (“CBC”)	1,500.0	15-Jul-30	1,500.0
	ACEN	Security Bank Corporation (“SBC”)	1,175.0	11-Jul-29	804.6
	ACEN	Development Bank of the Philippines (“DBP”)	805.0	30-Nov-33	805.0
	Guimaras Wind	SBC	2,150.0	18-Dec-28	673.7
	Guimaras Wind	DBP	2,150.0	18-Dec-28	673.7
	SLTEC	BDO	6,665.0	7-May-31	6,069.5
		Rizal Commercial Banking Corporation (“RCBC”)	3,335.0	7-May-31	2,985.0
	SLTEC	SBC	1,000.0	7-May-31	895.5
		Bank of the Philippine Islands (“BPI”)	2,300.0	14-Feb-29	2,167.1
	NPDC				2,167.1
Subtotal					21,495.2
Add/(Less)					
Unamortized					
Debt Issue Cost					(222.5)
Total					21,272.7

The following table shows the breakdown of maturities of the Company's total loans payable for the years ended 31 December 2024 through 2029 on a consolidated basis as of 30 June 2021:

2024	2025	2026	2027	2028	2029
(in ₱ millions)					
1,062.2	1,080.1	1,108.1	1,392.3	1,732.2	6,620.1

FOREIGN EXCHANGE AND FOREIGN INVESTMENT REGULATIONS

Foreign Exchange Regulations

Philippine foreign exchange rules and regulations of the BSP have been liberalized since 1992. Under present regulations, as a general rule, foreign exchange may be freely sold and purchased outside the Philippine banking system. If foreign currency obligations of Philippine borrowers (or guarantors) are to be serviced with foreign exchange purchased from the Philippine banking system, the obligation must have been registered with the BSP within six months from the utilization of proceeds. Further, if there is a call on the guarantee, the borrower/guarantor must submit a written notification to the BSP at least 10 banking days before target date of settlement of such call on the guarantee. Generally, the proceeds of such loans intended to fund local costs should be inwardly remitted and sold converted into Philippine Pesos within the Philippine banking system. However, loan proceeds intended to finance foreign exchange currency obligations of the borrower may be paid directly to the supplier/beneficiary concerned. BSP's rules generally limit access to the purchase of foreign currency to fund payment obligations offshore to only those private sector foreign currency loans that had been previously approved by, registered with, or notified to the BSP, as required under the Manual on Foreign Exchange Transactions.

Outside of Philippine banks, there are other sources of foreign currency. These include entities that are licensed to engage in the business of buying and selling foreign currency. These other sources of foreign currency outside the Philippine banking system may be subject to greater exchange rate volatility and liquidity constraints. Foreign currency received as revenue or held by any person (that is not a bank) in the Philippines can be freely traded within and freely remitted outside the Philippines, without being subject to these foreign exchange restrictions imposed by the BSP.

Registration of Foreign Loans and Foreign Investments

Registration with the BSP for the issuance and guarantee of offshore borrowings is not required for the legal validity and enforceability of such obligations. The registration process takes time and involves costs for the applicant. The benefit of registration with the BSP is that it would, assuming the BSP determines the applicant to be eligible for such registration under certain criteria, allow a borrower or guarantor to access the Philippine banking system to obtain foreign currency, such as U.S. dollars to service such debt or guarantee obligations. Otherwise, the payment currency must be obtained from other sources as described above. The Guarantor has not registered the Guarantee with the BSP as it considers it will have sufficient U.S. dollars for funding payments under the Guarantee without having to access the Philippine banking system. See *“Risk Factors—Risks Relating to Notes issued under the Programme and the Guarantee—The Notes and the Guarantee will not be registered with the BSP and without BSP registration, the Issuer and the Guarantor cannot access the Philippine banking system to purchase U.S. dollars to fulfil their obligations under the Guarantee”*.

TAXATION

The statements herein regarding taxation are based on the laws in force as of the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes, including the Undated Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in notes or commodities) may be subject to special rules. Prospective purchasers of Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of Notes.

The following is a general description of certain Philippine tax aspects of the Notes. It is based on the present provisions of the National Internal Revenue Code of 1997, as amended (the “**Philippine Tax Code**”), the regulations promulgated thereunder and judicial and ruling authorities in force as of the date of this Offering Circular, all of which are subject to changes occurring after such date, which changes could be made on a retroactive basis.

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 of the Philippines while the term “non-resident alien” means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who stays in the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines”; otherwise, such non-resident alien is considered a “non-resident alien not engaged in trade or business within the Philippines”. A “resident foreign corporation” is a foreign corporation engaged in trade or business in the Philippines and a “non-resident foreign corporation” is a foreign corporation that is not engaged in trade or business within the Philippines. The term “non-Philippine holders” refers to beneficial owners of the Notes who are (1) non-resident aliens not engaged in trade or business within the Philippines or (2) non-resident foreign corporations.

Documentary Stamp Tax

Under the Philippine Tax Code, a documentary stamp tax is imposed upon every original issue of debt instruments, such as bonds and notes, at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided, that for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be proportionate to the ratio of the debt instrument’s term in number of days to 365 days. The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted or transferred when the obligation or right arises from Philippine sources, the property is situated in the Philippines, or where the object of the contract is located or used in the Philippines.

No documentary stamp tax is imposed upon the issuance of the Notes, as the Issuer is a non-resident foreign corporation and the issuance of the Notes takes place outside the Philippines. No documentary stamp tax is imposed upon the issuance of the Guarantee to secure payment of the Notes.

No documentary stamp tax is imposed on the subsequent sale or disposition of the Notes, trading of the Notes in a secondary market or through an exchange as long as such subsequent sale, disposition or trading is not made in the Philippines or there is no change in the maturity date or the material terms and conditions of the Notes.

Repayment of the Principal on the Notes

The Issuer’s payment of the principal on the Notes to a non-Philippine holder will not subject such non-Philippine holder to taxation in the Philippines by reason solely of the holding of the Notes or the receipt of principal.

Under the current laws and regulations of the Philippines, all payments of principal on the Notes may be paid by the Guarantor pursuant to the terms of the Agreements to the Noteholders who are non-residents of the Philippines without being subject to Philippine income, withholding or other taxes and are otherwise free and clear of any other tax, duty, withholding or deduction in the Philippines. Gains realized from the sale, exchange or retirement of the Notes shall be exempt from Philippine income tax, if the Notes are considered Long Term Notes, if sold by non-residents outside the Philippines, or if the holder is qualified for such exemption under an applicable tax treaty. Notes held by persons

at the time of death will not be subject to estate tax in the Republic of the Philippines if the deceased at the time of death was a citizen and resident of a foreign country which did not impose a transfer or estate tax of any character in respect of intangible personal property of citizens of the Republic of the Philippines not residing in that foreign country, or if the laws of the foreign country of which the deceased was a citizen and resident at the time of his or her death allow a similar exemption from transfer or estate taxes of every character and description in respect of intangible personal property owned by citizens of the Republic of the Philippines not residing in that foreign country.

Interest on the Notes

Under the Philippine Tax Code, alien individuals and foreign corporations are subject to Philippine income tax on Philippine-sourced income only. It further provides that interest income derived from bonds, notes or other interest-bearing obligations of Philippine residents is Philippine-source income subject to Philippine income tax. As the Notes will be issued by the Issuer which is a non-resident foreign corporation, interest on the Notes received by non-resident holders from the Issuer should not be subject to Philippine income tax on interest. However, resident Philippine citizen and domestic corporations are subject to tax on their global income. As such, interest income on the Notes paid by the Issuer will form part of a resident Philippine citizen or a domestic corporation's gross income, which, after being reduced by the applicable deductions, will be subject to the applicable Philippine income tax rates. The net taxable income of resident Philippine citizens is subject to graduated tax rates ranging from 0-35% while the net taxable income of domestic corporations is subject to a flat 25% tax rate, 20% corporate income tax for corporations with net taxable income not exceeding Five Million pesos (₱5,000,000.00) and with total assets not exceeding One Hundred Million pesos (₱100,000,000.00) excluding land on which the particular business entity's office, plant, and equipment are situated under Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE Law"), or, beginning 1 July 2020 and until 30 June 2023, a Minimum Corporate Income Tax ("MCIT") equivalent to 1%, provided that after 30 June 2023, the rate of the MCIT shall be 2% of the gross income as of the end of the taxable year, as the case may be.

Any payment made by the Guarantor to a Noteholder under the Guarantee which is attributable to interest on the Notes could be considered as Philippine-source income and accordingly subject to final withholding taxes in the Philippines at the following rates:

Philippine citizens and resident alien individuals	20%
Non-Resident aliens doing business in the Philippines	20%
Non-resident aliens not doing business in the Philippines	25%
Domestic corporations	20%
Resident foreign corporations	20%
Non-resident foreign corporation	25%

If the payment made by the Guarantor to a non-resident foreign corporation is in foreign currency and qualifies as interest on foreign loans, the applicable final withholding tax rate is 20%.

The aforementioned final withholding tax rates may be reduced by applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident Noteholder. Most tax treaties to which the Philippines is a party provide for a preferential reduced tax rate of 15% where Philippine-source interest income is paid to a resident of the other contracting state. However, tax treaties would also normally qualify that the preferential reduced tax rates will not apply if the recipient of the interest income, even if considered a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected to such permanent establishment.

Under Condition 8.1, all payments of principal, premium and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, Receipts and Coupons shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any Tax Jurisdiction, unless such withholding or deduction is required by the law of any Tax Jurisdiction. Where such withholding or deduction is made by the Issuer or the Guarantor, as the case may be, the Issuer or the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by the holders of the Notes, Receipts or Coupons equals the amounts which would

otherwise have been receivable by them had no such withholding or deduction been required. In the event that the Issuer or the Guarantor makes a deduction or withholding required by the law of any Tax Jurisdiction the Issuer or the Guarantor shall pay such Additional Amounts as will result in receipt by the holders of the Notes, Receipts or Coupons of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note, Receipt or Coupon:

- (i) presented for payment in the Cayman Islands or the Philippines;
- (ii) to or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (iii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Note, Receipt or Coupon for payment on the last day of such period of 30 days assuming that day to have been a Payment Day (as defined in Condition 6.6) (see “*Terms and Conditions of the Notes other than Undated Notes*” and “*Terms and Conditions of the Undated Notes*”).

Tax Exempt Status

Noteholders who are exempt from, are not subject to final withholding tax, or are subject to a lower rate of final withholding tax on interest income paid by the Guarantor may avail of such exemption or preferential withholding tax rate by submitting the necessary documents. The BIR has prescribed certain procedures for availment of such exemption or preferential withholding tax rate. Assuming the payments to be made by the Guarantor are subject to withholding tax, subject to the filing of the Guarantor’s application and its approval by the BIR, the Guarantor will not withhold or will withhold at a reduced rate provided that such holder furnishes the Guarantor with the following documents, in form and substance prescribed by the Guarantor: (i) Proof of Tax Exemption or Entitlement to Preferential Tax Rates: (a) For (1) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (2) cooperatives duly registered with the Cooperative Development Authority; and (3) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof; (b) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Noteholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator; (c) For all other tax-exempt entities (including, but not limited to, (1) non-stock, non-profit educational institutions; (2) government-owned or -controlled corporations; and (3) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax; (d) With respect to tax treaty relief, Approval of the Tax Treaty Relief Application duly issued by the International Tax Affairs Division of the BIR confirming the entitlement to the tax treaty relief; and (e) Any other document that the Guarantor may require from time to time; (ii) a duly notarized declaration and undertaking in the prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Noteholder purchases Notes for its account, or (ii.b) the Trust Officer, if the Noteholder is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Notes pursuant to its management of tax-exempt entities (i.e., Employee Retirement Fund, etc.), declaring and warranting that the same Noteholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Guarantor of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Guarantor free and harmless against any claims, actions, suits, and liabilities, or any tax or charge resulting from the non-withholding of the required tax; and (iii) if applicable, such other documentary requirements as may be reasonably required by the Guarantor, or as may be required under applicable regulations of the relevant taxing or other authorities; provided further that, all sums payable by the Guarantor to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Noteholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Guarantor.

If the regular rate mentioned above is withheld by the Guarantor, instead of the reduced rate, the Noteholder may file a claim for a refund from the BIR. However, because the refund process in the Philippines could be cumbersome, requiring the filing of an administrative claim and the possible filing of a judicial appeal, it may be impractical to pursue such a refund.

Value -Added Tax

Gross receipts derived by dealers in securities from the sale of the Notes in the Philippines, equivalent to the gross selling price less the acquisition cost of the Notes sold, shall be subject to value-added tax of 12%.

“**Dealer in securities**” means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

If the net trading gains realized within the taxable year on the sale or disposition of the Notes by banks and nonbank financial intermediaries performing quasi-banking functions are considered as gross receipts derived from sources within the Philippines, such gains shall be subject to gross receipts tax at the rate of 7%.

Sale or Other Disposition of the Notes

Under Section 32(B)(7)(g) of the Tax Code, gains realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with a maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) (“**Long Term Notes**”) are exempt from income tax. The BIR, however, has not had occasion to confirm whether bonds issued by foreign entities, such as the Notes, may constitute Long Term Notes for purposes of such exemption. In any case, any gain from the sale or exchange of the Notes is not subject to Philippine income tax if the sale or exchange of the Notes by a non-resident holder takes place outside the Philippines.

If the Notes are considered ordinary assets, gains from the sale or disposition of such Notes within the Philippines that are subject to Philippine income tax will be included in the computation of taxable income, which, after being reduced by the applicable deductions, is subject to the following graduated tax rates for Philippine citizens (whether residents or non-residents), or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines effective 1 January 2018 until 31 December 2022:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	20% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱30,000 + 25% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱130,000 + 30% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱490,000 + 32% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,410,000 + 35% of the excess over ₱8,000,000

and effective 2 January 2023 and onwards:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident aliens not engaged in trade or business, the gain from the sale of Notes within the Philippines shall be subject to the 25% final withholding tax.

If the Notes are considered as capital assets of individual Noteholders, gains from the sale or disposition of such Notes shall be subject to the same income tax rates as if the Notes were held as ordinary assets, except that if the gain is realized by an individual who held the Notes for a period of more than 12 months prior to the sale, only 50% of the gain will be recognized and included in the computation of taxable income, subject to the applicable deductions. On the other hand, if the Notes were held by an individual for a period of 12 months or less, 100% of the gain will be included in the computation of the taxable income.

Gains derived by domestic or resident foreign corporations on the sale or other disposition of the Notes within the Philippines are included in the computation of taxable income. which, after being reduced by the applicable deductions, is subject to a 25% regular corporate income tax. Furthermore, gains derived by a domestic corporation from a sale or disposition of Notes outside the Philippines, will likewise form part of its taxable income. Gains derived by non-resident foreign corporations on the sale or other disposition of the Notes shall form part of their gross income which is subject to a 25% final withholding tax unless such foreign corporation is entitled to preferential tax treatment pursuant to a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Estate and Donor's Tax

As the Notes are issued by a corporation organized outside the Philippines, they generally do not have a Philippine situs. Having no Philippine situs, the transfer of the Notes (1) to the estate or heirs of a deceased non-resident alien holder should not be subject to Philippine estate taxes and (2) by way of donation by a non-resident alien holder should not be subject to Philippine donor's taxes.

However, the following obligations of a foreign corporation are deemed to have a Philippine situs and are subject to Philippine estate or donor's gift taxes upon their transfer: (1) obligations of a foreign corporation, 85% of the business of which is located in the Philippines, and (2) obligations issued by a foreign corporation, if such obligation has acquired a business situs in the Philippines. The Notes may acquire a Philippine situs if the foregoing circumstances become applicable to the Issuer or the Notes.

The transfer of the Notes by a deceased Noteholder to his heirs shall be subject to Philippine estate tax at a fixed rate of 6% of the net estate.

A Noteholder who transfers the Notes by way of gift or donation shall be subject to Philippine donor's tax at the fixed rate of 6% based on the total gifts or donations in excess of ₱250,000 exempt gifts made during the calendar year, whether the donee or beneficiary is a stranger or not.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Notes, shall not be collected in respect of intangible property, such as the Notes, (1) if the deceased, at the time of death, or the donor, at the time of the 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 (2) 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 the foreign country.

Subject to the qualifications discussed above, in case the Notes are transferred for less than adequate and full consideration in money or money's worth, the amount by which the fair market value of the Notes exceeded the value of the consideration may be deemed a gift and donor's taxes may be imposed on the transferor of the Notes. Transfer of the Notes made in the ordinary course of business (a transaction which is *bona fide*, at arm's length, and free from any donative intent) is considered as made for an adequate and full consideration in money or money's worth.

CAYMAN ISLANDS TAXATION

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under Existing Cayman Islands Laws:

Payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or capital to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently has no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

Where issued in bearer form, no stamp duty is payable in respect of the issue of the Notes and the Notes themselves will be stampable if they are executed in or brought into the Cayman Islands.

Where issued in registered form, no stamp duty is payable in respect of the issue of the Notes and the Certificates. An instrument of transfer in respect of a Note or a Certificate is stampable if executed in or brought into the Cayman Islands.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Financial Secretary of the Cayman Islands in the following form:

The Tax Concessions Act (as Revised) Undertaking as to Tax Concessions

In accordance with the Tax Concessions Act (As Revised) (the “**Tax Concession Act**”), the following undertaking is hereby given to the Issuer below:

1. That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and
2. In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) On or in respect of the shares, debentures or other obligations of the Issuer; or
 - (ii) by way of the withholding in whole or part, of any relevant payment as defined in the Tax Concessions Act.

These concessions shall be for a period of twenty years from the 11th day of August 2021.

CLEARANCE AND SETTLEMENT OF THE NOTES

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream, Luxembourg (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer, the Guarantor, nor any Dealer takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Guarantor or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Custodial and depositary links have been established with Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and transfers of the Notes associated with secondary market trading.

THE CLEARING SYSTEMS

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for participating organizations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry of changes in the accounts of their participants. Euroclear and Clearstream, Luxembourg provide their respective participants with, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

Registration and Form

Book-entry interests in the Notes held through Euroclear and Clearstream, Luxembourg will be evidenced by the Global Certificate, registered in the name of nominee of the common depositary of Euroclear and Clearstream, Luxembourg. The Global Certificate will be held by a common depositary for Euroclear and Clearstream, Luxembourg. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the Notes in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, Luxembourg, as the case may be, and every other intermediate holders in the chain to the beneficial owner of book-entry interests in the Notes, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interest in the Notes. The Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg and/or if individual Certificates are issued in the limited circumstances described under “*Form of the Notes—Registered Notes*”, holders of Notes represented by those individual Certificates. The Principal Paying Agent will be responsible for ensuring that payments received by it from the Issuer for holders of interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be.

The Issuer will not impose any fees in respect to the Notes; however, holders of book-entry interest in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg.

CLEARANCE AND SETTLEMENT PROCEDURES

Initial Settlement

Upon their original issue, the Notes will be in global form represented by the Global Certificate. Interests in the Notes will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Notes will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Closing Date against payment (for value the Closing Date).

Secondary Market Trading

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional participants.

GENERAL

Although the foregoing sets out the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the Notes among participants of Euroclear and Clearstream, Luxembourg, none of Euroclear and Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

Neither of the Issuer, the Guarantor nor any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement dated 31 August 2021 (such Programme Agreement as amended, modified and/or supplemented and/or restated from time to time, the “**Programme Agreement**”), agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes other than Undated Notes*” and “*Terms and Conditions of the Undated Notes*”. The Issuer (failing which, the Guarantor) will pay each relevant Dealer a commission as may be agreed between them in respect of Notes subscribed by it. The Issuer (failing which, the Guarantor) has agreed, unless otherwise agreed in respect of an issue of Notes, to pay all expenses incidental to the performance of their respective obligations under the Programme Agreement. The commissions in respect of an issue of Notes on a syndicated basis may be stated in the applicable Pricing Supplement. The Notes may also be sold by the Issuer through the Dealers, acting as the Issuer’s agents. The Dealers may also offer and sell Notes through certain of their affiliates. In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Where the Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price set forth in the applicable Pricing Supplement (less commissions, if any, in connection with such issue of Notes), the Notes may be reoffered and resold by the relevant Dealer(s) at a price different from their Issue Price, including (without limitation) at prevailing market prices, or at prices related thereto, at the time of such reoffer and resale, in each case as may be determined by the relevant Dealer(s). The Issuer, the Company or the Dealers may pay commissions to certain third parties (including, without limitation, commission or rebate to private banks).

In order to facilitate the offering of any Tranche of the Notes, the Dealer or Dealers (if any) named as Stabilizing Managers for persons acting on behalf of any Stabilizing Manager(s) in the applicable Pricing Supplement and participating in the offering of the Tranche may engage in transactions that stabilize, maintain or otherwise affect, which support the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. There is no assurance that the Stabilizing Manager(s) or persons acting on behalf of a Stabilizing Manager will undertake stabilization action. No representation is made as to the magnitude or effect of any such stabilizing or other transactions. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Under the laws and regulations of the United Kingdom any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of Notes and 60 days after the date of the allotment of the relevant tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or person acting on behalf of any Stabilization Manager(s)) in accordance with all applicable laws and rules.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Company or their respective subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own

account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer, the Company or their respective subsidiaries, jointly controlled entities or associated companies, including any Tranche of Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Each Tranche of Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

In connection with each Tranche of Notes issued under the Programme, the Dealers or their respective affiliates may purchase Notes for its or their own account and may take up such Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer, the Guarantor or their respective subsidiaries or associates or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes). In addition, some of the Dealers may be active in trading the Notes. Accordingly, references herein to each Tranche of Notes being offered should be read as including any offering of such Notes to the Dealers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

United States

1.1 In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes and the Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment in the United States except in accordance with Rule 903 of Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act.

Terms used in this paragraph 1.1 have the meanings given to them by Regulation S.

1.2 In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes and the Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold and delivered any Notes, and will not offer, sell and deliver any Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Principal Paying Agent has agreed to notify

such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer has also agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the Securities Act), or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S”.

Terms used in this paragraph 1.2 have the meanings given to them by Regulation S.

- 1.3 Each Dealer further represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any “directed selling efforts” (as defined in Rule 902(c) under the Securities Act) with respect to any Note, and, in respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, it and they have complied and will comply with the offering restrictions requirement of Regulation S.
- 1.4 Prior to the issuance of any Bearer Notes under the Programme, the Issuer and the Guarantor will confirm with their counsel that all Programme Documents have been reviewed, revised and updated to the extent necessary to ensure that such documents properly allow for the issuance of Bearer Notes in accordance with U.S. federal income tax law.
- 1.5 The applicable Pricing Supplement will specify whether U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D), as in effect prior to the repeal of Section 163(f)(2)(B) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or any successor rules that are substantially in the same form (“TEFRA D”), in each case, are applicable (or relevant under IRS Notice 2012-20) for purposes of Section 4701 of the Code. In respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement:
 - (i) except to the extent permitted under TEFRA D, each Dealer (i) has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and has agreed that during a 40-day restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) has represented that it has not delivered and agreed that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
 - (ii) each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by TEFRA D;
 - (iii) if it is a United States person, each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with TEFRA D (including the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6));

- (iv) it will provide the Issuer with the documentation specified (at the time specified) in U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(3);
- (v) with respect to each affiliate of such Dealer that acquires Notes in bearer form from such Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer has repeated and confirmed the representations and agreements contained in subparagraphs (i), (ii), (iii) and (iv) on such affiliate's behalf.

Terms used in this paragraph 1.5 have the meanings given to them by the Code and Treasury regulations promulgated thereunder, including TEFRA D.

- 1.6 The applicable Pricing Supplement will specify whether U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C), as in effect prior to the repeal of Section 163(f)(2)(B) of the Code, or any successor rules that are substantially in the same form (“**TEFRA C**”), in each case, are applicable (or relevant under IRS Notice 2012-20) for purposes of Section 4701 of the Code. In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Further, the Issuer will comply with the documentary requirements described in U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C)(4).

Terms used in this paragraph 1.6 have the meanings given to them by the Code and Treasury regulations promulgated thereunder.

- 1.7 Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. The relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

European Economic Area

Unless the Pricing Supplement specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the pricing supplement in relation thereto to any EEA Retail Investor in the European Economic Area (“**EEA**”). For the purposes of this provision:

- (a) the expression “**EEA Retail Investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”);
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

- (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 (as amended, the “**EU Prospectus Regulation**”); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area (each, a “**Relevant State**”), each Dealer represents and agrees that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

- (a) if the pricing supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the EU Prospectus Regulation in that Relevant State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by a pricing supplement contemplating such Non-exempt Offer, in accordance with the EU Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression “**offer of Notes to the public**” in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “**EU Prospectus Regulation**” means Regulation (EU) No 2017/1129.

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the pricing supplement in relation thereto to any UK Retail Investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**UK Retail Investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as

amended, the “EUWA”), subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time);

- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or
 - (iii) not a qualified investor as defined in Article 2 of the EU Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Prospectus (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/1234) (as may be amended or superseded from time to time); and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer represents and agrees that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the pricing supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) if the pricing supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a “Public Offer”), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by pricing supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the UK Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression “offer of Notes to the public” in relation to any Notes in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “UK Prospectus Regulation” means Regulation (EU) No 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

Other Regulatory Restrictions

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Singapore

Each Dealer acknowledges that the Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the “**Securities and Futures Act**”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the Securities and Futures Act; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the Securities and Futures Act is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the Securities and Futures Act or any provision in the Securities and Futures Act is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

People’s Republic of China

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, any of the Notes in the People’s Republic of China (for such purposes, not including Hong Kong, Macau SAR or Taiwan) or to, or for the benefit of, legal or natural persons of the People’s Republic of China unless such offer or sale is made in compliance with all applicable laws and regulations of the People’s Republic of China.

Hong Kong

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”), by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**Securities and Futures Ordinance**”) other than (i) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws

of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance and any rules made under that Ordinance.

Philippines

THE NOTES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION (THE “**PHILIPPINE SEC**”) UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES (THE “**SRC**”). ANY FUTURE OFFER OR SALE OF THE NOTES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE SRC.

Under the SRC (Republic Act No. 8799), and its implementing rules (“**SRC IRR**”), securities, such as the Notes, are not permitted to be sold or offered for sale or distribution within the Philippines unless such securities are registered with the SEC or are otherwise exempt securities or sold pursuant to an exempt transaction.

The Notes will not be offered in the Philippines except insofar as any such offers are made to “qualified buyers” as defined in 10.1(l) of the SRC or to primary institutional lenders pursuant to Rule 10.1.4 of the SRC IRR. A confirmation of exemption from the Philippine SEC that the offer and sale of the Notes within the Philippines qualify as an exempt transaction is not required, has not been, and will not be obtained. Each of the Dealers has represented, warranted and agreed that it has not and will not sell or offer for sale or distribution any Notes in the Philippines except to “qualified buyers” or primary institutional lenders pursuant to Section 10.1(l) and Rule 10.1.4 as aforesaid.

Cayman Islands

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree that no invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Notes unless the Issuer is listed on the Cayman Islands Stock Exchange.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and any applicable pricing supplement and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor, the Trustee or any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Trustee or any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Dealers or any affiliate of any Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such dealer or such affiliate on behalf of the Issuer in such jurisdiction.

With regard to each Tranche of Notes issued hereunder, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable pricing supplement.

CAYMAN ISLANDS DATA PROTECTION

The Issuer has certain duties under the Data Protection Act (As Revised) of the Cayman Islands (the “DPA”) based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Notes and the associated interactions with the Issuer and its affiliates and/or delegates, or by virtue of providing the Issuer with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Issuer and its affiliates and/or delegates with certain personal information which constitutes personal data within the meaning of the DPA. The Issuer shall act as a data controller in respect of this personal data and its affiliates and/or delegates may act as data processors (or data controllers in their own right in some circumstances).

By investing in the Notes, the Noteholders shall be deemed to acknowledge that they have read in detail and understood the Privacy Notice set out below and that such Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the Notes.

Oversight of the DPA is the responsibility of the Ombudsman’s office of the Cayman Islands. Breach of the DPA by the Issuer could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

Privacy Notice

Introduction

The purpose of this notice is to provide Noteholders with information on the Issuer’s use of their personal data in accordance with the Data Protection Act (As Revised) of the Cayman Islands (the “DPA”).

In the following discussion, “Issuer” refers to the Issuer and its or their affiliates and/or delegates, except where the context requires otherwise.

Investor Data

By virtue of making an investment in the Issuer and a Noteholder’s associated interactions with the Issuer (including any subscription (whether past, present or future), including the recording of electronic communications or phone calls where applicable) or by virtue of a Noteholder otherwise providing the Issuer with personal information on individuals connected with the Noteholder as an investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), the Noteholder will provide the Issuer with certain personal information which constitutes personal data within the meaning of the DPA (“**Investor Data**”). The Issuer may also obtain Investor Data from other public sources. Investor Data includes, without limitation, the following information relating to a Noteholder and/or any individuals connected with a Noteholder as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to the Noteholder’s investment activity.

In the Issuer’s use of Investor Data, the Issuer will be characterised as a “data controller” for the purposes of the DPA. The Issuer’s affiliates and delegates may act as “data processors” for the purposes of the DPA.

Who this Affects

If a Noteholder is a natural person, this will affect such Noteholder directly. If a Noteholder is a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides the Issuer with Investor Data on individuals connected to such Noteholder for any reason in relation to such Noteholder’s investment with the Issuer, this will be relevant for those individuals and such Noteholder should transmit the content of this Privacy Notice to such individuals or otherwise advise them of its content.

How the Issuer May Use a Noteholder's Personal Data

The Issuer, as the data controller, may collect, store and use Investor Data for lawful purposes, including, in particular:

- (i) where this is necessary for the performance of the Issuer's rights and obligations under any subscription agreements or purchase agreements;
- (ii) where this is necessary for compliance with a legal and regulatory obligation to which the Issuer is subject (such as compliance with anti-money laundering and FATCA/CRS requirements); and/or
- (iii) where this is necessary for the purposes of the Issuer's legitimate interests and such interests are not overridden by the Noteholder's interests, fundamental rights or freedoms.

Should the Issuer wish to use Investor Data for other specific purposes (including, if applicable, any purpose that requires a Noteholder's consent), the Issuer will contact the applicable Noteholders.

Why the Issuer May Transfer a Noteholder's Personal Data

In certain circumstances the Issuer and/or its authorised affiliates or delegates may be legally obliged to share Investor Data and other information with respect to a Noteholder's interest in the Issuer with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

The Issuer anticipates disclosing Investor Data to others who provide services to the Issuer and their respective affiliates (which may include certain entities located outside the Cayman Islands or the European Economic Area), who will process a Noteholder's personal data on the Issuer's behalf.

The Data Protection Measures the Issuer Takes

Any transfer of Investor Data by the Issuer or its duly authorised affiliates and/or delegates outside of the Cayman Islands shall be in accordance with the requirements of the DPA.

The Issuer and its duly authorised affiliates and/or delegates shall apply appropriate technical and organisational information security measures designed to protect against unauthorised or unlawful processing of Investor Data, and against accidental loss or destruction of, or damage to, Investor Data.

The Issuer shall notify a Noteholder of any Investor Data breach that is reasonably likely to result in a risk to the interests, fundamental rights or freedoms of either such Noteholder or those data subjects to whom the relevant Investor Data relates.

LEGAL MATTERS

Certain matters as to the laws of the Cayman Islands will be passed upon for the Issuer by Maples and Calder (Hong Kong) LLP. Certain legal matters as to English law will be passed upon for the Dealers and the Trustee by Milbank LLP. Certain legal matters as to Philippine law will be passed upon for the Dealers by Angara Abello Concepcion Regala & Cruz.

INDEPENDENT AUDITORS

SGV & Co., a member firm of Ernst & Young Global Limited, independent auditors, audited the Company's consolidated financial statements as of and for the years ended 31 December 2020, 2019 and 2018, and reviewed the Company's unaudited interim condensed consolidated financial statements as of 30 June 2021 (with comparative figures as of 31 December 2020) and for the six-month periods ended 30 June 2021 and 2020. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing. Consequently, it does not enable them to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, they do not express an audit opinion on the unaudited interim condensed consolidated financial statements. The consolidated financial statements and interim condensed consolidated financial statements included in this Offering Circular has been prepared under PFRS or PAS 34. SGV & Co. has agreed to the inclusion of its reports in this Offering Circular.

GLOSSARY OF SELECTED TERMS

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below.

AC Energy Group.....	the group of companies comprised of ACEIC, the parent company of ACEN, and its subsidiaries
AC Energy International.....	AC Energy International, Inc. (formerly Presage Corporation)
AC Renewables International.....	AC Renewables International Holdings Pte Ltd., formerly AC Energy International Holdings Pte Ltd.
ACE Endeavor	ACE Endeavor, 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 favour 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 favour of ACEIC in exchange for property consisting of shares owned by ACEIC in its various onshore operating and development companies
ACEN or the Company or the Guarantor.....	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)
AMI Renewables	AMI Renewables Energy Joint Stock Company
Arran.....	Arran Investment Pte Ltd, an affiliate of GIC Private Limited
ASEAN.....	the Association of Southeast Asian Nations, including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
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
Associates.....	as defined under PFRS
Australia	the Commonwealth of Australia
availability factor.....	the availability factor of a power plant is the percentage of the time that it is available to provide energy to the grid

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
BIM Group	the BIM Energy Holding Corporation, BIM Salt Manufacturing and Processing Joint Stock Company, Ca Na Ninh Thuan Salt Joint Stock Company, Mr. Doan Quoc Viet and Mr. Doan Quoc Huy
BIR	Bureau of Internal Revenue
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.
capacity factor	the ratio of a power plant's actual output over a period of time, to its potential output if it were possible for it to operate at full capacity
Captive Market	a market of electricity end-users who may not choose their supplier of electricity
CEO	Chief Executive Officer
CFO	Chief Finance Officer
China	the People's Republic of China
CIPP	CIP II Power Corporation
Clearing Systems	Euroclear and Clearstream, Luxembourg
Clearstream, Luxembourg	Clearstream Banking, SA.
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
COD	commercial operations date

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
contestable customer	electricity end-users with monthly average peak demand of at least 1MW for the preceding 12 months to the initial implementation of Open Access, which shall be reduced to 750 KW two years thereafter
contestable market.....	a market of end-users who have a choice on their supplier of electricity.
Debt	total current and non-current liabilities
DENR.....	Department of Environment and Natural Resources of the Philippines
Distribution Code	the Philippine Distribution Code
DOE.....	Department of Energy of the Philippines
ECC	an environmental compliance certificate issued by the DENR
EGCO	the Electricity Generating Company of Thailand
EIA	Environmental Impact Assessment
EIS.....	Environmental Impact Statement
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
EPIRA	Philippine Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001
ERC	the Philippine Energy Regulatory Commission
Euroclear	Euroclear Bank SA/NV
EVN.....	Vietnam Electricity
FIA	Foreign Investment Act of 1991 of the Philippines
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
FVOCI.....	fair value through other comprehensive income
FVTPL.....	fair value through profit or loss

Gigasol3	Gigasol 3, Inc.
Government	the Government of the Republic of the Philippines
Green Bonds	bonds or notes issued under a green bond framework aligned with the four core components of the ASEAN Green Bond Standards, as disclosed by the ASEAN Capital Markets Forum, or the Green Bond Principles 2021, as disclosed by the International Capital Market Association, namely (i) Use of Proceeds, (ii) Process for Project Evaluation and Selection, (iii) Management of Proceeds, and (iv) Reporting.
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
GW	gigawatt, a unit of electrical power equivalent to 1,000MW
GWC.....	Guimaras Wind Corporation (formerly PHINMA Renewable Energy Corporation; Trans-Asia Renewable Energy Corporation; Trans-Asia Petroleum (Maratua) Corporation)
GWh	Gigawatt hours, a unit of electrical energy equivalent to 1,000MWh
Guimaras Wind.....	a 54 MW wind farm in Guimaras, Philippines, owned and operated by GWC
HDP Bulk Water	HDP Bulk Water Supply, Inc
Hong Kong	the Hong Kong Special Administrative Region of the People’s Republic of China
ICMA	International Capital Markets Association
Indonesia	the Republic of Indonesia
Ingrid	Ingrid Power Holdings, Inc.
IPP	independent power producer or an existing power generating entity which is not owned by NPC
IPPA	Independent Power Producer Administrator
IRRs.....	Implementing Rules and Regulations
IslaSol.....	Negros Island Solar Power, Inc.

IslaSol Project.....	a 80MWdc solar farm located in Negros Occidental, Philippines
Issuer	ACEN Finance Limited
kV	kilovolt, a unit of energy equivalent to 1,000 volts
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.
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
MWh.....	megawatt hours, a unit of electrical energy equivalent to 1,000 kilowatt hour
NE Solar Farm.....	New England Solar Farm located near Uralla in New South Wales, Australia with an expected net capacity of up to 920MWdc
NEA.....	National Electrification Administration of the Philippines
Net Attributable Capacity.....	the Company’s effective economic interest in the relevant power projects (in operation and under construction) and the project’s net capacity
net capacity.....	the difference between the maximum rated output and the power consumed onsite
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

NLR Project.....	a wind farm located in Ilocos Norte, Philippines with a net capacity of 81MW
NLREC.....	North Luzon Renewable Energy Corporation
NNBP.....	North Negros Biopower Inc
North Luzon Renewables.....	the 81 MW wind farm in Barangay Caparispisan, Pagudpod, Ilocos Norte owned and operated by NLREC
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
One Subic.....	One Subic Power Generation Corporation
Open Access.....	system of allowing qualified persons to use the transmission and/or distribution systems and associated facilities of distribution utilities subject to the payment of transmission and/or distribution wheeling rates approved by the ERC
Palawan55.....	Palawan55 Exploration & Production Corporation
PAMA.....	Power Administration and Management Agreement
PCC.....	Philippine Competition Commission
Peso or ₱.....	the lawful currency of the Philippines
PFRS.....	the Philippine Financial Reporting Standards
PHI.....	PHINMA, Inc. (formerly Philippine Investment-Management (PHINMA), Inc.)
PhilWind.....	Philippine Wind Holdings Corporation
PINAI.....	Philippine Investment Alliance for Infrastructure
PLN.....	Perusahaan Listrik Negara, the government appointed the state-owned electricity company in Indonesia
PPA.....	power purchase agreement
PSA.....	power supply agreement
PSALM.....	the Power Sector Assets and Liabilities Management Corporation

PSE	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
PV	photovoltaic
PWPC	Pagudpud Wind Power Corp.
R.A.	Republic Act
RCOA.....	Retail Competition and Open Access
RE Law IRR	Implementing Rules and Regulations of the RE Law
Regulation S	Regulation S under the Securities Act
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
SacaSol	San Carlos Solar Energy, Inc.
Salak-Darajat Geothermal Projects	the Salak and Darajat geothermal fields in West Java, Indonesia with a combined capacity of 637MW of steam and power
SCBP	San Carlos Biopower Inc.
SCC Bulk Water	SCC Bulk Water Supply, Inc.
SEC.....	the Philippine Securities and Exchange Commission
Securities Act	the U.S. Securities Act of 1933, as amended
Securities and Futures Act.....	The Securities and Futures Act, Chapter 289 of Singapore
SGV & Co.	SyCip Gorres Velayo & Co.
SGX-ST	Singapore Exchange Securities Trading Limited
Sidrap Wind Project	a wind farm in located in Sidrap, South Sulawesi, Indonesia with a net capacity of 75MW
SJLD.....	San Julio Land Development Corporation
SLTEC.....	South Luzon Thermal Energy Corporation
SNBP.....	South Negros Biopower Inc.
Solienda.....	Solienda Incorporated

SolarAce1	SolarAce1 Energy Corp
South Negros Biopower Project	a 25MW biomass power plant in La Carlota, Negros, Philippines.
SRC	Securities Regulation Code of the Philippines (Republic Act No. 8799) and its implementing rules, as amended
Tax Code	Republic Act No. 8424, otherwise known as the National Internal Revenue Code of 1997, as amended
The Blue Circle	The Blue Circle Pte. Ltd.
ThomasLloyd.....	ThomasLloyd CTI Asia Holdings. Pte Ltd.
TransCo	the National Transmission Corporation
UBS	UBS AG Singapore Branch
United States or U.S.	the United States of America
UPC-AC Energy Renewables Australia	UPC-AC Energy Renewables Australia (HK) Limited
UPC Renewables Group.....	UPC Renewables Partners and affiliated companies
VAT.....	value added tax
Vietnam	the Socialist Republic of Vietnam
VRC.....	Visayas Renewables Corp. (formerly Bronzeoak Clean Energy Inc.)
WESM.....	the Wholesale Electricity Spot Market
WESC.....	Wind Energy Service Contract
WTG.....	wind turbine generator

GENERAL INFORMATION

1. **Listing of Notes:** Application has been made to the SGX-ST for permission to deal in and for quotation of any Notes which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The approval in-principle from, and the admission of any Notes to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, Guarantor, the Programme, the Notes or the Guarantee. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained herein. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved.

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that any Global Note representing such Notes is exchanged for definitive Notes. In addition, should such an event occur, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

2. **Authorizations:** The establishment of the Programme was authorized by resolutions of the board of directors of the Issuer dated 18 August 2021. The Issuer has agreed to obtain from time to time, as may be necessary, the required consents, approvals and authorizations for the update of the Programme and the issue of Notes under the Programme. The Guarantor has obtained all necessary consents, approvals and authorizations in connection with the giving and performance of the Guarantee. The giving of the Guarantee was authorized by resolutions of the Executive Committee of the Guarantor on 27 August 2021.
3. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Company since 30 June 2021.
4. **Litigation:** The Company is not involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position of the Company.
5. **Bearer Notes, Receipts, Coupons and Talons:** Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend on its face: "ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION MAY BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE."
6. **Delisting of Notes:** The Trust Deed provides that if the applicable Pricing Supplement indicates that the Notes are listed, the Issuer will use its reasonable endeavours to maintain the listing on the relevant Stock Exchange of those Notes which are listed on the relevant Stock Exchange or, if it is unable to do so having used its reasonable endeavours or if the Trustee considers that the maintenance of such listings is unduly onerous and the Trustee is of the opinion that to do so would not be materially prejudicial to the interests of the Noteholders, use its reasonable endeavours promptly to obtain and maintain a quotation or listing of such Notes on such other stock exchange or exchanges or securities market or markets on which it is then accepted in the sphere of international issues of debt securities to list securities such as the Notes as it may (with the approval of the Trustee (which approval of the Trustee may only be given if the Trustee has received confirmation from the relevant Dealer(s) in respect of such Notes that such other stock exchange or exchanges or securities market or markets is so accepted)) decide and shall also upon obtaining a quotation or listing of such Notes issued by it on such other stock exchange or exchanges or securities market or markets enter into a trust deed supplemental to the Trust Deed to effect such consequential amendments to these presents as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market.

7. **Clearing of the Notes:** The Notes to be issued under the Programme may be accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate ISIN and Common Code in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. If the Notes are to be cleared through any additional or alternative Clearing System, the appropriate information will be specified in the applicable Pricing Supplement.
8. **Available Documents:** For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during normal business hours upon prior written notice on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the Company's registered office and from the specified office of the Trustee and the Principal Paying Agent (upon prior written notice and satisfactory proof of holdings):
- (i) the Trust Deed (which includes the form of the Global Notes, the Notes in definitive form, the Coupons, the Receipts and the Talons);
 - (ii) the Agency Agreement;
 - (iii) the Memorandum and Articles of Association of the Issuer;
 - (iv) the Company's most recent audited consolidated financial statements;
 - (v) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer, the Guarantor or the Trustee as to its holding of Notes and identity); and
 - (vi) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.
9. **Independent Auditors:** SGV & Co., independent auditors, have audited and rendered an unqualified audit report on the Company's consolidated financial statements as of 31 December 2020 and 2019 and for each of the three years in the period ended 31 December 2020 and as of 31 December 2018 and 2017 and for each of the three years in the period ended 31 December 2018 prepared in accordance with PFRS, and have reviewed and rendered an unqualified review report on the Company's unaudited interim condensed consolidated financial statements as of 30 June 2021 (with comparative figures as of 31 December 2020) and for the six months ended 30 June 2021 and 2020 prepared in accordance with PAS 34.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Stockholders and the Board of Directors
AC Energy Corporation
4th Floor, 6750 Office Tower
Ayala Avenue, Makati City

Introduction

We have reviewed the accompanying unaudited interim condensed consolidated statement of financial position of AC Energy Corporation and its Subsidiaries (the “Group”) which comprise the unaudited interim consolidated statement of financial position as at June 30, 2021, and the related interim unaudited consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month periods ended June 30, 2021 and 2020, and a summary of selected explanatory notes to the unaudited interim condensed consolidated financial statements. Management is responsible for the preparation and fair presentation of this unaudited interim financial information in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these unaudited interim condensed consolidated financial statements based on our review.

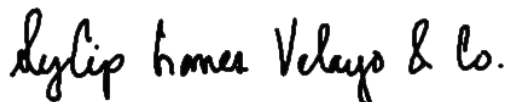
Scope of Review

We conducted our review in accordance with Philippine Standards on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited interim condensed consolidated financial statements of the Group as at June 30, 2021 and for the six months period ended June 30, 2021 and 2020, are not prepared, in all material respects, in accordance with PAS 34, *Interim Financial Reporting*.

SYCIP GORRES VELAYO & CO.



August 27, 2021



AC ENERGY CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 (With Comparative Balances as at December 31, 2020)
(Amounts in Thousands)

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 32)	₱39,480,353	₱28,077,171
Receivables (Notes 6, 29 and 32)	32,442,595	16,611,719
Fuel and spare parts (Note 7)	1,459,064	1,391,340
Financial assets at fair value through other comprehensive income (FVOCI; Note 11)	–	12,620,756
Current portion of:		
Input value added tax (VAT)	92,580	438,738
Creditable withholding taxes	597,024	649,271
Other current assets (Notes 8 and 32)	952,624	453,424
	75,024,240	60,242,419
Assets held for sale (Note 9)	9,927	–
Total Current Assets	75,034,167	60,242,419
Noncurrent Assets		
Investments in:		
Financial assets at FVOCI (Note 11)	330,099	381,168
Associates and joint ventures (Notes 2 and 10)	20,000,640	18,795,088
Other financial assets at amortized cost (Note 12)	21,770,489	15,297,105
Property, plant and equipment (Note 9)	32,418,639	31,837,950
Right-of-use assets (Note 15)	2,881,719	2,343,404
Investment properties (Note 13)	13,085	341,549
Receivables - net of current portion (Notes 6, 29 and 32)	9,496,900	6,540,288
Goodwill and other intangible assets (Note 14)	2,448,902	2,537,094
Deferred income tax assets - net (Note 28)	480,907	416,353
Net of current portion:		
Input VAT	1,428,994	1,177,802
Creditable withholding taxes	726,804	601,840
Other noncurrent assets (Notes 16 and 32)	1,752,435	1,303,760
Total Noncurrent Assets	93,749,613	81,573,401
TOTAL ASSETS	₱168,783,780	₱141,815,820

(Forward)



	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 17, 29 and 32)	₱8,768,009	₱6,490,189
Short-term loans (Notes 18 and 32)	–	4,635,000
Current portion of long-term loans (Notes 18, 32 and 33)	668,894	707,782
Current portion of lease liabilities (Notes 15, 32 and 33)	381,561	285,001
Income and withholding taxes payable	258,601	345,281
Due to stockholders (Note 29)	16,585	18,272
Total Current Liabilities	10,093,650	12,481,525
Noncurrent Liabilities		
Long-term loans - net of current portion (Notes 18, 32 and 33)	20,603,823	21,546,373
Lease liabilities - net of current portion (Notes 15, 32 and 33)	2,407,703	1,631,628
Pension and other employee benefits	71,812	50,929
Deferred income tax liabilities - net (Note 28)	118,548	130,981
Other noncurrent liabilities (Note 19)	1,899,166	1,695,048
Total Noncurrent Liabilities	25,101,052	25,054,959
Total Liabilities	35,194,702	37,536,484
Equity		
Capital stock (Notes 1 and 20)	38,240,338	13,706,957
Additional paid-in capital (Notes 1 and 20)	97,133,927	8,692,555
Other equity reserves (Note 20)	(55,620,195)	28,662,357
Unrealized fair value (loss) gain on equity instruments at FVOCI (Note 11)	(99,792)	143,625
Unrealized fair value gain on derivative instruments designated as hedge accounting (Note 32)	108,157	57,409
Remeasurement loss on defined benefit plans	(24,436)	(6,999)
Accumulated share in other comprehensive loss of associates and joint ventures	(2,723)	(229,844)
Cumulative translation adjustments	(2,935,061)	(3,453,709)
Retained earnings (Note 20)	6,146,693	6,349,084
Treasury shares (Note 20)	(34,498)	(40,930)
Total equity attributable to equity holders of the Parent Company	82,912,410	53,880,505
Non-controlling interests (Note 20)	50,676,668	50,398,831
Total Equity	133,589,078	104,279,336
TOTAL LIABILITIES AND EQUITY	₱168,783,780	₱141,815,820

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



AC ENERGY CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Figures)

	Three-Month Period Ended June 30		Six-Month Period Ended June 30	
	2021 (Unaudited)	2020 (Restated)	2021 (Unaudited)	2020 (As Restated, Note 4)
REVENUES				
Revenue from sale of electricity (Note 21)	₱7,630,587	₱5,352,134	₱13,319,362	₱9,887,477
Rental income	15,867	15,893	29,530	63,073
Dividend income (Note 11)	–	–	6,549	–
Other revenues	40,576	18,125	59,433	21,474
	7,687,030	5,386,152	13,414,874	9,972,024
COSTS AND EXPENSES				
Costs of sale of electricity (Note 22)	5,950,905	2,913,982	10,384,349	6,405,995
General and administrative expenses (Note 23)	826,449	640,672	1,221,219	984,296
	6,777,354	3,554,654	11,605,568	7,390,291
INTEREST AND OTHER FINANCE CHARGES (Note 26)	(374,989)	(535,851)	(803,668)	(926,579)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES (Note 10)	359,645	634,294	936,054	953,220
OTHER INCOME - NET (Note 27)	1,226,367	1,317,648	2,240,819	1,872,874
INCOME BEFORE INCOME TAX	2,120,699	3,247,589	4,182,511	4,481,248
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)				
Current	(47,253)	74,600	87,948	150,396
Deferred	(15,800)	500,910	(22,624)	518,003
	(63,053)	575,510	65,324	668,399
NET INCOME	₱2,183,752	₱2,672,079	₱4,117,187	₱3,812,849
Net Income Attributable To:				
Equity holders of the Parent Company	₱1,418,108	₱1,968,246	₱2,690,363	₱2,573,406
Non-controlling interests	765,644	703,833	1,426,824	1,239,443
	₱2,183,752	₱2,672,079	₱4,117,187	₱3,812,849
Basic/Diluted Earnings Per Share (Note 30)	₱0.07	₱0.25	₱0.13	₱0.33

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



AC ENERGY CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME
(Amounts in Thousands, Except Per Share Figures)

	Three-Month Period Ended June 30		Six-Month Period Ended June 30	
	2021 (Unaudited)	2020 (Restated)	2021 (Unaudited)	2020 (As Restated Note 4)
NET INCOME	₱2,183,752	₱2,672,079	₱4,117,187	₱3,812,849
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>				
Cumulative translation adjustment	(362,612)	(1,393,601)	521,088	(1,277,099)
Unrealized fair value gain (loss) on derivative instruments designated as hedges - net of tax (Note 32)	9,192	(56,295)	50,748	(189,692)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>				
Net changes in the fair value of equity instruments at FVOCI (Note 11)	(54,432)	(61,204)	(54,612)	(38,676)
Remeasurement loss on defined benefit plans, net of tax	–	–	(17,437)	–
	(407,852)	(1,511,100)	499,787	(1,505,467)
SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>				
Unrealized fair value gain on derivative instruments designated as hedges - net of tax	16,702	–	16,701	–
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement loss on defined benefit plans, net of tax	(57,208)	(58,934)	(126)	(125,547)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(448,358)	(1,570,034)	516,362	(1,631,014)
TOTAL COMPREHENSIVE INCOME	₱1,735,394	₱1,102,045	₱4,633,549	₱2,181,835
Total Comprehensive Income Attributable To:				
Equity holders of the Parent Company	₱967,311	₱398,810	₱3,204,285	₱944,190
Non-controlling interests	768,083	703,235	1,429,264	1,237,645
	₱1,735,394	₱1,102,045	₱4,633,549	₱2,181,835

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



AC ENERGY CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company										Total	Non-controlling Interests	Total Equity
	Capital Stock (Note 20)	Additional Paid-in Capital	Other Equity Reserves	Unrealized Fair Value Gain (Loss) on Instruments at FVOCI hedge accounting (Note 11)	Unrealized Fair Value Gain (Loss) on derivative instruments designated as FVOCI (Note 32)	Remeasurement (Gain) Loss on Defined Benefit Plans	Accumulated Share in Other Comprehensive Income (Loss) of Joint Ventures	Cumulative Translation Adjustments	Retained Earnings (Note 20)	Treasury Shares (Note 20)			
For the six-month period ended June 30, 2021 (Unaudited)													
Balances at January 1, 2021, as previously reported	₱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
Effects of common control business combination (Note 4)	–	–	36,203,580	151,794	–	–	(227,121)	(3,453,709)	1,181,399	–	33,855,943	49,068,324	82,924,267
Balances at January 1, 2021, as restated	13,706,957	8,692,555	28,662,357	143,625	57,409	(6,999)	(229,844)	(3,453,709)	6,349,084	(40,930)	53,880,505	50,398,831	104,279,336
Net income	–	–	–	–	–	–	–	–	2,690,363	–	2,690,363	1,476,824	4,117,187
Other comprehensive income (loss)	–	–	–	(54,612)	50,748	(17,437)	16,575	518,648	–	–	513,922	2,440	516,362
Total comprehensive income (loss)	–	–	–	(54,612)	50,748	(17,437)	16,575	518,648	2,690,363	–	3,204,285	1,429,264	4,633,549
Dividends declared (Note 20)	–	–	–	–	–	–	–	–	(1,195,787)	–	(1,195,787)	(1,153,414)	(2,349,201)
Issuance of capital stock (Notes 4 and 20)	24,533,381	88,922,657	–	–	–	–	–	–	–	–	113,456,038	–	113,456,038
Stock issuance costs (Note 20)	–	(614,811)	–	–	–	–	–	–	–	–	(614,811)	–	(614,811)
Acquisition of treasury shares (Note 20)	–	–	–	–	–	–	–	–	–	–	–	–	–
Reissuance of treasury shares (Note 20)	–	–	–	–	–	–	–	–	–	(55,184)	(55,184)	–	(55,184)
Reversal of unrealized fair value gain upon redemption (Note 11)	–	133,526	–	–	–	–	–	–	–	61,616	195,142	–	195,142
Capital infusion of non-controlling interest in a subsidiary (Note 20)	–	–	–	(25,906)	–	–	–	–	–	–	(25,906)	–	(25,906)
Effects of common control business combination	–	–	(84,282,552)	(162,899)	–	–	210,546	–	(1,696,967)	–	(85,931,872)	–	(85,931,872)
	24,533,381	88,441,372	(84,282,552)	(188,805)	–	–	210,546	–	(2,892,754)	6,432	25,827,620	(1,151,427)	24,676,193
Balances at June 30, 2021	₱38,240,338	₱97,133,927	₱55,620,195	₱99,792	₱108,157	₱24,436	₱2,723	(2,935,061)	₱6,146,693	₱34,498	₱82,912,410	₱50,676,668	₱133,589,078



Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 20)	Additional Paid-in Capital	Other Equity Reserves	Unrealized Fair Value Gain (Loss) on Instruments at FVOCI (Note 11)	Unrealized Fair Value Gain (Loss) on instruments designated as hedge accounting (Note 32)	Remeasurement (Gain) Loss on Defined Benefit Plans	Accumulated Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures	Cumulative Translation Adjustments	Retained Earnings (Note 20)	Treasury Shares (Note 20)	Total	Non-controlling Interests	Total Equity
For the six-month period ended June 30, 2020 (Unaudited, As restated)													
Balances at January 1, 2020, as previously reported	₱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
Effects of common control business combinations	-	-	36,203,580	70,038	-	-	(166,047)	96,227	647,107	-	36,850,905	39,123,378	75,974,283
Balances at January 1, 2020, as restated	₱7,521,775	₱83,768	₱41,570,060	(₱26,546)	(₱14,742)	₱9,254	(₱168,154)	96,227	₱3,943,402	(₱27,704)	₱52,987,340	₱39,371,962	₱92,359,302
Net income (loss)	-	-	-	(38,676)	-	-	(125,547)	-	2,573,406	-	2,573,406	1,239,443	3,812,849
Other comprehensive income (loss)	-	-	-	(38,676)	(189,692)	-	(125,547)	(1,275,301)	-	-	(1,629,216)	(1,798)	(1,631,014)
Total comprehensive income (loss)	-	-	-	(38,676)	(189,692)	-	(125,547)	(1,275,301)	2,573,406	-	944,190	1,237,645	2,181,835
Dividends declared	-	-	-	-	-	-	-	-	-	-	-	(106,818)	(106,818)
Issuance of capital stock	6,185,182	8,378,918	-	-	-	-	-	-	-	-	14,564,100	-	14,564,100
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	(26,689)	(26,689)	-	(26,689)
Effects of common control business combination	-	158,467	(12,775,927)	88,455	-	(16,288)	-	-	(1,188,849)	-	(13,734,142)	(138,039)	(13,872,181)
	6,185,182	8,537,385	(12,775,927)	88,455	-	(16,288)	-	-	(1,188,849)	(26,689)	803,269	(244,857)	558,412
Balances at June 30, 2020	₱13,706,957	₱8,621,153	₱28,794,133	₱23,233	(₱204,434)	(₱7,034)	(₱293,701)	(1,179,074)	₱5,327,959	(₱54,393)	₱54,734,799	₱40,364,750	₱95,099,549

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



AC ENERGY CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Six-Month Period Ended June 30	
	2021	2020
	(Unaudited)	(As Restated, Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱4,182,511	₱4,481,248
Adjustments for:		
Depreciation and amortization (Note 25)	965,800	874,872
Interest and other finance charges (Note 26)	803,668	926,579
Foreign exchange losses (gains) - net	4,133	(15,377)
Pension and other employee benefits	3,446	12,896
Dividend income (Note 11)	(6,549)	-
Equity in net income of associates and joint ventures (Note 10)	(936,054)	(953,220)
Interest and other financial income (Note 27)	(1,775,643)	(889,097)
Mark-to-market gains (Note 27)	-	(789,151)
Amortization of leasehold rights	-	4,092
Provision for:		
Probable losses on deferred exploration costs (Note 14)	23,379	-
Others (Notes 6, 9 and 27)	26,056	432
Loss (gain) on:		
Recovery of tax credit certificate on real property tax (Note 27)	(69,154)	-
Settlement of derivatives (Note 27)	(41,700)	-
Reversal of impairment of investments in joint venture (Notes 10 and 27)	(37,635)	-
Sale of by-product (Note 27)	(23,209)	(22,743)
Sale of property and equipment (Note 27)	985	3,383
Operating income before working capital changes	3,120,034	3,633,914
Increase in:		
Receivables	(3,016,801)	(2,027,253)
Fuel and spare parts	(44,514)	(130,304)
Other current assets	(264,063)	(1,196,636)
Other noncurrent assets	(357,293)	-
Increase (decrease) in accounts payable and other current liabilities	2,436,497	(1,237,194)
Cash generated from (used in) operations	1,873,860	(957,473)
Interest received	15,652	-
Income and withholding taxes paid	(174,627)	(43,056)
Net cash flows from (used in) operating activities	1,714,885	(1,000,529)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Loans to related parties (Note 29)	(18,977,944)	(4,965,364)
Convertible loans (Note 12)	(5,072,623)	(3,993,415)
Subscription deposits (Note 12)	(1,565,599)	-
Property, plant and equipment (Note 9)	(1,372,779)	(391,282)

(Forward)



Six-Month Period Ended June 30		
	2021	2020
	(Unaudited)	(As Restated, Note 4)
Investments in redeemable preferred shares (Note 12)	(₱601,324)	(₱631,994)
Investments in joint venture (Note 10)	(281,724)	(2,573,300)
Investment properties (Note 13)	(109,910)	–
Deferred exploration costs (Note 14)	(15,039)	(13,571)
Investments in subsidiaries, net of cash acquired	–	(4,026,861)
Financial assets at fair value through profit or loss (FVTPL)	–	(3,418,712)
Proceeds from:		
Redemptions of financial assets at FVOCI (Note 11)	12,687,858	–
Collection of loans to related parties (Note 29)	3,956,754	3,096,599
Redemption of convertible loan (Note 12)	791,328	–
Sale of assets held for sale	4,963	–
Sale of property, plant and equipment	130	4,244
Termination of short-term investments	–	100,000
Dividends received from:		
Investments in associates and joint ventures (Note 10)	1,160,097	158,468
Financial assets at FVOCI (Note 11)	6,549	–
Interest received	1,084,088	962,691
Increase in other noncurrent assets, non-current portion of input VAT and CWT (Note 35)	(516,010)	(791,389)
Net cash flows used in investing activities	(8,821,185)	(16,483,886)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Issuance of capital stock (Note 20)	27,524,166	–
Availment of short-term debt (Notes 18 and 35)	3,000,000	9,610,325
Availment of long-term debt (Notes 18 and 35)	848,276	2,300,000
Reissuance of treasury shares	195,141	–
Capital infusion of non-controlling interest in subsidiary (Note 20)	1,988	–
Payments of:		
Short-term loans (Notes 18 and 35)	(7,635,000)	(1,690,726)
Cash dividends (Note 20)	(2,332,616)	(106,818)
Long-term loans (Notes 18 and 35)	(1,847,701)	(2,418,689)
Interest on short-term, long-term loans (Note 35)	(804,655)	(741,961)
Stock issuance costs (Note 20)	(614,811)	(94,782)
Lease liabilities (Notes 15 and 35)	(80,726)	–
Interest on lease liabilities (Notes 15 and 35)	(59,396)	(116,948)
Treasury shares (Note 20)	(55,184)	(26,690)
Debt issue cost (Note 18)	(6,038)	(17,250)
Increase (decrease) in due to stockholders	(18,272)	4,800
Increase in other noncurrent liabilities	200,539	1,257,143
Net cash flows from financing activities	18,315,711	7,958,404
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	193,771	(339,495)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,403,182	(9,865,506)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	28,077,171	39,630,296
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	₱39,480,353	₱29,764,790

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



AC ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED 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.

As at June 30, 2021, AC Energy and Infrastructure Corporation (“ACEIC”, formerly AC Energy, Inc.) directly owns 71.84% 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 47.87% 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”.

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

The interim condensed consolidated financial statements of the Group were approved and authorized for issuance by the Executive Committee of ACEN on August 27, 2021.

The following are the significant transactions of the Group during the six-month period ended June 30, 2021:

On March 18, 2021, the Board of Directors (“BOD”) of ACEN approved, among others, the following matters:

- i) Approval of the issuance of 1.58 billion primary shares for the Parent Company’s Follow-on Offering (FOO);
- ii) Approval of the property-for-share swap with ACEIC and the issuance of 16.686 billion primary shares to ACEIC in exchange for ACEIC’s shares of stock in ACE International, for an issue price of ₱5.15 per ACEN share;
- iii) 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.



During the Annual Stockholders' Meeting held on April 19, 2021, the stockholders of the Parent Company approved, among others, the following corporate actions:

- i) Amendment to the Seventh Article of the Articles of Incorporation:
 - a. to increase the ACS from ₱24.40 billion divided into 24.40 billion shares at par value of ₱1.00 per share, to ₱48.40 billion divided into 48.4 billion shares at par value of ₱1.00 per share; and
 - b. to increase the number of shares exempt from pre-emptive rights in relation to shares issued in exchange for property needed for corporate purposes or in payment for previously contracted debt from 16 billion shares to 24 billion shares.
- ii) Issuance of 4 billion shares to Arran Investment Pte Ltd.
- iii) Issuance of 1.58 billion primary common shares pursuant to the Corporation's FOO
- iv) Issuance of 16,685,800,533 common shares to ACEIC in exchange for ACEIC's International Renewable Energy Assets and Investments
- v) Waiver of the requirement to Conduct a Rights or Public Offering of Shares in Relation to the Issuance of 16,685,800,533 shares to ACEIC in Exchange for ACEIC's International Renewable Energy Assets and Investments
- vi) Stock Ownership Plan to qualified officers, employees and consultants of the Group, and to allocate 960 million common shares from the unsubscribed portion of the ACEN's ACS for the Stock Ownership Plan.

The proposed increase in ACS is meant to enable the implementation of the assets-for-share swap between ACEN and ACEIC for the latter's international assets, and provide future capital raising exercises to fund its various greenfield projects and other acquisitions.

The proposed increase in the number of shares that are exempt from the pre-emptive right of existing shareholders is meant to implement the property-for-share swap for the infusion by ACEIC of its international assets into ACEN (see Note 4).

Completion of the Stock Rights Offering (the "Rights Offer" or the "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 (See Note 20).

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.

Proceeds from the SRO were used to fund ongoing Solar Power Projects of Solarace1, Gigasol3 and Greencore 3 Power Solutions, Inc. as well as other projects such as investment into a renewable energy laboratory, and funding for up to U.S.\$100 million for new technology investments in the Philippines.

Bulacan Power Generation Corporation's ("Bulacan Power"), a subsidiary of ACEN, participated in the SRO acquired 23,284,346 ACEN shares. This is recognized as treasury shares in the consolidated financial statements (see Note 20).

Original issuance of Shares by ACEN to Arran Investment Pte Ltd ("Arran") pursuant to a private placement

On March 18, 2021, pursuant to the Investment Agreement that ACEN signed with Arran, of an affiliate of GIC Private Limited ("GIC"), (together ACEIC, ACEN's parent company) on December 30, 2020, Arran subscribed to 4 billion common shares of ACEN at a price of ₱2.97 per Common Share through a private placement (the "Private Placement"), for an aggregate value or



consideration of ₱11.88 billion. The subscription price was offered by Arran pursuant to its binding offer on November 10, 2020, and which offer was approved by the BOD of ACEN during its meeting of November 11, 2020 (see Note 20).

Upon completion of the Private Placement in accordance with the Investment Agreement, Arran shall own 20.04% of the issued and outstanding common shares of ACEN.

The Private Placement will decrease the public float of ACEN from 24.96% to 19.96%, while foreign ownership level will increase from 2.88% to 22.34%.

The closing of Arran's Private Placement is subject to contractual terms and conditions customary for transactions of a similar nature. Since the 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.

The Private Placement will enable ACEN to raise additional capital to fund its various developmental and operating projects, as well as potential acquisitions. The entry of Arran as an institutional investor will also strengthen ACEN's investor base. The value or consideration per share for the Private Placement was determined by Arran after conducting a due diligence exercise on ACEN's existing business and potential. Arran valued the existing operating assets of ACEN as well as the various developmental projects in its pipeline.

Pursuant to the Investment Agreement, after completion of the Private Placement, ACEN's planned FOO, the proposed property for shares swap between ACEN and ACEIC for the infusion by ACEIC of its international assets to ACEN, and the purchase of Arran of secondary shares from ACEIC, Arran shall own 17.5% of ACEN.

Completion of FOO

During the retail offer period for the FOO on May 3, 2021 to May 7, 2021, ACEN completed the FOO of 2.01 billion common shares priced at ₱6.50 per share, consisting of 1.58 billion shares sold pursuant to the primary offer, 330.24 million shares sold by ACEIC and Bulacan Power pursuant to a secondary offer, and an over-subscription of 100 million secondary shares sold by ACEIC.

The primary shares were listed on the PSE on May 14, 2021. This brought ACEN's total listed common shares to 21.54 billion, with a market capitalization of over ₱150 billion.

The FOO is the latest of ACEN's capital raising activities for the year to fund its target of 5,000 MW of renewable energy capacity by 2025. The Parent Company has raised ₱27.5 billion of fresh capital this year, consisting of the recently concluded ₱5.4 billion SRO last January, the ₱11.9 billion private placement to GIC affiliate Arran last March, and the ₱10.3 billion raised from primary shares in the FOO (see Note 20).

Bulacan Power disposed of 30,248,617 ACEN shares through its participation as seller of secondary shares in ACEN's follow-on offering at ₱6.50 per share. This was recognized previously as treasury shares in the consolidated financial statements (see Note 20).

Acquisition of ACEIC's offshore subsidiaries through share swap

On April 27, 2021, ACEN signed a Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685,800,533 shares 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) (share swap agreement), which holds ACEIC's international renewable assets.

On June 7, 2021, the SEC approved the ACEN's increase in ACS from ₱24.4 billion divided into 24.4 billion shares, to ₱48.4 billion divided into 48.4 billion shares, and the Amended Articles of Incorporation for the increase in ACS and the increase in number of shares exempt from the preemptive rights of the 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. The SEC's approval for the increase in ACS is subject to the conditions set forth in the Guidelines Covering the Use of Properties that Require Ownership as Paid-Up of Corporations adopted by the SEC on 15 November 1994, and as amended on 8 August 2013, per SEC Memorandum Circular No. 14, series of 2013.

The acquisition was accounted for using the pooling-of-interests method with prior period restatement to account for the retroactive impact of the share swap transaction effective July 1, 2019, the date when ACEN and the Offshore Companies became under the common control of ACEIC. Detailed information on the share swap is disclosed in Note 4.

President Duterte signed Corporate Recovery and Tax Incentives for Enterprises ("CREATE") bill into law

On March 26, 2021, President Duterte has signed Republic Act (RA) 11534 or the CREATE Act which introduce reforms to the corporate income tax and incentives system and to attract more investments and maintain fiscal prudence and stability.

RA 11534 cuts corporate income tax rate to 25% from the current 30%. This is retroactive from July 1, 2020. The law provides that corporations' income and expenses for the fiscal year shall be deemed to have been earned and spent equally for each month of the period. The corporate income tax rate shall be applied on the amount computed by multiplying the number of months covered by the new rate within the fiscal year by the taxable income of the corporation for the period, divided by the twelve (see Note 28).

RA 11524, which was released by Malacañang on March 26, 2020, takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

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 (see Note 10).

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 ACS of SPCLC.

Withdrawal from SC 6 consortium by ACE Enexor, Inc. ("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 14).



Shareholders' Agreement among ACEN, ACE Endeavor, and Citicore Solar Energy Corporation ("CSEC")

On February 4, 2021, ACEN and ACE Endeavor signed a Shareholders' Agreement with 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") (see Note 10).

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 Endeavor 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.

Term Loan Facility with Greencore

On February 4, 2021, ACEN signed an Omnibus Agreement with Greencore, ACE Endeavor and CSEC for the financing of the Solar Project (see Note 10).

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.

Subscription by ACEN to shares of Greencore

On February 4, 2021, ACEN and ACED signed subscription agreements with Greencore for the subscription of 2,250,000 and 250,000 common shares, respectively, with a par value of P 1.00 per share, or a total par values of ₱2,250,000 and ₱250,000, to be issued out of the unissued ACS stock of Greencore. The subscriptions will be used by Greencore to partially fund the Solar Project. ACEN and ACED have fully paid their subscriptions.

Axia Power Holdings Philippines, Corporation ("APHPC") subscription to Ingrid Power Holdings, Inc. ("Ingrid")

On March 18, 2021, Ingrid and APHPC executed a Subscription Agreement for the subscription by APHPC to 5 Common B Shares, 580,000 Redeemable Preferred F Shares, and 5,219,995 Redeemable Preferred G Shares of Ingrid. As at June 30, 2021, APHPC has infused ₱580 million to Ingrid. The issuance of the shares to APHPC remains subject to the necessary regulatory approvals from the SEC on the increase in ACS of Ingrid.

Following the subscription of APHPC, Ingrid will have a total subscribed capital of ₱1.97 billion.

Subscription by ACEN of shares in Giga Ace 4, Inc. ("Giga Ace 4")

On March 8, 2021, ACEN signed a subscription agreement with wholly-owned subsidiary Giga Ace 4 for the subscription by ACEN to (a) 43,975,374 Common A Shares at the subscription price of ₱219,876,870; and (b) 395,958,366 Redeemable Preferred A Shares ("RPS A") at the subscription price of ₱1,979,791,830; or a total Subscription Price of ₱2,199,668,700, to be issued out of the increase in ACS of Giga Ace 4.

The subscription will be used by Giga Ace 4 to fund the requirements of its 2x20 MW Alaminos Battery Energy Storage System (BESS) Project.



Subscription by the Company to shares in Pagudpud Wind Power Corp.

On May 20, 2021, ACEN signed a subscription agreement with Pagudpud Wind Power Corp. ("PWPC") for the subscription by ACEN of 3,033,255 Common Shares and 27,299,298 Class A Redeemable Preferred Shares ("RPS A") of PWPC.

The subscription will be used by PWPC to subscribe to shares in BWPC, which will be used by BWPC to fund initial works to start the construction of the Balaoi and Caunayan Wind Power Project in Barangays Balaoi and Caunayan, Pagudpud, Ilocos Norte.

As at June 30, 2021, ₱1,775,584,800 was paid by ACEN.

Executive Committee's approval of conversion of advances to One Subic Power Generation Corporation ("One Subic Power") into equity

On June 9, 2021, ACEN's Executive Committee approved the conversion of ACEN's advances to One Subic Power amounting to ₱680 million, into equity, of which, is equivalent to 33,493,366 common shares subscription in One Subic Power.

Subscription by ACEN of shares in Buendia Christiana Holdings Corp. ("BCHC")

On June 16, 2021, ACEN signed a subscription agreement with wholly-owned subsidiary BCHC for the subscription by ACEN of: (a) 75,000,000 Redeemable Preferred A Shares ("RPS A") with a par value of ₱0.10 per share, and (b) 4,075,000 Redeemable Preferred B Shares ("RPS B") with a par value of ₱100.00 per share, for a total par value of ₱415,000,000 (the "Subscription Price), to be issued out of the increase in ACS of BCHC, subject to the necessary regulatory approvals from the SEC.

The subscription will be used by BCHC to fund acquisition of potential project sites.

Negros Island Biomass Holdings Inc. ("NIBHI") divests from biomass power companies

NIBHI, a joint venture development holding company between ACEN and Zabaleta group, has signed binding agreements to divest its shareholdings in three biomass-fired power plants in the Visayas. Subject to certain conditions precedent, NIBHI will sell its equity stake to its partner, the Singapore-based ThomasLloyd CTI Asia Holdings Pte Ltd ("TLCTI Asia"), which indirectly already owns over 90% of the economics of the equity ownership of the biomass-fired power plants.

NIBHI issued irrevocable proxies to TLCTI Asia over the biopower shares on June 15, 2021 on the basis of the Heads of Terms Agreement signed on May 11, 2021.

The Share Purchase Agreement between NIBHI and TLCTI Asia, as well as the Deeds of Absolute Sale, were executed on June 22, 2021.

The divestment of its indirect minority interest allows ACEN to focus on the expansion of its core solar and wind businesses, while the acquisition by TLCTI Asia allows it to fully consolidate and further expand the biopower business, moving beyond just the power business and into complementary and ancillary businesses. TLCTI Asia now has full control of the three plants, namely, the 20MW San Carlos BioPower, the 25MW North Negros BioPower and the 25MW South Negros BioPower.

Omnibus Loan and Security Agreement among ACEN, Provincia Investments Corporation, and Solar Philippines Power Project Holdings, Inc. ("SP")

On June 25, 2021, ACEN signed an Omnibus Loan and Security Agreement with Provincia Investments Corporation (the "Borrower") and Solar Philippines Power Project Holdings, Inc., (the "Sponsor") for the financing of the various acquisition of project sites for solar power projects.



Under the Agreement, ACEN, as Lender, will be extending a term loan facility to the Borrower in the amount of up to ₱1 billion. The loan will be secured by (1) a real estate mortgage over the Borrower's and third-party mortgagors' title to, or rights and interests over, real assets in favor of ACEN, and (2) a mortgage and pledge over the shareholding of the Sponsor in one of its fully-owned subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards ("PAS") 34, *Interim Financial Reporting*.

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended December 31, 2020.

New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PFRS 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 did not have a material impact on the Group

Basis of Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at June 30, 2021 and December 31, 2020:

<i>Subsidiaries</i>	Principal Activities	Percentage of Ownership (%)			
		June 30, 2021		December 31, 2020	
		Direct	Indirect	Direct	Indirect
AC Energy International, Inc. ("ACE International", formerly Presage Corporation) (see Note 4)	International investment holding	100.00	–	100.00	–
AC Renewables International Pte. Ltd. ("ACRI")	International investment holding	–	100.00	–	100.00
AC Energy Cayman ("ACEC")	International investment holding	–	100.00	–	100.00
ACE Investments HK Limited ("ACE HK")	International investment holding	–	100.00	–	100.00
Bulacan Power Generation Corporation ("Bulacan Power")	Power generation	100.00	–	100.00	–
CIP II Power Corporation ("CIPP")	Power generation	100.00	–	100.00	–
Guimaras Wind Corporation ("Guimaras Wind")	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	–
ACE Shared Services, Inc. ("ACES")	Shared services	100.00	–	100.00	–
Giga Ace 1, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 2, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 3, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 4, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 5, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 6, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 7, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 8, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 9, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 10, Inc.	Power generation	100.00	–	100.00	–
Negros Island Solar Power, Inc.	Solar power generation	–	60.00	–	60.00
San Carlos Solar Energy, Inc.	Solar power generation	–	100.00	–	100.00
Monte Solar Energy, Inc. ("MSEI")	Solar power generation	96.00	4.00	96.00	4.00
ACE Endeavor, 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
Ingrid4 Power Corp.	Advisory/Consultancy	–	100.00	–	–
Ingrid5 Power Corp.	Advisory/Consultancy	–	100.00	–	–
Ingrid6 Power Corp.	Advisory/Consultancy	–	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
Gigasol 4, Inc.	Power generation	–	100.00	–	–
Gigasol 5, Inc.	Power generation	–	100.00	–	–
Gigasol 6, Inc.	Power generation	–	100.00	–	–
Gigasol 7, Inc.	Power generation	–	100.00	–	–
Gigawind1 Inc.	Power generation	–	100.00	–	100.00
Gigawind2 Inc.	Power generation	–	100.00	–	100.00



<i>Subsidiaries</i>	Principal Activities	Percentage of Ownership (%)			
		June 30, 2021		December 31, 2020	
		Direct	Indirect	Direct	Indirect
Gigawind3 Inc.	Power generation	-	100.00	-	-
Gigawind4 Inc.	Power generation	-	100.00	-	-
Gigawind5 Inc.	Power generation	-	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	-
ACTA Power Corporation	Coal power generation	100.00	-	100.00	-

Except for ACRI, ACEC and ACE HK, the principal place of business and country of incorporation of the Parent Company’s investments in subsidiaries is the Philippines.

Seasonality of Operations

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

3. Significant Accounting Judgment, Estimates and Assumptions

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

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 including the impact of COVID-19. Judgments and estimates used in the interim consolidated financial statements are consistent with the annual consolidated financial statements.



Judgments

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

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, provided the transaction meets the definition of a business combination in PFRS 3.

The share swap transaction entered into by the Parent Company with ACEIC was determined to be common control business combination (see Note 4).

Assessment of Joint Control

The Group's investments in joint ventures (see Note 10) are structured in separate incorporated entities. Even though the Group holds various percentages of ownership interests on these arrangements, their respective joint arrangement require 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 term of the contractual agreements. Solar Philippines Central Luzon Corporation ("SPCLC") will be the special purpose vehicle (SPV) for the joint venture projects of Solar Philippines Power Project Holdings, Inc. ("SP") and ACEN in the Province of Tarlac. SPCLC, being the project SPV, is intended to own and operate the solar farm project/s, which may include battery energy storage systems. Even though the Group currently has a 99.00% ownership interest in SPCLC, the long-term arrangement and intent is for the SPV to be jointly owned and controlled whereby fundamental business and operational matters will require unanimous consent from all parties. The rights of the Group and the other parties to the joint venture, including as to the net assets of the joint venture, will be based on the contractual arrangements that they entered into (see Note 10).

Determination of Transaction Price from Sale of Electricity

The adjustment of the FIT rate for the delivered energy is a variable consideration which shall be accounted for in the period in which the transaction price changed. In 2020, the Group recognized additional revenue and long-term receivables computed on the FIT rate increment which will be recovered for a period of five years starting January 1, 2021. In 2021, while awaiting for the approval of the 2021 FIT rates, management assessed that the approved 2020 FIT rates represents the best estimate of the transaction price the Group will be entitled to in exchange of the delivered energy.

Recognition of Deferred Tax Liabilities on Taxable Temporary Differences Arising from Investments in Foreign Subsidiaries, Associates and Joint Venture

The Group did not recognize deferred tax liabilities on the temporary differences arising from undistributed earnings, cumulative translation adjustment, and OCI accounts of its foreign subsidiaries, associates and joint ventures since management believes that the timing of the reversal of these taxable temporary differences can be controlled by the Group and the management does not expect reversal of these temporary differences in the foreseeable future.

Other Financial Assets at Amortized Cost

Other financial assets at amortized cost include redeemable preferred shares and convertible loans which the Group has assessed as debt instruments. These are held by the Group within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the



contractual terms of the financial asset give rise on specified dates to cash flows which are reflective of basic lending arrangements (see Note 12).

Change in Operating Segments

The Group changed the structure of its internal organization that caused the composition of its reportable segments to change. Previously, the operating businesses are organized and managed separately according to its related services. As at June 30, 2021, 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. Financial information on operating segments and the restatement following a change in composition of reportable segments are presented in Note 34 of the interim condensed consolidated financial statements. The reported operating segment information is in accordance with PFRS 8.

Change in Inventory Costing Method

Fuel and spare parts are valued at the lower of cost or net realizable value (NRV). NRV is the current replacement cost of fuel and spare parts. In 2021, the Group elected to change in accounting policy on the inventory costing of its inventories from first-in, first-out (FIFO) method to moving average method, as the management evaluated that moving average method more accurately reflects the acquisition and usage of these inventories in the power generation operations of the Group. The change in accounting policy is to be applied retrospectively which will impact the fuel and spare parts and cost of sale of electricity accounts. As the restatements have no impact on the Group's total assets, total liabilities and equity as at the beginning of earliest period presented, the management believes that the presentation of consolidated statement of financial position as at the beginning of earliest period presented is not necessary.

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.

Evaluation of Impairment of Non-financial Assets

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

The Group has evaluated the conditions and the assets subject to impairment to assess whether any impairment triggers that may lead to impairment have been identified. In doing this, the Group has reviewed the key assumptions in its previous annual impairment assessment to assess whether any changes to the assumptions within that impairment assessment would result in an impairment loss as at December 31, 2020. Except for the matters discussed in Note 9, based on the Group's review of key assumptions that include the possible impact if COVID-19, management has assessed that there were no significant changes in the assumptions used. Consequently, the Group concluded that there is no impairment indicator as at June 30, 2021.



Fair Value Measurement of Financial Assets at FVOCI

In the estimation of fair value of investments recorded as financial assets at FVOCI, management need to determine the appropriate techniques and inputs for fair value measurements. Management uses the discounted cash flow technique in estimating the fair value of the financial assets at FVOCI. Based on the financial performance and financial position of the investee entity which is a related party investment company, management estimates the amount and timing of the future cash inflow arising from redemption of preferred shares.

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 28).

Contingencies and Tax Assessments

The Group is currently involved in various legal proceedings and assessments for local and national taxes (see Note 36). The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The final settlement of these may result in material adverse impact on the Group's consolidated financial statements.

4. Business Combination of Entities under Common Control

Acquisition of ACEIC's offshore subsidiaries through share swap

On April 27, 2021, ACEN signed a Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685,800,533 shares 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 ACE International (share swap transaction), which holds ACEIC's international renewable assets.

On June 7, 2021, the application for the increase from 24.4 billion shares to 48.4 billion shares in the ACS of ACEN was approved by the SEC. Consequently, the closing date of the share swap was on June 7, 2021.

Effective June 7, 2021, ACEN acquired the entities listed below through the share swap transaction with ACEIC. Shares involved common and redeemable preferred shares. As the transaction is outside the scope of PFRS 3, 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 2020 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"), as amended by Republic Act No. 10963 (TRAIN Law) and Republic Act No. 11534 (CREATE Law), for which a request for ruling is no longer required to be filed with the BIR to confirm that the share swap transaction qualifies as a tax-free exchange.



The following are details of the entities transferred to the Parent Company through share swap:

Name of Entities to be Transferred	Ownership of AC Energy and Infrastructure Corporation		ACEN's existing interest before share swap	ACEN's interest after share swap
	Direct	Indirect		
AC Energy International, Inc. (formerly Presage Corporation, "ACE International")	100.00	-	-	100.00
AC Energy Cayman (ACEC) ^(a)	-	100.00	-	100.00
ACE Investments HK Limited	-	100.00	-	100.00
AC Renewables International. 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
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



Name of Entities to be Transferred	Ownership of AC Energy and Infrastructure Corporation		ACEN's existing interest before share swap	ACEN's interest after share swap
	Direct	Indirect		
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.	-	50.00	-	50.00
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 Subsico 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 ventures and associates by ACEN.

c. Difference between voting interests and economic interests in these companies pertain to redeemable preference shares which are accounted for as a liability.

Details of ACEN's consolidated balances and the balances of Offshore Companies' assets and liabilities as at December 31, 2020 which were consolidated to the Group are as follows:

	ACEN consolidated balances as at December 31, 2020 (Audited)	Increase (decrease) effect of the Offshore Companies' balances as at December 31, 2020 (Unaudited)	ACEN consolidated balances as at December 31, 2020 (As restated)
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

(Forward)



	ACEN consolidated balances as at December 31, 2020 (Audited)	Increase (decrease) effect of the Offshore Companies' balances as at December 31, 2020 (Unaudited)	ACEN consolidated balances as at December 31, 2020 (As restated)
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	12,201,596	18,795,088
Other financial assets at amortized cost	–	15,297,105	15,297,105
Property, plant and equipment	31,837,939	11	31,837,950
Right-of-use assets	2,343,404	–	2,343,404
Investment properties	341,549	–	341,549
Receivables - net of current portion	–	6,540,288	6,540,288
Goodwill and other intangible assets	2,537,094	–	2,537,094
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	(2,266,400)	1,303,760
Total Noncurrent Assets	49,420,844	32,152,557	81,573,401
TOTAL ASSETS	₱63,575,320	₱78,240,500	₱141,815,820
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

(Forward)



	ACEN consolidated balances as at December 31, 2020 (Audited)	Increase (decrease) effect of the Offshore Companies' balances as at December 31, 2020 (Unaudited)	ACEN consolidated balances as at December 31, 2020 (As restated)
Equity			
Capital stock	₱13,706,957	₱-	₱13,706,957
Additional paid-in capital	8,692,555	-	8,692,555
Other equity reserves	(7,541,223)	36,203,580	28,662,357
Unrealized fair value (loss) gain on equity instruments at FVOCI	(8,169)	151,794	143,625
Unrealized fair value gain on derivative instruments designated as hedges	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)	(227,121)	(229,844)
Cumulative translation adjustments	-	(3,453,709)	(3,453,709)
Retained earnings	5,167,685	1,181,399	6,349,084
Treasury shares	(40,930)	-	(40,930)
Total equity attributable to equity holders of the Parent Company	20,024,562	33,855,943	53,880,505
Non-controlling interests	1,330,507	49,068,324	50,398,831
Total Equity	21,355,069	82,924,267	104,279,336
TOTAL LIABILITIES AND EQUITY	₱63,575,320	₱78,240,500	₱141,815,820

Below is the consolidated statement of income for the six-month period ended June 30, 2020, after considering the retroactive impact of the share swap transaction with ACEIC's Offshore Companies.

	Six-month Period Ended June 30, 2020		
	(As previously reported)	(Restatement)	(As restated)
REVENUES			
Revenue from sale of electricity	₱9,887,478	₱-	₱9,887,478
Rental income	63,073	-	63,073
Other revenues	19,455	2018	21,473
	9,970,006	2018	9,972,024
COSTS AND EXPENSES			
Costs of sale of electricity	6,405,995	-	6,405,995
General and administrative expenses	831,021	153,275	984,296
	7,237,016	153,275	7,390,291
INTEREST AND OTHER FINANCE CHARGES	(907,795)	(18,784)	(926,579)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES	338,534	614,686	953,220
OTHER INCOME – NET	336,323	1,536,551	1,872,874
INCOME BEFORE INCOME TAX	2,500,052	1,981,196	4,481,248

(Forward)



Six-month Period Ended June 30, 2020			
	(As previously reported)	(Restatement)	(As restated)
PROVISION FOR INCOME TAX			
Current	₱150,392	₱4	₱150,396
Deferred	281,248	236,755	518,003
	431,640	236,759	668,399
NET INCOME	₱2,068,412	₱1,744,437	₱3,812,849
Net Income Attributable To:			
Equity holders of the Parent Company	₱1,957,310	₱616,096	₱2,573,406
Non-controlling interests	111,102	1,128,341	1,239,443
	₱2,068,412	₱1,744,437	₱3,812,849

Below is the consolidated statement of income for the three-month period ended June 30, 2020, after considering the retroactive impact of the share swap transaction with ACEIC's Offshore Companies.

Three-month Period Ended June 30, 2020			
	(As previously reported)	(Restatement)	(As restated)
REVENUES			
Revenue from sale of electricity	₱5,352,134	₱-	₱5,352,134
Rental income	15,893	-	15,893
Other revenues	16,107	2,018	18,125
	5,384,134	2,018	5,386,152
COSTS AND EXPENSES			
Costs of sale of electricity	2,913,982	-	2,913,982
General and administrative expenses	487,397	153,275	640,672
	3,401,380	153,275	3,554,654
INTEREST AND OTHER FINANCE CHARGES	(517,067)	(18,784)	(535,851)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES	19,608	614,686	634,294
OTHER INCOME – NET	(218,903)	1,536,551	1,317,648
INCOME BEFORE INCOME TAX	1,266,393	1,981,196	3,247,589
PROVISION FOR INCOME TAX			
Current	74,596	4	74,600
Deferred	264,155	236,755	500,910
	338,751	236,759	575,510
NET INCOME	₱927,642	₱1,744,437	₱2,672,079
Net Income Attributable To:			
Equity holders of the Parent Company	₱1,352,150	₱616,096	₱1,968,246
Non-controlling interests	(424,508)	1,128,341	703,833
	₱927,642	₱1,744,437	₱2,672,079



The share swap transaction provides that ACEN shall issue its own shares equivalent to 16,685,800,533 common shares at ₱5.15 per share as consideration in exchange for ACEIC's interest in the aforementioned entities, giving rise to additional paid-in capital presented in the equity of the Parent Company as follows:

Equity instruments issued	16,685,800,533
Par value per share	₱1.00
Total value of common shares issued	₱16,685,800,533
Transfer value at ₱5.15 per share	85,931,872,745
Gross additional paid-in capital	69,246,072,212
Transaction costs	(332,814,660)
Additional paid-in capital	₱68,913,257,552

Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance amounting to ₱332.81 million were charged to additional paid-in capital account.

5. Cash and Cash Equivalents

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Cash on hand and in banks	₱26,813,102	₱14,188,780
Short-term deposits	12,667,251	13,888,391
	₱39,480,353	₱28,077,171

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

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

Interest income earned on cash in banks and short-term deposits for the six-month period ended June 30, 2021 and 2020 amounted to ₱29.52 million and ₱221.35 million, respectively (see Note 27).

Short-term deposits include debt service reserves account amounting to ₱150.12 million and ₱212.24 million as at June 30, 2021 and December 31, 2020, respectively, for the payment of loans by SLTEC (see Note 18).



6. Receivables

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated Note 4)
Current:		
Due from related parties (Note 29)	₱23,824,604	₱9,378,249
Trade	5,473,328	4,662,070
Receivables from:		
Third parties	3,064,752	2,576,128
Consortium - service contracts and assignee of mining rights	78,809	78,809
Employees	18,323	16,608
Others	150,627	66,830
	32,610,443	16,778,694
Less allowance for credit losses	167,848	166,975
	₱32,442,595	₱16,611,719
Noncurrent:		
Due from related parties (Note 29)	₱4,793,293	₱2,741,428
Trade	2,065,007	1,930,478
Receivables from:		
Third parties	2,615,556	1,812,366
Others	36,796	69,768
	9,510,652	6,554,040
Less allowance for credit losses	13,752	13,752
	₱9,496,900	₱6,540,288

Current 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 16 and 21).

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

Current and noncurrent receivables from third parties mainly pertain to the noninterest-bearing receivable from NGCP for 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. Noncurrent receivables from third parties are collectible annually within 3 years and are discounted using the PHP BVAL Reference rates on transaction date ranging from 2.14% - 4.56%.

Current receivable from third parties also include half of the principal amount of the development loan receivable from BIM Energy Holdings (BIMEH).



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 19). Noncurrent trade receivables also include FIT system adjustments that are expected to be realized beyond 12 months after end of reporting period (see Note 21).

Noncurrent receivables from third parties consist of 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%.

Noncurrent receivables from third parties also includes the interest-bearing loans receivable from UPC Renewables Asia Pacific Holdings (URAPHL), the short-term loans receivable from BEHS Joint Stock Company (BEHS) and the remaining half of the of the principal amount of the development loan receivable from BIMEH.

As at June 30, 2021 and December 31, 2020, the aging analysis of receivables are as follows:

June 30, 2021 (Unaudited)							
	Total	Current	<30 Days	30–60 Days	61–90 Days	More than 90 Days	Past Due and Impaired
Trade	₱5,473,328	₱4,771,388	₱538,173	₱25,786	₱43,609	₱10,557	₱83,815
Due from related parties	23,824,604	23,705,657	737	–	–	118,210	–
Others	3,312,511	3,079,101	3,380	20,046	1,969	123,982	84,033
	₱32,610,443	₱31,556,146	₱542,290	₱45,832	₱45,578	₱252,749	₱167,848

December 31, 2020 (As restated, Note 4)							
	Total	Current	<30 Days	30–60 Days	61–90 Days	More than 90 Days	Past Due and Impaired
Trade	₱4,662,070	₱3,896,025	₱2,640	₱21,729	₱11,208	₱649,477	₱80,991
Due from related parties	9,378,249	9,378,249	–	–	–	–	–
Others	2,738,375	2,211,172	1,697	14,511	24,333	400,678	85,984
	₱16,778,694	₱15,485,446	₱4,337	₱36,240	₱35,541	₱1,050,155	₱166,975



The movements in the allowance for credit losses on individually impaired receivables are as follows:

	June 30, 2021 (Unaudited)		
	Trade	Others	Total
Balances at beginning of period	₱80,991	₱85,984	₱166,975
Provisions - net (Note 23)	873	-	873
Reclassification	1,951	(1,951)	-
Balances at end of period	₱83,815	₱84,033	₱167,848

	December 31, 2020 (As restated, Note 4)		
	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

The allowance for credit losses includes ₱39.37 million full provision for receivables from mining rights assigned to a third party.

7. Fuel and Spare Parts

Fuel charged to “Costs of sale of electricity” in the consolidated statements of income amounted to ₱1,467.99 million and ₱1,445.98 million for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 22).

For the six-month periods ended June 30, 2021 and 2020, no provision for impairment, both for fuel and spare parts was recognized by the Group. As at June 30, 2021 and December 31, 2020, the allowance for inventory obsolescence amounted to ₱6.96 million.

8. Other Current Assets

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Prepaid expenses	₱471,900	₱186,404
Advances to contractors	275,101	264,979
Derivative asset (Note 32)	207,424	46,968
Others	46,503	4,957
	1,000,928	503,308
Less allowance for impairment loss	48,304	49,884
	₱952,624	₱453,424

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).



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

Derivative asset includes ₱144.21 million coal commodity swap contracts with Macquarie Bank Ltd., used to hedge the risks associated with changes in coal prices (see Note 32) and ₱63.21 million foreign exchange forward contracts maturing within 12-month period (see Notes 16, 17, 19 and 32). For the six-month period ended June 30, 2021, ACEN had realized ₱41.70 million gain from matured forex forwards (see Note 26).

9. Property, Plant and Equipment

Acquisitions and disposals

During the six-month period ended June 30, 2021, the Group acquired assets with a cost of ₱1,732.96 million (year ended December 31, 2020: ₱6,452.42 million), excluding property, plant and equipment acquired through business combination (see Note 4).

Significant Additions During the Period

For the six-month period ended June 30, 2021, the Group invested significant capital expenditures related to the following projects:

- ₱541.84 million for its 40-MW battery energy storage system (BESS) project in Alaminos, Pangasinan through its subsidiary, Giga Ace 4, Inc.;
- ₱365.76 million for its 120 MW solar farm project in Alaminos, Laguna through its subsidiary, Solarace1 Energy Corp.;
- ₱236.59 million for its 60 MW solar power project in Palauig, Zambales through its subsidiary, Gigasol 3, Inc.;
- ₱116.41 million for its 160 MW Balaoi and Caunayan wind farm project in Pagudpud, Ilocos Norte through its subsidiary, Bayog Wind Power Corp.;
- ₱113.62 million for its 4.375 MWdc Renewable Energy Laboratory Facility with Energy Storage System Project in Mariveles Bataan through its subsidiary, BSEI.
- ₱109.91 million for its purchase of parcels of land located at Barrio Poonbato, Botolan, Zambales through its subsidiary, Buendia Christiana Holdings Corp.; and,
- ₱68.84 million for its purchase of generator rotor for its Unit 2 122 MW thermal plant in Calaca, Batangas through its subsidiary, South Luzon Thermal Energy Corp.

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.



Mortgaged Property and Equipment

Guimaras Wind’s wind farm with carrying value of ₱3,806.04 million and ₱3,909.77 million as at June 30, 2021 and December 31, 2020, respectively, included under “Machinery and Equipment” account is mortgaged as security for the long-term loan. (see Note 18).

Impairment Losses

ACEN’s Power Barge (“PB”) 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil on July 3, 2020. Based on investigation, an explosion in one of the barge’s fuel tanks ruptured the hull of the barge which 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 as at December 31, 2020 and determined that the incident 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.

Other provisions in 2020 include ₱96.16 million and ₱14.89 million for BSEI’s construction-in-progress and tools and miscellaneous assets, respectively, and ₱0.46 million for Guimaras Wind’s construction-in-progress of its Sibunag Wind Project.

For the six-month period ended June 30, 2021, the Group recognized in the statement of income as other income the reversals of impairment on property, plant and equipment under the Philippine segment amounting to ₱72.00 million which was determined as the recoverable amount of the power barges based on fair value less cost to sell, and ₱14.89 million from BSEI tools identified as salable which was reclassified subsequently to assets held for sale (see Note 26). In addition, the provision for impairment amounting to ₱112.07 million for BSEI’s construction-in-progress under the Philippine segment was recognized in the statement of income as general and administrative expense during the current period consistent with the assessment as at December 31, 2020 (see Note 23).

10. Investments in Associates and Joint Ventures

The Group’s investments in associates and interest in joint ventures are as follows:

	Percentage of ownership		Carrying amount	
	2021 (Unaudited)	(As restated, 2020 Note 4)	2021 (Unaudited)	(As restated, 2020 Note 4)
Investments in associates:				
Star Energy Salak-Darajat B.V. (“Salak-Darajat”)	19.80	19.80	₱9,657,675	₱9,330,436
Maibarara Geothermal, Inc. (“MGI”)	25.00	25.00	764,886	739,076
Negros Island Biomass Holdings, Inc. (“NIBHI”)	–	45.12	–	224
Others			15,441	25,728
			10,438,002	10,095,464

(Forward)



	Percentage of ownership		Carrying amount	
	2021 (Unaudited)	2020 (As restated, Note 4)	2021 (Unaudited)	2020 (As restated, Note 4)
Interest in joint ventures:				
Philippine Wind Holdings Corporation ("PhilWind")	69.81	69.81	₱5,622,732	₱5,853,561
BIM Renewable Energy JSC ("BIMRE")	30.00	30.00	1,552,277	1,380,194
UPC-AC Energy Australia (HK) Ltd. ("UPC- ACE Australia")	50.00	50.00	1,044,101	1,008,899
AMI AC Renewables Corporation ("AAR")	50.00	50.00	189,036	288,355
BIM Energy Joint Stock Co. ("BIME")	30.00	30.00	120,904	111,792
UPC Renewables Asia III Ltd. ("UPC Asia III")	10.00	10.00	54,664	56,591
Others			978,924	232
			9,562,638	8,699,624
			₱20,000,640	₱18,795,088

Investments in Associates

Salak-Darajat

In 2017, the Group acquired interest in Salak-Darajat located in Indonesia that has continuing interest in Chevron's geothermal assets and operations in Indonesia. The Indonesia assets and operations pertains to the Darajat and Salak geothermal fields in West Java, Indonesia, with a combined capacity of 637 MW of steam and power. Salak-Darajat's principal place of business and country of incorporation is Indonesia.

Dividends declared by Salak-Darajat amounted to US\$6.93 million (₱336.41 million) for the six-month period ended June 30, 2021 and US\$29.70 million (₱1,426.67 million) in 2020.

The Group has significant influence over Salak-Darajat by virtue of its approval rights over key decision areas and material transactions through various reserved matters that are considered relevant activities.

MGI

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

NIBHI

NIBHI is a domestic corporation registered in the Philippines and located at 26th floor, PSE Tower Bonifacio High St., 28th cor. 5th Ave., Bonifacio Global City, Taguig City. NIBHI is a holding firm for the BioPower Group (SCBP, SNBP and NNBP). The Group, in partnership with 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 Endeavor, Inc.

On June 18, 2021, NIBHI, has signed binding agreements to divest its shareholdings in three biomass-fired power plants in the Visayas. Subject to certain conditions precedent, NIBHI will sell its equity stake to its partner, the TLCTI Asia, which indirectly already owns over 90% of the economics of the equity ownership of the biomass-fired power plants.



Subsequent to the above transaction, the Group divested its interest in NIBHI through the redemption of redeemable preferred shares held by ACE Endeavor amounting to ₱31.85 million and sale of the remaining shares held by ACE Endeavor to various stakeholders for a consideration of ₱40.98 million. The above transactions and agreements, which changed the Group's recovery of its investment, resulted to the reversal of impairment of investment in joint venture recognized in the statement of income as other income under the Philippine segment amounting to ₱37.63 million (see Note 27).

Dividends amounting to ₱69.32 million was received during the six-month period ended June 30, 2021, while nil in 2020.

Interest in Joint Ventures

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"). This approval was ratified by the BOD during its meeting on November 11, 2019.

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 commercial 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%.

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 for the six-month period ended June 30, 2021 amounted to ₱754.36 million (December 31, 2020 - ₱270.51 million).

UPC-ACE Australia

On May 23, 2018, ACEIC participated in the Australian renewables market through a joint venture with international renewable energy developer, UPC Renewables. ACEIC has invested US\$30.00 million (₱1,519.1 million) for 50% ownership in UPC's Australian business and is also providing US\$200.0 million facility to fund project equity.



UPC Renewables Australia is developing 1,000MW Robbins Island and Jim's Plain in Northwest Tasmania and the 700MW New England Solar Farm (NESF) located near Uralla in New South Wales. UPC Renewables Australia also has a further development portfolio of another 3000MW's located in NSW, Tasmania and Victoria.

In 2021, the Group made additional investment amounting to US\$5.75 million (₱278.60 million) to UPC-ACE Australia for funding the NESF. The infusion does not modify the Group's ownership interest in the joint venture.

AAR

In 2018, the Group entered into a 50-50 joint venture agreement with AMI Renewables Energy Joint Stock Company to develop, construct, and operate renewable power projects in Vietnam. The joint venture company, New Energy Investments Corporation (NEI) is a holding company that holds direct ownership interest in the project companies. Its principal place of business and country of incorporation is at Vietnam. On December 27, 2018, NEI changed its business name to AMI AC Renewables Corporation.

UPC Asia III

In 2017, the Group signed investment agreements with UPC Renewables Indonesia Ltd to develop, construct and operate a wind farm in Sidrap, South Sulawesi, Indonesia (the "Sidrap Project"). The project was developed through PT UPC Sidrap Bayu Energi, a special purpose company based in Indonesia. The Sidrap Project, with generating capacity of 75 MW, started commercial operations in April 2018 and is the first utility-scale wind farm project in Indonesia. UPC Asia III's principal place of business and country of incorporation is Hong Kong.

The Group has joint control over UPC Asia III by virtue of the requirement for unanimous consent from both shareholders over key decision areas and material transactions through various reserve matters.

BIMRE and BIME

In 2018, the Group entered into a 30-70 joint venture agreement with BIM Group to develop, construct, and operate at 330 MW solar power project in Vietnam through BIMRE and BIME. Its principal place of business and country of incorporation is at Vietnam.

In 2019, the Group made additional investment amounting to ₱209.58 million to BIMRE.

In 2020, the Group entered into an Amendment and Supplement to Share Subscription Agreement for additional Common Shares, Class A Preferred Shares and Class B Preferred Shares for 30% ownership in BIMRE. As at December 31, 2020, the Group made a subscription deposit of US\$5.63 million (₱280.41 million) for common shares and \$3.96 million (₱190.11 million) for Class A and B Preferred Shares. Deposits for Class A and Class B Preferred Shares are classified under "Other financial assets at amortized cost".

Dividends declared by BIMRE in 2021 and 2020 amounted to nil and US\$6.02 million (₱289.25 million), respectively.

The Group has joint control over BIMRE and BIM by virtue of the requirement for unanimous consent from both Shareholders over key decision areas and material transactions through various reserved matters.



Greencore

On February 21, 2020, Citicore Renewable Energy Corporation (“CREC”) and ACE Endeavor entered into a Framework Agreement for the joint development, ownership and operation of solar and other power plants in the Philippines, CSEC is a wholly-owned subsidiary of CREC. Pursuant to the Framework Agreement, CREC and ACE Endeavor (directly or through nominated affiliates) agreed to be shareholders in the Company, which was incorporated to wholly own and undertake the development of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc) (the “Project”).

On February 4, 2021, ACEN and ACE Endeavor signed a Shareholders’ Agreement with CSEC, and Greencore Power Solutions 3, Inc. (“Greencore”), for the development, construction, and operation of the Project. On the same date, ACEN and ACED signed subscription agreements with Greencore for the subscription of 2.25 million and 0.25 million common shares, respectively, with a par value of ₱1.00 per share, or a total par values of ₱2.25 million and ₱0.25 million, to be issued out of the unissued authorized capital stock of Greencore. ACEN and ACED have fully paid their subscriptions.

The Project is scheduled to start operations in March 2022. Under the Shareholders’ Agreement, CSEC will have 50% of the shares in Greencore, the special purpose vehicle of the Project, while ACEN and ACE Endeavor will hold a 45% and 5% interest, respectively. ACEN has agreed to provide a term loan facility to Greencore of up to ₱2.68 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. Greencore and its shareholders agreed to execute the necessary loan and security agreement for this purpose (see Note 1).

The investment in Greencore is accounted for as an investment in joint venture as the relevant activities of Greencore require the unanimous consent of the stockholders.

Greencore is a domestic corporation registered in the Philippines with principal office address at Lot 4 Magalang - Arayat Road, Barangay San Antonio, Arayat, Pampanga, Philippines.

Solar Philippines Central Luzon Corporation (“SPCLC”)

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 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.

SPCLC is a special purpose vehicle and is meant to implement the joint venture between ACEN and SP for the development and operation of solar power projects in the Philippines. As at June 30, 2021, commercial operations have not yet commenced.



The summarized financial information of material associates and joint venture of the Group, and the reconciliation with the carrying amount of the investments in the consolidated financial statements are shown below:

June 30, 2021 (Unaudited)

	PhilWind	UPC Australia	AAR	Salak-Darajat	BIMRE
Classification	Joint venture	Joint venture	Joint venture	Associate	Joint venture
Functional currency	PHP	US\$	VND	US\$	VND
	(in millions)	(in millions)	(in billions)	(in millions)	(in billions)
Dividends received	₱754.36	\$-	₱-	\$6.93	₱-

Summarized Statements of

Financial Position:

Current assets	₱1,450.53	\$2.70	₱639.38	\$337.58	₱1,116.17
Noncurrent assets	7,512.04	173.29	1,929.56	2,463.29	5,905.10
Total assets	8,962.57	175.99	2,568.94	2,800.87	7,021.27
Current liabilities	653.44	2.75	167.32	63.64	1,544.24
Noncurrent liabilities	5,077.67	149.21	2,285.19	1,721.70	3,665.16
Equity	₱3,231.46	\$24.03	₱116.43	\$1,015.53	₱1,811.87
Share in equity	₱2,255.88	\$12.02	₱58.21	\$201.07	₱543.56
Fair value adjustment on land	-	-	-	15.00	-
Notional goodwill	3,366.85	9.49	31.00	-	190.00
Others	-	-	-	(17.13)	-
Carrying value of investments	₱5,622.73	\$21.51	₱89.21	\$198.94	₱733.56

Summarized Statements of

Comprehensive Income:

Revenue	₱1,502.30	\$-	₱-	\$ 147.43	₱597.50
Cost and expenses	512.71	10.49	97.12	94.48	348.22
Net income (loss)	989.59	(10.49)	(97.12)	52.95	249.28
Other comprehensive income	0.65	-	-	0.13	-
Total comprehensive income (loss) at functional currency	₱990.24	(\$10.49)	(₱97.12)	\$ 53.08	₱249.28
Group's share in total comprehensive income (loss) at functional currency	₱523.53	(\$5.24)	(₱48.56)	\$ 10.51	₱74.78
Total comprehensive income (loss) in Philippine Peso	₱990.24	(₱504.61)	(₱0.20)	₱ 2,554.23	₱0.52
Group's share in total comprehensive income (loss) in Philippine Peso	₱523.53	(₱252.43)	(₱0.10)	₱ 505.77	₱0.16



December 31, 2020 (As restated)

	PhilWind	UPC Australia	AAR	Salak-Darajat	BIMRE
Classification	Joint venture	Joint venture	Joint venture	Associate	Joint venture
Functional currency	PHP	US\$	VND	US\$	VND
	(in millions)	(in million)	(in billions)	(in millions)	(in billions)
Dividends received	₱270.51	\$-	₱-	\$29.70	₱139.87

Summarized Statements of

Financial Position:

Current assets	₱1,624.63	\$2.93	₱1,068.40	\$295.15	₱764.11
Noncurrent assets	7,542.68	94.83	2,096.12	2,473.35	5,989.20
Total assets	9,167.31	97.76	3,164.52	2,768.50	6,753.31
Current liabilities	445.95	2.31	301.08	55.25	1,655.87
Noncurrent liabilities	5,219.87	66.76	1,500.21	1,741.80	4,312.56
Equity	₱3,501.48	\$28.69	₱1,363.23	\$971.45	₱784.88
Share in equity	₱2,444.38	(\$10.45)	(₱36.33)	\$192.00	₱573.19
Fair value adjustment on land	-	-	-	15.00	-
Notional goodwill	3,409.18	31.45	164.72	-	41.25
Others	-	-	-	(12.76)	0.05
Carrying value of investments	₱5,853.56	\$21.00	₱128.39	\$194.24	₱614.49

June 30, 2020 (Unaudited)

	PhilWind	UPC Australia	AAR	Salak-Darajat	BIMRE
Summarized Statements of					
Comprehensive Income:					
Revenue	₱1,596.97	\$6.42	₱29.75	\$165.48	₱653.53
Cost and expenses	759.33	5.54	7.56	119.17	380.57
Net income	837.64	0.88	22.19	46.31	272.96
Other comprehensive loss	-	-	-	(12.69)	-
Total comprehensive income at functional currency	₱837.64	\$0.88	₱22.19	\$33.62	₱272.96
Group's share in total comprehensive income at functional currency	₱584.75	\$0.44	₱11.10	\$6.66	₱81.89
Total comprehensive income in Philippine Peso	₱837.64	₱42.37	₱0.05	₱3,538.38	₱0.57
Group's share in total comprehensive income in Philippine Peso	₱584.75	₱21.19	₱0.02	₱667.90	₱0.17

11. Financial assets at FVOCI

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Current:		
AYC Finance Limited (AYCFL)	₱-	₱12,620,756
Noncurrent:		
UPC Sidrap HK Limited	₱328,888	₱379,957
Golf club shares	1,190	1,190
Listed shares of stock	21	21
	₱330,099	₱381,168



On May 14, 2019, the Group subscribed to 41.22 million redeemable preference shares at par value of US\$10 per share in AYCFL, an unconsolidated affiliate of the Group. The subscribed redeemable preferred shares amounting to \$412.20 million (₱21,186.00 million) are cumulative, non-voting and redeemable by AYCFL, at its sole option, at price and terms to be determined by its directors.

On September 14, 2020, the BOD of AYCFL approved to redeem a total of 15.00 million redeemable preferred shares at US\$10.00 per share for a total of US\$150.00 million (₱7,275.90 million) which took effect on September 18, 2020. Total unrealized fair value gain that was reclassified to retained earnings upon redemption is at US\$0.23 million (₱11.10 million).

On April 21, 2021, the BOD of AYCFL approved to redeem the remaining 26.22 million redeemable preferred shares at US\$10.00 per share for a total of US\$262.20 million (₱12,687.86 million) which took effect on April 23, 2021.

The movements in net unrealized loss on financial assets at FVOCI for the period ended are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Balance at beginning of period	₱143,625	(₱26,546)
Unrealized gain (loss) recognized during the period	(54,612)	92,821
Reversal of unrealized fair value gain upon redemption	(25,906)	(11,105)
Effect of business combinations under common control (Note 4)	(162,899)	88,455
Balance at end of period	(₱99,792)	₱143,625

Dividend income amounted to ₱6.55 million (\$0.14 million) earned from UPC Sidrap for the six-month period ended June 30, 2021 while nil in 2020.

12. Other Financial Assets at Amortized Cost

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Redeemable preferred shares and subscription deposits	₱10,247,437	₱8,181,268
Convertible loans	11,523,052	7,115,837
Balance at end of period	₱21,770,489	₱15,297,105



Investment in redeemable preferred shares and subscription deposits

The rollforward analysis of this account follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Balances at beginning of period	₱8,181,269	₱3,374,289
Additions	601,324	2,899,776
Subscription deposits	1,565,599	2,087,275
Reclassified to long-term receivables	(192,491)	–
Cumulative translation adjustment	91,736	(180,072)
Balances at end of period	₱10,247,437	₱8,181,268

Investments in redeemable preferred shares

Investment in UPC Asia III

On January 11, 2017, the Group entered into an agreement for subscription to Redeemable Class A preferred shares of UPC Asia III. UPC Asia III owns 75 MW Wind Farm in South Sulawesi, Indonesia. Redeemable Class A preferred shares are entitled to dividends at fixed, cumulative, and compounding rate annually. The Redeemable Class A preferred shares are non-voting shares and are redeemable at par plus any accrued dividends at the holder’s option within 60 days from earlier of July 15, 2035 or date as soon as funds are realized by UPC Asia III or its subsidiaries.

As at June 30, 2021 and December 31, 2020, investment in Redeemable Class A preferred shares amounted to US\$21.86 million (₱1,061.38 million) and US\$21.86 million (₱1,050.28 million), respectively. Interest income amounted to US\$2.02 million (₱97.42 million) and US\$2.06 million (₱103.12 million) for the six-month periods ended June 30, 2021 and 2020, respectively.

Investment in AAR

On January 22, 2018, the Group entered into an agreement for subscription to Redeemable Class A and B preferred shares of AAR. AAR owns a combined 80 MW of Solar Farm in Khan Hoa and Dak Lak Province, Vietnam. Redeemable Class A and B preferred shares are entitled to dividends at fixed base rate annually. The Redeemable Class A and Class B preferred shares are redeemable at par and only by cash at the issuer’s option on “first in, first out” basis but no earlier than the 5th year from subscription date and no later than the end of the project, and all accrued coupons are current.

As at June 30, 2021 and December 31, 2020, investment in Redeemable Class A and B preferred shares amounted to US\$66.32 million (₱3,219.26 million) and US\$66.32 million (₱3,185.57 million), respectively. Interest income amounted to US\$4.18 million (₱201.03 million) and US\$1.26 million (₱62.49 million) for the six-month periods ended June 30, 2021 and 2020, respectively.

Investment in BIMRE

On November 4, 2019, the Group converted deposit for future equity in BIMRE into 3,437,000 redeemable Class A preferred shares and 3,437,000 redeemable Class B preferred shares. BIMRE owns 300 MW of Solar Farm in Ninh Thuan Province, Vietnam. The Redeemable Class A and Class B preferred shares are non-voting shares entitled to dividends at fixed, cumulative and compounding base rate annually. Shares are redeemable at par and only by cash and at the issuer’s option on “first in, first out” basis but no earlier than the 13th year (for Class A) and 7th year (for Class B) from subscription date and no later than the end of project, and all accrued coupons are current.



As at June 30, 2021 and December 31, 2020, investment in Redeemable Class A and Class B preferred shares amounted to US\$24.39 million (₱1,183.80 million) and US\$20.43 million (₱981.30 million), respectively. Interest income amounted to US\$1.57 million (₱75.44 million) and US\$1.32 million (₱65.51 million) for the six-month periods ended June 30, 2021 and 2020, respectively.

Investment in BIME

On November 4, 2019, the Group converted deposit for future equity in BIME into 343,700 redeemable Class A preferred shares and 343,700 redeemable Class B preferred shares. BIMRE owns 30 MW of Solar Farm in Ninh Thuan Province, Vietnam. The Redeemable Class A and Class B preferred shares are non-voting shares entitled to dividends at fixed, cumulative and compounding base rate annually. Shares are redeemable at par and only by cash and at the issuer's option on "first in, first out" basis but no earlier than the 13th year (for Class A) and 7th year (for Class B) from subscription date and no later than the end of project, and all accrued coupons are current.

As at June 30, 2021 and December 31, 2020, investment in Redeemable Class A and Class B preferred shares amounted to US\$4.25 million (₱206.50 million) and US\$4.25 million (₱204.34 million), respectively. Interest income amounted to US\$0.27 million (₱13.23 million) and US\$0.28 million (₱13.67 million) for the six-month periods ended June 30, 2021 and 2020, respectively.

Investment in UPC Solar

On July 29, 2020, the Group entered into an agreement for subscription of Class A Redeemable preferred shares. UPC Solar is currently developing solar farms with combined capacity of 210 MW in the Provinces of Rajasthan and Gujarat, India. The Class A Redeemable preferred shares are non-voting shares entitled to dividends at fixed, cumulative, compounding base rate annually. These are redeemable at the option of the issuer and subject to cash availability and these will be redeemed after commercial operations date and no later than the end of project.

As at June 30, 2021 and December 31, 2020, investment in Class A Redeemable Preferred shares amounted to US\$22.50 million (₱1,092.24 million) and US\$14.00 million (₱672.50 million), respectively. Interest income amounted to US\$1.19 million (₱57.08 million) and nil for the six-month periods ended June 30, 2021 and 2020, respectively.

Redeemable preferred shares bear coupon ranging from 11.25% to 14.00% per annum. Dividends on redeemable preferred shares which are classified and accrued as interest income on a monthly basis are subject to declaration prior to payment.

Subscription Deposits

As discussed in Note 10, the Group entered into an Amendment and Supplement to Share Subscription Agreement for additional Common Shares, Class A Preferred Shares and Class B Preferred Shares for 30.00% ownership in BIMRE. As at June 30, 2021 and December 31, 2020, total subscriptions deposit made for Class B Preferred Shares is at \$3.96 million (₱192.11 million).

On April 16, 2020, the Group entered into a Share Subscription and Deposit Agreement for additional Class A Preferred Shares of AAR. AAR owns the 50 MW solar plant in Khan Hoa province and 30 MW solar plant in Dak Lak province, both in Vietnam. The Group subscribed for a total of 124.77 million future Class A Preferred Shares. Of the total deposits made amounting to US\$53.89 million, the Group partially converted \$46.37 million to Class A Redeemable Preferred Shares of AAR. As at June 30, 2021 and December 31, 2020, remaining unconverted subscription deposit is at \$32.46 million (₱1,575.88 million) and \$7.52 million (₱361.41 million), respectively.



On July 7, 2020, the Group entered into a Share Subscription and Deposit Agreement for non-interest deposit with BIM Wind. As at June 30, 2021 and December 31, 2020, the Group made a subscription deposit of \$39.31 million (₱1,908.37 million) and \$31.97 million (₱1,535.75 million), respectively.

Convertible loans

The rollforward analysis of this account follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated)
Balance at beginning of period	₱7,115,837	₱–
Additions	5,072,623	5,983,388
Redemptions	(791,328)	–
Cumulative translation adjustment	125,920	(63,841)
Reclassified from receivables from related parties	–	1,196,290
Balance at end of period	₱11,523,052	₱7,115,837

Investment in UPC Australia

On May 26, 2020, the Group entered into an agreement with UPC-AC Energy Australia HK Ltd. to make available a convertible loan facility in aggregate principal amount not exceeding US\$48.50 million (₱2,350.55 million). The Convertible Shareholder Loan Agreement was entered for the development and construction of NESF Project. The principal and interest of the convertible loan are payable on 25th anniversary of the drawdown date. The Group, from time to time until the 25th anniversary of the drawdown date, has an irrevocable right to convert all or part of the conversion amount into conversion shares at US\$1.00 per share. Shares issued shall be valid, fully paid, non-assessable, redeemable preferred shares with no voting rights. Redeemable preferred shares shall earn coupon rate which is fixed, cumulative, and compounding annually and are not entitled to any additional dividends. The redeemable preferred shares are redeemable only by cash at the issuer's option on "first in first out" basis but no later than end of the project.

On June 30, 2020, the Group entered into an agreement to make available a convertible term loan facility in an aggregate principal amount of US\$275.00 million (₱13,327.88 million). The Convertible Shareholder Loan Agreement was entered to fund various investments in Australia. The principal and interest of the convertible loan are payable on 25th anniversary of the drawdown date. The Group, from time to time until the 25th anniversary of the drawdown date, has an irrevocable right to convert all or part of the conversion amount into conversion shares at US\$1.00 per share. Shares issued shall be valid, fully paid, non-assessable, redeemable preferred shares with no voting rights. Redeemable preferred shares shall earn coupon rate which is fixed, cumulative, and compounding annually and are not entitled to any additional dividends. The redeemable preferred shares are redeemable only by cash at the issuer's option on "first in first out" basis but no later than end of the project.

As at June 30, 2021 and December 31, 2020, outstanding balance of the convertible loan amounted to US\$154.05 million (₱7,477.98 million) and US\$64.81 million (₱3,113.09 million). Interest income amounted to US\$4.80 million (₱230.77 million) and US\$0.80 million (₱4.03 million) for the six-month periods ended June 30, 2021 and 2020, respectively.

Investment in Vietnam Wind Energy Limited

On April 17, 2020, the Group entered into a Convertible Shareholder Agreement with Vietnam Wind Energy Limited to make available a convertible loan facility in aggregate principal amount not exceeding US\$38.00 million (₱1,841.67 million). The Convertible Shareholder Agreement was entered to provide financing for the development and construction of various wind projects in



Vietnam. The convertible loan bears annual fixed rate and payable upon maturity. The principal and interest of the convertible loan are payable 220 months after the project commercial operations date. The Group, from time to time until the maturity date, has an irrevocable right to convert all or part of the conversion amount into conversion shares at US\$1.00 per share. Shares issued shall be valid, fully paid, non-assessable, redeemable preferred shares with no voting rights. Redeemable preferred shares shall earn coupon rate which is fixed, cumulative, and compounding annually and are not entitled to any additional dividends. The redeemable preferred shares are redeemable only by cash at the issuer's option on "first in first out" basis no later than end of the project.

As at June 30, 2021 and December 31, 2020, outstanding balance of the convertible loan amounted to US\$38.00 million (¥1,844.67 million) and US\$38.00 million (¥1,825.37 million). Interest income amounted to US\$2.43 million (¥117.05 million) and US\$.58 million (¥28.46 million) for the six-month periods ended June 30, 2021 and 2020. .

Investment in Asian Wind Power 1 HK Ltd

On April 12, 2019, the Group entered into a Convertible Preferred A Facility Agreement with Asian Wind Power 1 HK Ltd to make available a convertible loan facility in aggregate principal amount not exceeding US\$26.00 million (¥1,260.09 million). The Convertible Preferred A Facility Agreement was entered to finance the development and construction of Dai Phong Project. The convertible loan bears annual fixed rate payable quarterly. The maturity date of the Convertible Preferred A Facility Agreement is in April of 2044. The principal and interest of the convertible loan are payable on 25th anniversary of drawdown date. The Group, from time to time until the 25th anniversary of the drawdown date, has an irrevocable right to convert all or part of the conversion amount into conversion shares at US\$1.00 per share. Shares issued shall be valid, fully paid, non-assessable, Class A preferred shares with no voting rights. Class A preferred shares shall earn coupon rate which is fixed, cumulative, and compounding annually and are not entitled to any additional dividends. The Class A preferred shares is redeemable only by cash at the issuer's option on "first in first out" basis.

As at June 30, 2021 and December 31, 2020, outstanding balance of the convertible loan amounted to US\$24.58 million (¥1,192.97 million) and US\$24.58 million (¥1,180.48 million), respectively. Interest income amounted to US\$1.68 million (¥80.68 million) and US\$1.46 million (¥72.22 million) for the six-month periods ended June 30, 2021 and 2020, respectively. In 2020, this was reclassified as "Other Financial Asset at Amortized Cost" upon reassessment of the features of the instrument.

Investment in Asian Wind Power 2 HK Ltd

In March 2020, the Group entered into a Convertible Preferred A Facility Agreement with Asian Wind Power 2 HK Ltd to make available a convertible loan facility in aggregate principal amount not exceeding US\$23.00 million (¥1,114.70 million). The Convertible Preferred A Facility Agreement was entered to finance the development and construction of Hong Phong 1 Project. The convertible loan bears annual fixed rate payable quarterly. The maturity date of the Convertible Preferred A Facility Agreement is in March of 2045. The principal and interest of the convertible loan are payable on 25th anniversary of drawdown date. The Group, from time to time until the 25th anniversary of the drawdown date, has an irrevocable right to convert all or part of the conversion amount into conversion shares at US\$1.00 per share. Shares issued shall be valid, fully paid, non-assessable, Class A preferred shares with no voting rights. Class A preferred shares shall earn coupon rate of which is fixed, cumulative, and compounding annually and are not entitled to any additional dividends. Class A preferred share is redeemable only by cash at the issuer's option on "first in first out" basis.



As at June 30, 2021 and December 31, 2020, outstanding balance of the convertible loan amounted to US\$20.75 million (₱1,007.43 million) and US\$20.75 million (₱996.89 million). Interest income amounted to US\$1.28 million (₱61.44 million) and US\$0.54 million (₱26.48 million) for the six-month periods ended June 30, 2021 and 2020.

Convertible loan facilities bear interest ranging from 8.50% to 12.00% per annum.

13. Investment Properties

Investment properties include land which are held by the Group for long-term capital appreciation and future use as investment properties.

In 2020, BCHC purchased 1.92-hectare land located in Botolan, Zambales amounting to ₱108.91 million and a 1.79-hectare land in located in Binugao, Toril, Davao City amounting to ₱44.60 million. These are classified as investment properties as it will be held for the potential use of Joint Venture-Special Purpose Vehicle projects 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.

In 2021, these investment properties were reclassified to Property, plant and equipment as the properties were leased out to the group's subsidiaries, Sta. Cruz Solar Energy Inc., Giga Ace 9, Inc, and Solarace2 Energy Corp.

The account also include Bulacan Power's land amounting to ₱13.09 million.

The Group did not generate rental income on the investment property but incurred direct costs pertaining to real property taxes amounting to ₱0.01 million for the six-month periods ended June 30, 2021 and 2020.

14. Goodwill and Other Intangible Assets

Changes in goodwill and other intangible assets for the period ended June 30, 2021 and December 31, 2021 are as follows:

	June 30, 2021 (Unaudited)				Total
	Goodwill	Deferred Exploration Costs	Leasehold and Water Rights	Other Intangible Assets	
Cost:					
Balance at beginning of period	₱246,605	₱121,975	₱185,104	₱2,191,814	₱2,745,498
Additions/Cash calls	-	15,039	-	-	15,039
Balance at end of period	246,605	137,014	185,104	2,191,814	2,760,537
Accumulated amortization:					
Balance at beginning of period	₱-	₱-	₱32,610	₱113,696	₱146,306
Amortization (Note 25)	-	-	4,054	75,798	79,852
Balance at end of period	-	-	36,664	189,494	226,158
Accumulated impairment:					
Balance at beginning of period	-	62,098	-	-	62,098
Impairment	-	23,379	-	-	23,379
Balance at end of period	-	85,477	-	-	85,477
Net book value	₱246,605	₱51,537	₱148,440	₱2,002,320	₱2,448,902



	December 31, 2020 (As restated, Note 4)				Total
	Goodwill	Deferred Exploration Costs	Leasehold and Water Rights	Other Intangible Assets	
Cost:					
Balance at beginning of year	₱234,152	₱108,139	₱185,347	₱-	₱527,638
Step acquisition of ISLASOL	12,453	-	-	-	12,453
Step acquisition of SACASOL	-	-	-	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
Accumulated amortization:					
Balance at beginning of year	₱-	₱-	₱24,463	₱-	₱24,463
Amortization	-	-	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

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.

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 June 30, 2021 and December 31, 2020, the carrying amount of the leasehold right amounted to ₱140.86 million and ₱144.69 million, respectively.

Goodwill recognized in 2020 came from the acquisition of ISLASOL amounting to ₱12.45 million.

Water Supply Contract

HDP holds a water supply contract with San Carlos Bioenergy, Inc. The carrying amount as at June 30, 2021 and December 31, 2020 is ₱7.58 million and ₱7.81 million respectively.

Other Intangible Assets

Intangible assets amounting to ₱2,191.81 million arising from identifiable FIT contract was recognized from acquisition of SACASOL. The carrying amount as at June 30, 2021 and December 31, 2020 is ₱2,002.32 million and ₱2,078.12 million, respectively.

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. The key assumptions used to determine the recoverable amount for the different cash-generating units were disclosed in the annual consolidated financial statements as at December 31, 2020. As at June 30, 2021, there are no changes in the assumptions used for purposes of goodwill impairment.



Based on management's assessment, recoverable amount exceeded the carrying amount of the CGU. No impairment loss was recognized on goodwill as at June 30, 2021 and December 31, 2020.

Deferred Exploration Costs

Details of deferred exploration costs are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020
<i>Petroleum and gas:</i>		
SC 55 (Southwest Palawan)	₱51,537	₱36,639
SC 6 (Northwest Palawan)		
Block A	23,379	23,238
Block B	4,892	4,892
SC 50 Northwest Palawan	11,719	11,719
SC 52 (Cagayan Province)	10,994	10,994
<i>Geothermal - SC 8 (Mabini, Batangas)</i>	34,493	34,493
	137,014	121,975
Allowance for impairment loss	(85,477)	(62,098)
Net book value	₱51,537	₱59,877

Below is the rollforward analysis of the deferred exploration costs:

	June 30, 2021 (Unaudited)	December 31, 2020
<i>Cost:</i>		
Balances at beginning of period	₱121,975	₱108,139
Additions - cash calls	15,039	13,836
Balance at end of period	137,014	121,975
<i>Allowance for a probable loss:</i>		
Balances at beginning of period	62,098	62,098
Provisions	23,379	-
Balance at end of period	85,477	62,098
Net book value	₱51,537	₱59,877

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.

On January 27, 2021, the ACEX Executive Committee approved the ACEX's withdrawal from the SC 6 Block A consortium. SC 6A does not have any commercial operations. Provision for probable loss was recognized for SC 6A amounting to ₱23.4 million. Write-off of SC 6 will be done upon receipt of DOE approval.

Additions for the period for SC 55 pertains to the well engineering, drilling planning services and assessment.

No impairment was recognized for SC 55 as at June 30, 2021 and December 31, 2020 as there are no indicators for impairment.



15. Right-of-Use Assets and Lease Liabilities

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 and in 35th Floor of Ayala Triangle Gardens Tower 2 with 3 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.
- 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

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.

SLTEC's lease agreement was terminated effective May 31, 2020.

In 2021, the Parent Company entered into a 10-year lease agreement with Ayala Land, Inc, a related party, for the use of its office unit and parking slot with a gross leasable area of approximately 4,905.80 sqm. The Company recognized a right-of-use asset and lease liability amounting to ₱1,024.86 million and ₱1,024.35 million, respectively, arising from this lease agreement, which are treated as non-cash items in the consolidated statement of cash flows (see Note 29).

For the period ended June 30, 2021 and 2020, the total cash outflow in respect of leases amounted to ₱140.12 million and ₱116.9 million, respectively. Interest expense in relation to lease liabilities for the six-month periods ended June 30, 2021 and 2020 amounted to ₱59.40 million and ₱122.97 million, respectively, and is presented as part of "Interest and Other Finance Charges" in the consolidated statements of income (see Note 26).

Moreover, the Group recognized amortization expense for its right-of-use asset amounting to ₱184.79 million and ₱51.46 million and is presented as part of Depreciation and amortization in the consolidated statement of income for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 25). The Group recognized rent expense from short-term leases amounting to nil for the six-month periods ended June 30, 2021 and 2020, respectively.

There was no indication of impairment on the right-of-use asset of the Group as at June 30, 2021 and December 31, 2020.



16. Other Noncurrent Assets

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Advances to suppliers	₱1,207,677	₱850,384
Development costs	381,275	309,395
Deposits	138,142	105,337
Derivative asset (Notes 8, 19 and 32)	10,144	35,046
Others	15,197	3,598
Balance at end of the period	₱1,752,435	₱1,303,760

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.

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.

Derivative asset includes non-current portion of foreign exchange forward contracts.

17. Accounts Payable and Other Current Liabilities

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Trade	₱3,632,377	₱1,183,743
Nontrade (Note 19)	2,635,466	2,729,529
Accrued expenses	1,174,439	641,683
Output VAT - net	887,663	946,529
Accrued interest expenses	132,170	203,972
Due to related parties (Note 29)	76,960	629,902
Derivative liability (Notes 8, and 32)	63,215	3,300
Retention payables	52,211	74,974
Accrued directors' and annual incentives (Note 29)	15,845	30,574
Contract liabilities	-	4,132
Others	97,663	41,851
	₱8,768,009	₱6,490,189

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 oil purchased by the Group.



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.

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.

Derivative liability pertains to foreign exchange forward contracts maturing within 12-month period (see Notes 8, and 32).

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

18. Loans

Long-term loans

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
SLTEC long-term loans	₱9,950,000	₱10,587,500
ACEN long-term loans	8,030,698	8,128,347
NorthWind loan	2,167,060	2,233,530
Guimaras Wind term-loan facility	1,347,466	1,410,268
BWPC long-term loans	–	135,383
	21,495,224	22,495,028
Less unamortized debt issue costs	222,507	240,873
	21,272,717	22,254,155
Less current portion of long-term loans (net of unamortized debt issue costs)	668,894	707,782
Noncurrent portion	₱20,603,823	₱21,546,373

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

	Debt Issue Costs
As at December 31, 2019	257,071
Additions	28,500
Amortization/accretion for the year	(44,698)
As at December 31, 2020	₱240,873
Additions	6,038
Amortization/accretion for six-month period* (Note 26)	(24,404)
As at June 30, 2021	₱222,507

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



ACEN

On March 30, 2021, ACEN prepaid in full its ₱1,175.00 million term term loan facility with Development Bank of the Philippines (“DBP”). ACEN was granted consent by DBP for the prepayment of the loan without premium or penalty.

ACEN’s Loan Agreement with DBP

On March 19, 2021, the Parent Company entered into a new loan agreement with DBP for a maximum principal amount of ₱4.50 billion.

First drawdown on the facility was made on March 30, 2021 amounting to ₱805.00 million. The loan has 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 thirtieth (30th) 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 is subject to a floating interest rate that is repriced on every succeeding semi-annual period. The Company has the option to convert the interest rate to fixed on any semi-annual payment date up to the second (2nd) anniversary from the initial drawdown on the facility. ACEN has the option to prepay the loan, wholly or partially, on any interest payment date during the term of the loan. The management assessed that the embedded derivatives is not for bifurcation because the interest floor rate is considered clearly and closely related with the loan and the exercise price of the prepayment option approximates the amortized cost of the loan.

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 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 ₱1.54 billion and ₱1.68 billion as noncurrent as at June 30, 2021 and December 31, 2020, respectively.

Guimaras Wind

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 ₱3,806.04 million and ₱3,909.77 million as at June 30, 2021 and December 31, 2020, 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 June 30, 2021 and December 31, 2020. 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

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.

On May 7, 2021, SLTEC made a partial Cash Sweep Prepayment of ₱500.00 million on its loan. The remaining principal balance of the loan is ₱9,950.00 million.

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.

NorthWind

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 of 1.05 times. As at June 30, 2021 and December 31, 2020, NorthWind is compliant with its loan covenants.

BWPC

The outstanding loan balance to UPC Holdco amounting to nil and ₱145.04 million as at June 30, 2021 and December 31, 2020, respectively. Loan was used for the funding of the Balaoi and Caunayan Wind Energy Project. BWPC availed loans from UPC Holdco amounting to ₱33.62 million and ₱17.28 million in 2021 and 2020, 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 for the six-month periods ended June 30, 2021 and 2020 arising from the loans payable amounted to ₱64.42 million and ₱15.31 million. The outstanding interest payable amounted nil and ₱62.92 million as at June 30, 2021 and December 31, 2020 respectively.

In May 2021, outstanding loan balance including the interest payable were paid in full.

Total interest expense recognized on ACEN's, Guimaras Wind's, SLTEC's, NorthWind's and BWPC's long-term loans amounted to ₱577.50 million and ₱664.57 million for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 26).

Principal payments made relative to the Group's long-term loans amounted to ₱1,847.70 million and ₱2,451.10 million for the six-month periods ended June 30, 2021 and 2020. ACEN paid ₱6.04 million and ₱17.25 million debt issue costs for the relevant loans availed in for the current period 2021 and in 2020.



Short-term loans

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated)
Beginning balance	₱4,635,000	₱3,556
Availments	3,000,000	5,385,000
Loans assumed through business combination	-	395,388
Payments	(7,635,000)	(1,148,944)
Ending balance	₱-	₱4,635,000

Below are the pertinent details of the loans from BDO, SBC, CBC and RCBC that were paid in full by the Parent Company on their respective maturity dates.

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
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
RCBC	October 8, 2020	₱500,000,000	3.000%	April 6, 2021

In March 2021, Parent Company further availed a short-term loan from BDO and RCBC amounting to ₱1,000 million and a ₱2,000 million. These were fully paid on its maturity date, March 26, 2021 and April 6, 2021.

As at June 30, 2021, all the outstanding short-term loans of the Parent Company were already paid.

Total interest expense recognized on ACEN's short-term loans amounted to ₱52.70 million and ₱83.68 million for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 26).

19. Other Noncurrent Liabilities

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Trade payable (Note 17)	₱1,123,511	₱1,123,511
Contract liabilities	243,684	161,125
Asset retirement obligation	182,979	137,407
Deposit payable	180,372	167,593
Nontrade payable	136,349	100,974
Derivative liability (Notes 16 and 32)	10,144	-
Others	22,127	4,438
	₱1,899,166	₱1,695,048



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”

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.

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

Nontrade payable are payables from over remittance of business interruption claims and environmental laws compliance.

20. Equity

Capital Stock

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

	Number of Shares	
	June 30, 2021 (Unaudited)	December 31, 2020
Authorized capital stock - ₱1 par value	48,400,000,000	24,400,000,000
Issued shares:		
Balance at beginning of period	13,706,957,210	7,521,774,922
Issuance of new shares during the period	24,533,380,967	6,185,182,288
Balance at end of period	38,240,338,177	13,706,957,210

The issued and outstanding shares as at June 30, 2021 and December 31, 2020 are held by 3,182 equity holders for both periods ended.

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

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



Year Approval	No. of shares Registered	No. of shares Issued	Par Value
2019	–	2,632,000,000	1.00
2020	16,000,000,000	6,185,182,288	1.00
2021	–	24,533,380,967	1.00

*On April 7, 1997, par value was increased from ₱0.01 to ₱1.00.

**Equivalent number of shares at ₱1.00 par.

Stock Rights Offering

On November 11, 2020, the BOD of ACEN approved the pricing for, and volume of, the shares that will be issued pursuant to ACEN’s stock rights offering (SRO). ACEN will issue 2,267,580,434 shares at ₱2.37, and at an entitlement ratio of 1.11 shares:1 offer share subject to requisite approval by the SEC of the details of the offer, including the offer price.

On December 11, 2020, ACEN received the confirmation letter from the SEC that the SRO is exempt from registration requirements under the Section 8 of the Code pursuant to Section 10.1 thereof.

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 preemptive 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.;
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,

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 shares which were subsequently listed with the PSE on January 29, 2021.

Transaction costs include documentary stamp taxes, SEC fees and other costs paid relevant to share issuance amounting to ₱24.13 million were charged to additional paid-in capital account.



Arran's Private Placement

On December 30, 2020, ACEN and ACEIC signed an Investment Agreement with Arran for the latter's investment into ACEN to acquire 17.5% ownership stake on the basis that ACEN's stock rights offering ("SRO") and follow-on offering ("FOO"), and the infusion by ACEIC of its international business into ACEN have been completed (see Note 1).

On March 18, 2021, Arran subscribed to 4 billion common shares of ACEN at a price of ₱2.97 per common share through a private placement (the "Private Placement"), for an aggregate value or consideration of ₱11.88 billion. The subscription price was offered by Arran pursuant to its binding offer on November 10, 2020, and which offer was approved by the BOD of ACEN during its meeting of November 11, 2020.

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 for the private placement represents a 25% premium to the BOD-approved SRO price of ₱2.37 per share.

The completion of Arran's purchase of secondary shares from ACEIC is subject to definitive documentation being signed by the parties.

As at June 30, 2021, ACEIC directly owns 71.84% (December 31, 2020: 81.62%) of the ACEN's total outstanding shares of stock.

Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance amounting to ₱68.48 million were charged to additional paid-in capital account.

Follow-On Offering

On December 17, 2020, the BOD of ACEN approved the conduct of an FOO and delegated authority to the Executive Committee to determine the final issue price for the shares to be issued.

On February 4, 2021, acting on the authority delegated by the BOD, ACEN's Executive Committee approved an FOO price range of ₱6.00-₱6.50 per share for up to 2 billion 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.

On March 18, 2021, the BOD of ACEN approved the issuance of 1.58 billion primary shares for the FOO.

On April 29, 2021, the Executive Committee approved the offer price of ACEN's FOO at ₱6.50 per share. This price was determined based on a book-building process which saw significant participation from leading global long-term institutional investors, resulting in multiple times oversubscription.

On May 5, 2021, ACEN received approvals from the PSE and obtained permit to sell from the SEC.

During the retail offer period for the FOO on May 3, 2021 to May 7, 2021, ACEN completed up to 2.01 billion common shares priced at ₱6.50 per share, consisting of 1.58 billion primary shares, 330.24 million secondary shares offered by ACEIC and Bulacan Power (the "Selling Shareholders"), and an over-subscription of 100.00 million secondary shares sold by ACEIC.



About 80% of the base offer shares was offered to qualified institutional buyers. The remaining 20% was placed out to eligible trading participants of the PSE.

The primary shares were listed on the PSE on May 14, 2021. This brought ACEN's total outstanding shares to 21.54 billion, with a market capitalization of over ₱150 billion.

Transaction costs include documentary stamp taxes, SEC fees and other costs paid relevant to share issuance amounting to ₱189.48 million were charged to additional paid-in capital account.

Acquisition of ACEIC's offshore subsidiaries through share swap

On April 27, 2021, ACEN signed a Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685,800,533 shares 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 ACE International (share swap transaction), which holds ACEIC's international renewable assets.

On June 7, 2021, the application for the increase from 24.4 billion shares to 48.4 billion shares in the ACS of ACEN was approved by the SEC. Consequently, the closing date of the share swap was on June 7, 2021.

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 ₱34.50 million and ₱40.93 million as at June 30, 2021 and December 31, 2020, respectively, and (b) undistributed earnings of subsidiaries, associates and joint ventures included in the Group's retained earnings amounted to ₱25,102.74 million and ₱23,922.10 million as at June 30, 2021 and December 31, 2020, respectively.

Dividends

On March 18, 2021, the BOD of ACEN approved the declaration of cash dividends of six centavos (₱0.06) per share on the 19,960,037,644 issued and outstanding shares of the Parent Company, or a total dividend amount of ₱1,197,602,259, paid on April 19, 2021 to the shareholders on record as at April 5, 2021. ₱1,195,787,042 of the amounts declared was paid to the equity holders of the Parent Company.

There was no declaration of dividends for the six-month period ended June 30, 2020.

Treasury Shares

Bulacan Power holds ACEN shares and are classified as treasury shares. During the period, Bulacan Power acquired 23,284,346 ACEN shares amounting to ₱55.18 million through its participation in SRO, of which, was part of the 30,248,617 ACEN shares amounting to ₱61.62 million reissued subsequently through the secondary offer in FOO.

In 2020, 16.70 million ACEN shares held by Bulacan Power amounting to ₱15.43 million were reissued.

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, of which, the cumulative number of shares repurchased is at 14.50 million for an aggregate repurchase price of ₱28.66 million.



Non-controlling Interest (NCI)

The rollforward of this account is as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Balance at beginning of period	₱50,398,831	₱39,371,962
Net income attributable to NCI	1,426,824	2,114,048
Capital infusions	1,987	9,776,936
Dividends	(1,153,414)	(1,961,062)
Cumulative translation adjustments	2,440	(2,397)
Additions through business combination	-	1,099,344
Balance at end of period	₱50,676,668	₱50,398,831

Capital infusions

In 2021, UPC IV infused ₱1.80 million for its subscription to Solarace4, while UPC II infused ₱0.19 million to BWPC.

On July 28, 2020, UPC Philippines HoldCo. IV B.V. (“UPC”) signed a subscription agreement to Solarace4 for 0.18 million common shares and 1.62 million redeemable preferred B shares, both with ₱1.00 par value, with total subscription price of ₱1.80 million, to be issued out of Solarace4 increase in the authorized capital stock, of which, as at report date, is pending approval by the SEC.

In 2020, additional infusions totaling to US\$16.30 million (₱768.13 million) were made by UPC Renewables Australia Pty. Ltd. to UAC Energy Holdings Pty. Ltd. for the subscription of 25.20 million shares, while ACEFIL subscribed to additional redeemable preferred shares of ACEC for a total of \$146 million (₱9,008.81 million).

Dividends

On January 18, 2021 and May 19, 2021, the BOD of ACEC declared dividends to shareholders of its various redeemable preferred shares for a total of \$13.00 million (₱625.57 million) and \$14.13 million (₱521.19 million), respectively, of which are owned by ACEFIL, recognized as non-controlling interest.

On December 18, 2020, the BOD of ACEC declared dividends to shareholders of its various redeemable preferred shares for a total of \$38.03 million (₱1,827.94 million).

In 2021, the BOD of MSPDC approved two (2) declaration of cash dividends amounting to ₱15.00 million each, of which, ₱5.10 million was attributable to NCI. These were fully paid on March 6, 2021 and June 28, 2021.

In 2020, the BOD of MSPDC declared total cash dividends of ₱60.00 million, while the BOD of NorthWind declared cash dividends of ₱300.00 million. Both were fully paid in 2020.



Other Equity Reserves

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Effect of common control business combinations (a)	(P53,278,092)	P31,004,460
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)
Effect of distribution of property dividends - ACEX shares	1,107	1,107
Other equity reserves from joint venture	17,231	17,231
	(P55,620,195)	P28,662,357

- (a) This represents the impact of the share swap transactions with ACEIC to acquire the latter's ownership interest in various offshore and onshore entities in exchange for ACEN's issuance of additional primary shares via a tax-free exchange (see Notes 1 and 4).

Thru the share swap transaction, the Parent Company gains control of the 35% NCI in SLTEC.

- (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%.

21. Revenue from Sale of Electricity

The table presents the Group's revenue from different revenue streams:

	For the three-month period ended June 30		For the six-month period ended June 30	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Revenue from power supply contracts	P4,585,692	P2,289,852	P8,154,152	P5,881,306
Revenue from power generation and trading	3,044,895	3,062,282	5,165,210	4,006,171
	P7,630,587	P5,352,134	P13,319,362	P9,887,477

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 P4.2366/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 have entered into an agreement for the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱158.50 million. As at April 29, 2021, the amount of ₱158.50 has already been fully collected (see Note 6).

FIT adjustment

On February 19, 2021, ERC clarified on its letter to National Transmission Corporation ("TransCo"), the Administrator of the FIT system, by specifying the timing and manner of billing the FIT Adjustment. Actual recovery of arrears shall be for a period of five (5) years. Billing for January 2016 generation period shall start in December 2020, and payment schedule shall start in January 2021, following the five-year recovery period. Moreover, pending the approval of the 2021 FIT-All rate and adjustment of FIT rates, the original approved FIT rates shall be used for the 2021 generation billing. Revenue in 2021 was based on 2020 approved FIT rates in the absence of the 2021 FIT rates. Currently, there's a moratorium on interest on the delayed payments. It is expected that the adjusted FIT rates applicable for 2021 will also be collected in arrears in accordance with the approval of the ERC.

Pre-termination fees

Revenues from power supply contract for the six-month period ended June 30, 2020 include customer pre-termination fees of ₱289.08 million, nil in 2021.

22. Costs of Sale of Electricity

	For the three-month period ended June 30		For the six-month period ended June 30	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Costs of purchased power	₱3,466,925	₱1,221,112	₱5,805,073	₱2,979,175
Fuel (Note 7)	668,437	701,244	1,467,987	1,445,982
Stations used	874,821	73,474	1,045,180	202,510
Depreciation and amortization (Notes 9, 15 and 25)	480,717	482,560	876,865	849,205
Taxes and licenses	5,913	124,478	318,234	217,244
Repairs and maintenance	137,683	80,254	276,140	239,898
Salaries and directors' fees (Note 24)	128,742	94,534	214,514	172,878
Insurance	90,354	79,384	180,047	154,952
Contractor's fee	32,258	29,249	62,893	43,757
Transmission costs	36,385	1,657	46,311	24,206
Rent	8,184	5,936	14,061	11,734
Filing fees	5,609	8,261	11,759	8,261
Communication	4,871	2,658	8,368	3,569
Pension and other employee benefits	3,632	1,864	7,006	3,059
Transportation and travel	2,012	1,028	4,624	2,675
Others	4,362	6,289	45,287	46,890
	₱5,950,905	₱2,913,982	₱10,384,349	₱6,405,995



23. General and Administrative Expenses

	For the three-month period ended June 30		For the six-month period ended June 30	
	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)
Taxes and licenses	₱258,326	₱215,668	₱400,049	₱334,450
Management and professional fees	271,599	198,562	344,256	301,812
Salaries and directors' fees (Note 24)	72,717	171,563	137,718	247,301
Provision for impairment of PPE (Note 9)	112,073	–	112,073	–
Depreciation and amortization (Note 25)	49,574	1,935	88,935	25,667
Provision for deferred exploration costs (Note 14)	–	–	23,379	–
Building maintenance and repairs	1,340	3,150	13,905	6,203
Insurance, dues and subscriptions	9,035	3,679	12,794	4,498
Transportation and travel	1,684	260	10,836	1,736
Advertising	7,267	70	10,623	431
Contractor's fee	6,534	–	9,846	3,646
Pension and other employee benefits	3,395	4,648	7,230	4,831
Rent	3,520	2,504	6,453	5,412
Corporate social responsibilities	896	16,451	4,745	16,534
Utilities	2,428	2,671	3,870	4,405
Communication	1,268	1,240	2,247	1,428
Office supplies	852	671	2,062	1,661
Meeting and conferences	439	1,396	986	1,595
Provision for credit losses (Note 6)	–	–	873	–
Others	23,502	16,205	28,339	22,686
	₱826,449	₱640,672	₱1,221,219	₱984,296

24. Personnel Expenses

	For the three-month period ended June 30		For the six-month period ended June 30	
	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)
<i>Salaries and directors' fees included under:</i>				
Cost of sale of electricity (Note 22)	₱128,742	₱94,534	₱214,514	₱172,878
General and administrative (Note 23)	72,717	171,563	137,718	247,301

(Forward)



	For the three-month period ended June 30		For the six-month period ended June 30	
	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)
<i>Pension and other employee benefits included under:</i>				
Cost of sale of electricity (Note 22)	₱3,632	₱1,864	₱7,006	₱3,059
General and administrative (Note 23)	3,395	4,648	7,230	4,831
	₱208,486	₱272,609	₱366,468	₱428,069

25. Depreciation and Amortization

	For the three-month period ended June 30		For the six-month period ended June 30	
	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)
Property, plant and equipment (Note 9)	₱333,366	₱465,763	₱701,154	₱823,411
Right-of-use assets (Note 15)	144,869	18,732	184,794	51,461
Intangible assets (Note 14)	52,056	–	79,852	–
	₱530,291	₱484,495	₱965,800	₱874,872
Cost of sale of electricity (Note 22)	₱480,717	₱482,560	₱876,865	₱849,205
General and administrative expenses (Note 23)	49,574	1,935	88,935	25,667
	₱530,291	₱484,495	₱965,800	₱874,872

26. Interest and Other Finance Charges

	For the three-month period ended June 30		For the six-month period ended June 30	
	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)
Interest expense on:				
Long-term loans (Note 18)	₱282,847	₱307,249	₱577,497	₱664,572
Lease obligations (Note 15)	49,448	105,178	59,396	122,967
Short-term loans (Note 18)	(3,200)	80,324	52,697	83,683
Discount in accounts payable	25,113	–	48,356	–
Amortization of debt issue cost (Note 18)	7,673	19,304	24,404	27,729
Other finance charges	13,108	23,796	41,318	27,628
	₱374,989	₱535,851	₱803,668	₱926,579



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 Note 17).

27. Other Income - Net

	For the three-month period ended June 30		For the six-month period ended June 30	
	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)
Interest and other financial income	₱962,723	₱459,074	₱1,775,643	₱889,097
Guarantee fee income (Note 36)	131,094	17,358	138,683	17,358
Reversal of impairment on property, plant and equipment (Note 9)	-	-	86,890	-
Tax credits on real property taxes	69,154	-	69,154	-
Gain on settlement of derivatives - net (Notes 8 and 32)	-	33	41,700	-
Gain on reversal of impairment of investments in joint venture, net (Note 10)	37,635	-	37,635	-
Gain on sale of by-product	15,806	15,981	23,209	22,743
Claims on insurance	20,917	-	20,917	-
Foreign exchange gain - net	(5,580)	43,395	15,603	32,804
Mark-to-market gains	-	789,151	-	789,151
Fees for advisory services	-	-	-	121,685
Loss on sale of property, plant and equipment (Note 9)	(515)	(10,349)	(985)	(3,383)
Others	(4,867)	3,005	32,370	3,419
	₱1,226,367	₱1,317,648	₱2,240,819	₱1,872,874

Guarantee fee income arise from guarantee recoveries billed to affiliates (see Note 36).

Tax credits on real property taxes were granted to ISLASOL by its local government unit for its machineries and buildings in La Carlota, Negros Occidental.

Gain (loss) on settlement of derivatives pertain to maturities of foreign exchange forward contracts entered by ACEN with various banks (see Notes 17 and 32).

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.

Claims on insurance arise from NorthWind property damage claims.

Mark-to market gains arise from the 20.00% ownership interest in Infigen Energy Ltd. (Infigen) recognized as financial assets at FVTPL which were acquired in April and May 2020, and subsequently sold in September 2020. Infigen is an Australia-based renewable energy company supplying electricity. The shares of Infigen are listed and actively traded in the Australian Securities Exchange.



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.

Interest and Other Financial Income

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

	For the three-month period ended June 30		For the six-month period ended June 30	
	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)
Interest income on:				
Cash in banks and Short-term deposits (Note 5)	₱18,661	₱95,579	₱29,525	₱221,346
Receivables and others	497,645	111,583	811,971	285,608
Investment Income	446,417	251,912	934,147	382,143
	₱962,723	₱459,074	₱1,775,643	₱889,097

28. Income Taxes

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

	For the three-month period ended June 30		For the six-month period ended June 30	
	2021 (Unaudited)	2020 (Unaudited, Restated)	2021 (Unaudited)	2020 (Unaudited, Restated)
Current	(₱47,253)	₱74,600	₱87,948	₱150,396
Deferred	(15,800)	500,910	(22,624)	518,003
Provision for income tax	(₱63,053)	₱575,510	₱65,324	₱668,399

Applying the provisions of the CREATE Act, the Parent Company and certain subsidiaries of the Group were subjected to either a lower regular corporate income tax rate of 25% or a minimum corporate income tax rate of 1% effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated RCIT and MCIT rates of the Company for CY2020 are 27.5% and 1.5%, respectively. This resulted in reduction of provision for current income tax by ₱32.96 million and of provision for deferred income tax by ₱25.36 million for the year ended December 31, 2020. These adjustments were recognized in the consolidated statement of comprehensive income for the six-month period ended June 30, 2021.

Net deferred income tax assets and net deferred income tax liabilities amounted to ₱480.91 million and ₱118.55 million, respectively, as at June 30, 2021 and ₱416.35 million and ₱130.98 million, respectively, as at December 31, 2020.



For certain entities within the Group, 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.

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 for the six-month periods ended June 30, 2021 and 2020. The assessment of collectability of receivables from related parties is undertaken each financial period 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 period ended June 30, 2021 and December 31, 2020 with related parties are as follows:

Company	As at and for the six-month period ended June 30, 2021 (Unaudited)					
	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
<u>Parent</u>						
<u>ACEIC</u>						
Due to related parties / General and administrative expenses	₱297,808	Management fees	₱-	(71,752)	30-day, non-interest bearing	Unsecured
Due from related parties/Management fees income	20,745	Management fees	142,868	-	30-day, non-interest bearing	Unsecured; no impairment
Due from related parties	-	Loans receivable	9,174,816	-	30-day, non-interest bearing	Unsecured; no impairment
Due from related parties/ Interest Income	24,894	Accrued interest receivables	25,160	-	30-day, non-interest bearing	Unsecured; no impairment
<u>Associates and Joint Ventures</u>						
<u>MGI</u>						
Due to related parties / Cost of sale of electricity	93,131	Purchase of electricity	-	-	30-day, non-interest bearing	Unsecured;
<u>Asia Coal</u>						
Due to related parties	-	Advances	-	(254)	Non-interest bearing	Unsecured
<u>North Luzon Renewable Energy Corp.</u>						
Due from related parties	13,703	Management fees income	5,209	-	30-day, non-interest bearing	Unsecured; no impairment
Due to related parties	-	Advances	-	(1,069)	30-day, non-interest bearing	Unsecured
<u>Star Energy Geothermal (Salak-Darajat) BV</u>						
Due from related parties	-	Dividend Income	336,410	-	30-day, non-interest bearing	Unsecured; no impairment

(Forward)



Company	As at and for the six-month period ended June 30, 2021 (Unaudited)					
	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
<u>Various Associates and Joint Ventures</u>						
Due from related parties	₱69,722	Management fees income	₱70,365	₱-	30-day, non-interest bearing	Unsecured; no impairment
Due from related parties	9,873	Rental income	2,725	-	Subsequently on demand	Unsecured; no impairment
Due from related parties	-	Other receivables	226,252	-	30 days	Unsecured; no impairment
Due from related parties	6,087,636	Loans receivable	16,763,792	-	nontrade, interest bearing	Unsecured; no impairment; due on various dates from 2021 to 2025
Due from related parties	1,494,129	Accrued interest receivables	1,837,952	-	30-day, non-interest bearing	Unsecured; no impairment
<u>Entities Under Common Control of Ultimate Parent Company</u>						
<u>Various Entities under ACEIC</u>						
Due to/from related parties	-	Other receivables/payables	3,872	(3,885)	30-day, non-interest bearing	Unsecured; no impairment
Due from related parties	27,309	Loans receivable	27,309	-	30-day, non-interest bearing	Unsecured; no impairment
Due from related parties	1,167	Accrued interest receivables	1,167	-	30-day, non-interest bearing	Unsecured; no impairment
<u>Other affiliates</u>						
<u>Bank of the Philippine Islands</u>						
Long-term loans	-	Long-term loan	-	(2,152,473)	12 years	Unsecured
Long-term loans	56,453	Interest on long-term loan	-	-	30 days	Unsecured
<u>Ayala Land, Inc. (ALI)</u>						
Right-of-use asset	50,190	Lease of office unit and parking slot	1,024,857	-	10 years	Unsecured; no impairment
Lease liability	19,143	Lease of office unit and parking slot	-	(984,883)	10 years	Unsecured
<u>Other related parties</u>						
<u>Sidrap HK</u>						
Financial asset at FVOCI	-	Redeemable Class B preference shares	328,888	-	On demand	On demand; no impairment
Dividend income	6,549	Cash dividends	-	-	30-day, non-interest bearing	Unsecured
AYCFL	(12,687,858)	Redeemable preference shares	-	-	Cumulative, non-voting and redeemable at the option of AYCFL, at price and terms to be determined by its directors	Unsecured
<u>Others</u>						
Other financial assets at amortized cost	2,066,169	Redeemable preferred shares	10,247,437	-	Interest-bearing, due on various dates from 2021 to 2025	Unsecured; no impairment
Other financial assets at amortized cost	4,407,215	Convertible loans	11,523,052	-	Interest-bearing, due on various dates from 2021 to 2045	Unsecured; no impairment

(Forward)



As at and for the six-month period ended June 30, 2021 (Unaudited)						
Company	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
Directors						
General and administrative expenses	15,845	Directors' fee and annual incentives	–	(15,845)	On demand	Unsecured
Stockholders						
Due to stockholders	1,199,143	Cash Dividends	–	(16,585)	On demand	Unsecured
Due from related parties (Note 6)			₱28,617,897	₱–		
Investments in:						
Financial assets at FVOCI (Note 11)			328,888	–		
Other financial assets at amortized cost (Note 12)			21,770,489	–		
Due to related parties (Note 17)			–	(76,960)		
Long-term loans (Note 18)			–	(2,152,473)		
Accrued director's and annual incentives (Note 17)			–	(15,845)		
Due to stockholders (Note 32)			–	(16,585)		
Right-of-use asset (Note 15)			1,024,857	–		
Lease liability (Note 15)			–	(984,883)		
As at and for the year ended December 31, 2020 (As restated, Note 4)						
Company	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
Parent						
ACEIC						
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
Due to related parties	55,209	Receivables from ACRI	–	(56,978)	30-day, non-interest bearing	Unsecured
Due from related parties	–	Dividend income	11,521	–	Due and demandable	Unsecured; no impairment
Due from related parties	–	Advances	110,373	–	Due and demandable	Unsecured; no impairment
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
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
Asia Coal						
Due to related parties	–	Advances	–	(254)	Non-interest bearing	Unsecured
Various Associates and Joint Ventures						
Due from related parties	–	Other receivables	105,960	–	30 days	Unsecured; no impairment
Due from related parties	5,928,189	Loans receivable	10,676,156	–	interest bearing	Unsecured; no impairment; due on various dates from 2020 to 2025

(Forward)



As at and for the year ended December 31, 2020 (As restated, Note 4)						
Company	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
Due from related parties	₱-	Accrued interest receivables	₱1,166,587	₱-	30-day, non-interest bearing	Unsecured; no impairment
<u>Entities Under Common Control of Ultimate Parent Company</u>						
<u>Various Entities under ACEI</u>						
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
<u>Other affiliates</u>						
<u>Bank of the Philippine Islands</u>						
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
<u>UPC Holdco II</u>						
Long-term loans	135,383	Long-term loan	-	(135,383)	12 years	Unsecured
Long-term loans	15,308	Interest on long-term loan	-	(61,341)	30 days	Unsecured
<u>Other related parties</u>						
<u>Sidrap HK</u>						
Due to related parties	11,240	Shareholder advances	-	(11,240)	On demand	On demand
Financial asset at FVOCI	-	Redeemable Class B preference shares	379,957	-	On demand	On demand; no impairment
<u>AYCFL</u>						
Financial asset at FVOCI	(7,275,900)	Redeemable preference shares	12,620,756	-	Cumulative, non-voting and redeemable at the option of AYCFL, at price and terms to be determined by its directors	Unsecured; no impairment
<u>Others</u>						
Other financial assets at amortized cost	4,806,979	Redeemable preferred shares	8,181,268	-	Interest-bearing, due on various dates from 2020 to 2025	Unsecured; no impairment
Other financial assets at amortized cost	7,115,837	Convertible loans	7,115,837	-	Interest-bearing, due on various dates from 2020 to 2045	Unsecured; no impairment
<u>Directors</u>						
General and administrative expenses	30,574	Directors' fee and annual incentives	-	(30,574)	On demand	Unsecured
<u>Stockholders</u>						
Due to related parties	₱18,272	Cash Dividends	-	(₱18,272)	On demand	Unsecured
Due from related parties (Note 6)			₱12,119,677	₱-		
Investments in:						
Financial assets at FVOCI (Note 11)			13,000,713	-		
Other financial assets at amortized cost (Note 12)			15,297,105	-		
Due to related parties (Note 17)			-	(629,902)		
Long-term loans (see Note 18)			-	(2,530,893)		
Accrued director's and annual incentives (Note 17)			-	(30,574)		
Due to stockholders (Note 32)			-	(18,272)		



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.

Receivables from Asian Wind I (Joint venture)

In 2020, the Group and Asian Wind 1 entered into an interest-bearing loan agreement to refinance the Preferred B Facility Agreement and to provide additional funding for the development, financing and construction of the Dai Phong Project. The interest-bearing loan has a total facility of US\$61.00 million and bears an annual fixed rate and payable 12 months from the commissioning date. For this loan agreement, drawdown was made on May 20, 2020.

As at June 30, 2021 and December 31, 2020, outstanding balance of the interest-bearing loan amounted to US\$56.80 million (₱2,757.30 million) and US\$56.80 million (₱2,728.90 million), respectively. Interest income amounted to US\$1.99 million (₱95.67 million) and USD\$2.41 million (₱120.54 million) for the period ended June 30, 2021 and 2020, respectively.

Receivables from BIMRE (Joint venture)

In 2020, the Group and BIMRE entered into an interest-bearing loan agreement to partially fund the construction of the incremental project expansion. The interest-bearing loan has a total facility of US\$40.00 million, bears an annual fixed interest and is payable 12 months from the drawdown date. First drawdown was made on June 9, 2020.

On January 4, 2021, the Group made another drawdown amounting to US\$3.00 million (₱144.06 million).

As at June 30, 2021 and December 31, 2020, outstanding balance of the interest-bearing loan amounted to US\$37.70 million (₱1,830.11 million) and US\$34.70 million (₱1,666.85 million), respectively. Interest income amounted to US\$1.87 million (₱89.81 million) and US\$0.01 million (₱0.38 million) for the periods ended June 30, 2021 and 2020, respectively.

Receivables from Yoma (Affiliate)

In 2019, the Group and Yoma, signed a term sheet, which includes an interest-bearing loan for the development of Yoma Micro Power. The interest-bearing loan has a total facility of US\$25.00 million and bears an annual fixed interest and payable upon maturity. The loan is covered by a Guarantee Agreement between the Group (as "Lender") and Yoma (as "Guarantor"). The Guarantee Agreement stands as security for the prompt and complete payment, where the Guarantor irrevocably and unconditionally undertake that in case of default, the Guarantor shall pay the Lender the guaranteed obligations as if the Guarantor instead of the Borrower were expressed to be the principal obligor without any further proof or condition and without any investigation or enquiry. The principal and interest of the loan are originally payable on October 17, 2020 and was extended to December 31, 2021.



As at June 30, 2021 and December 31, 2020, outstanding balance of the interest-bearing loan amounted to US\$24.01 million (₱1,165.63 million) and US\$24.08 million (₱1,156.88 million), respectively.

Receivables from Vietnam Wind Energy Limited (Joint venture)

In 2020, the Group and Vietnam Wind Energy entered into an interest-bearing loan facility to provide bridge financing and to partially fund the construction of the Soc Trang Wind projects. The interest bearing loan has a total facility of US\$19.00 million and bears an annual fixed rate payable from the first utilization date. First utilization date was on August 11, 2020. The principal is originally payable on June 30, 2021 and was extended to maturity date of December 31, 2021 in 2021.

Total drawdowns for the period ended June 30, 2021 amounted to US\$24.85 million (₱240.54 million).

As at June 30, 2021 and December 31, 2020, outstanding balance of the interest-bearing loan amounted to US\$46.23 million (₱2,244.02 million) and US\$21.37 million (₱1,026.75 million), respectively. Interest income amounted to US\$2.36 million (₱113.69 million) and nil for the periods ended June 30, 2021 and was extended to December 31, 2021.

Receivables from UPC Renewables Australia Pty. Ltd. (Joint venture)

On December 9, 2020, the Group entered into a loan facility agreement with UPC Renewables Australia Pty for the implementation of the borrower's business plans amounting to US\$20.96. The principal and interests are payable on December 9, 2022.

As at June 30, 2021 and December 31, 2020, outstanding balance of the interest-bearing loan amounted to US\$20.21 million (₱981.25 million) and US\$20.96 million (₱1,006.97 million), respectively.

Receivables from Asian Wind 2 (Joint venture)

On April 14, 2020, the Group entered into an interest-bearing loan agreement with Asian Wind Power 2 HK to make available a Preferred B Facility in an aggregated amount not exceeding US\$54.00 million (₱2,617.00 million) to finance the development and construction of Hong Phong 1 Project. The principal and interest are payable on earlier of 5 business days from the date of drawdown of Debt Replacement facility or 25th anniversary of drawdown date. First drawdown was made on September 8, 2020.

Total drawdowns made for the period ending June 30, 2021 amounted to US\$16.80 million (₱807.04 million).

As at June 30, 2021 and December 31, 2020, outstanding balance of the interest-bearing convertible loan amounted to US\$37.55 million (₱1,822.68 million) and US\$20.75 million (₱996.60 million), respectively. Interest income amounted to US\$1.93 million (₱92.80 million) and nil for the periods ended June 30, 2021 and 2020, respectively.

Receivables from BIM Wind (Joint venture)

In 2020, the Group and BIM Wind entered into an interest-bearing loan agreement to fund the pre-development costs and turbine reservation fees of BIM Wind Project. The interest-bearing loan has a total facility of US\$45.00 million and bears an annual fixed interest and payable 12 months from the



drawdown date. On May 19, 2021, the Loan Agreement was amended to increase the loan facility to US\$91.00 million.

First drawdown was made on May 5, 2020.

Total drawdowns and principal payments made for the period ending June 30, 2021 amounted to US\$97.79 million (₱4,706.06 million) and US\$46.70 million (₱2,235.11 million), respectively.

As at June 30, 2021 and December 31, 2020, outstanding balance of the interest-bearing loan amounted to US\$69.09 million (₱3,353.66 million) and US\$18.00 million (₱864.65 million), respectively. Interest income amounted to US\$1.87 million (₱90.00 million) and US\$0.01 million (₱0.29 million) for the periods ended June 30, 2021 and 2020, respectively.

Receivables from UPC Solar (Joint venture)

In 2019, the Group and UPC Solar entered into an interest-bearing loan agreement to fund the development and construction of renewable energy assets in Asia. The interest-bearing loan has a total facility of US\$20.00 million and bears an annual fixed interest. The principal and the related interest are payable on January 31, 2023.

Total drawdowns and principal payments made for the period ending June 30, 2021 amounted to US\$6.50 million (₱313.52 million) and US\$6.40 million (₱306.29 million), respectively.

As at June 30, 2021 and December 31, 2020, outstanding balance of the interest-bearing loan amounted to US\$15.60 million (₱757.29 million) and US\$15.84 million (₱760.77 million), respectively. Interest income amounted to US\$0.73 million (₱35.11 million) and US\$0.41 million (₱20.38 million) for the periods ended June 30, 2021 and 2020, respectively.

Receivables from TBC (Associate)

In 2018, the Group and TBC entered into an interest-bearing loan agreement to fund the development costs for the pipeline projects of TBC. The interest-bearing loan has a total facility of US\$10.00 million and bears an annual fixed interest and payable upon maturity. In February 2019, the loan facility was increased to US\$20.00 million. On May 20, 2020, the Development Loan Agreement was amended to extend the maturity date to June 30, 2022 with partial principal due in 2021.

Total drawdowns amounted to US\$1.53 million (₱73.73 million) in 2021 while principal payments totaling US\$12.14 million (₱583.14 million) were made in 2020.

As at June 30, 2021 and December 31, 2020, outstanding balance of the interest-bearing loan amounted to US\$11.27 million (₱546.99 million) and US\$9.74 million (₱467.77 million), respectively. Interest income amounted to US\$0.52 million (₱24.95 million) and US\$0.75 million (₱37.78 million) for the periods ended June 30, 2021 and 2020, respectively.

Receivables from BT3 Windfarm (Affiliate)

In 2021, the Group and BT3 Windfarm entered into an interest-bearing loan facility to finance the development and construction costs of BT3 Windfarm projects in Vietnam. The interest-bearing loan has a total facility of US\$40.00 million. The interest is payable after each interest period equivalent to one month. Principal is to be fully paid not later than December 31, 2021.

Total drawdowns amounted to US\$26.88 million (₱1,303.11 million) in 2021.



As at June 30, 2021, outstanding receivable from BT3 Windfarm is US\$26.88 million (₱1,304.86 million) while interest income amounted to US\$0.37 million (₱17.95 million).

Receivables from ACEIC

On May 14, 2021, the Group and ACEIC entered into an uncommitted interest-bearing short-term loan facility. The interest-bearing loan has a total facility of US\$265.00 million and bears an interest rate equivalent to the sum of (a) applicable average 5-day USD 1-year LIBOR rate immediately prior to the actual drawing; and (b) 2.00% - 2.25%. The principal and interest are payable within one year from the drawdown date. First drawdown was made on May 17, 2021.

Total drawdowns amounted to US\$189.00 million (₱9,060.20 million) in 2021.

As at June 30, 2021, outstanding receivable from ACEIC is US\$189.00 million (₱9,174.82 million) while interest income amounted to US\$0.52 million (₱24.89 million).

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 amounted to ₱97.49 million and ₱27.70 million for the six-month periods ended June 30, 2021 and 2020, respectively.

30. Earnings Per Share

Basic and diluted EPS are computed as follows:

	For the three-month period Ended June 30		For the six-month period Ended June 30	
	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)	2021 (Unaudited)	2020 (Unaudited) (As restated, Note 4)
(In Thousands, Except for Number of Shares and Per Share Amounts)				
(a) Net income attributable to equity holders of Parent Company	₱1,418,108	₱1,968,246	₱2,690,363	₱2,573,406
Common shares outstanding at beginning of period (Note 20)	17,895,066,193	7,518,020,241	13,692,457,210	7,521,774,922
Weighted average number of:				
Shares issued during the period	2,530,571,339	271,876,145	6,733,180,322	271,876,145
Shares buyback during the period	—	(2,629,335)	—	(6,384,016)
(b) Weighted average common shares outstanding	20,425,637,532	7,787,267,051	20,425,637,532	7,787,267,051
Basic/Diluted earnings per share (a/b)	₱0.07	₱0.25	₱0.13	₱0.33



On June 22, 2020, upon the SEC's approval of increase in ACS from 8.4 billion to 24.4 billion, 6,185,182,288 shares of ACEN were issued to ACEIC through the onshore share swap transaction.

On June 7, 2021, upon the SEC's approval of increase in ACS from ₱24.4 billion to ₱48.4 billion shares, 16,685,800,533 shares of ACEN were issued to ACEIC through the offshore share swap transaction (see Notes 1, 4 and 20).

The SRO and FOO compensated current shareholders for dilution of their existing share as ACEN restructures ownership with the ACEIC onshore and offshore share swap transactions as well as Arran's investment that is set to acquire 17.5% ownership stake (see Note 1 and 20).

For the six-month periods ended June 30, 2021 and 2020, the Parent Company does not have any potential common shares or other instruments that may entitle the holder to common shares. Consequently, diluted earnings per share is the same as basic earnings per share for the six-month periods ended June 30, 2021 and 2020.

31. Significant Laws, Commitments and Contracts

Updates to certain contracts and commitments disclosed in the annual consolidated financial statements as at December 31, 2020 and new contracts entered during the six-month period ended June 30, 2021 are provided below:

Administration and Management Agreement ("AMA")

Executed on October 4, 2019, ACEN and SLTEC entered into an Administration and Management Agreement ("AMA") granting ACEN the exclusive right and obligation to administer and manage all of the net available output of SLTEC's power plant and ACEN's obligation to supply and deliver the necessary coal to generate electricity at an agreed price, subject to certain adjustments. The AMA is effective from August 26, 2019 and shall terminate on April 23, 2040 and February 20, 2041 for Unit 1 and Unit 2, respectively.

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 capacity and net 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.

On 25 September 2020, One Subic Power and ACEN executed Letter Agreement No. 01 which amended Article 5 (Supply of Electricity and Fees) of the PAMA.



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.

Tower 2 lease agreement with Ayala Land, Inc.

The Parent Company entered into an agreement with Ayala Land, Inc. (the Lessor) for lease of office units at 34th, 35th, and 36th floors of Ayala Triangle Gardens Two Building and 69 Appurtenant parking slots starting January 18, 2021 for a period of 10 years. The lease agreement provides for a 5% annual escalation rate for the rental payments (See Note 15).

Loan facilities commitment

As of June 30, 2021, the Group through ACRI has outstanding commitments of \$346.17 million (\$127.9 million as at December 31, 2020) under the loan facilities it provided to related parties.

32. 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 will 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 June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021 (Unaudited)		December 31, 2020 (As restated)	
	U.S. Dollar (US\$)	Sing (S\$)	U.S. Dollar (US\$)	Sing (S\$)
Financial Assets				
Cash and cash equivalents	\$17,890	S\$-	\$10,602	S\$-
Other receivables	133	-	-	-
	\$18,023	S\$-	\$10,602	S\$-
Financial Liabilities				
Accounts payable and other current liabilities	(\$1,655)	-	(4,860)	(24)
Short-term loans	-	-	-	-
Long-term loans	-	-	-	-
	(\$1,655)	(S\$-)	(\$4,860)	(S\$24)
Net foreign currency-denominated assets (liabilities)	\$16,368	S\$-	\$5,742	(S\$24)
Peso equivalent	₱794,503	₱-	₱275,846	(₱867)

In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rates used were ₱48.54 to US\$1.00 as at June 30, 2021 and ₱48.04 to US\$1.00, ₱58.69 to €1.00 and ₱36.12 to S\$1.00 as at December 31, 2020.



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 periods presented. 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\$	Sing (S\$)
June 30, 2021 (Unaudited)	(P0.50) (1.00) 0.50 1.00	(P8,184) (16,368) 8,184 16,368	P- - - -
December 31, 2020 (As restated, Note 4)	(P0.50) (1.00) 0.50 1.00	(P2,871) (5,742) 2,871 5,742	P12 24 (12) 24

For subsidiaries with functional currency in US\$, financial assets and liabilities are translated into Philippine peso, presentation currency of the Group using closing exchange rate prevailing at the reporting date, and respective income and expenses at the average rate for the period. These include the assets and liabilities of ACRI and its subsidiaries composed of dollar denominated investments in associates and joint ventures, accounts and other payables, and notes payable with US\$ functional currency, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and the respective income and expenses at the average rate for the period. Assets and liabilities of AC Energy Cayman which are in US\$ functional currency was likewise translated to the Group's presentation currency.

The exchange difference arising on the translation are recognized in OCI under "Cumulative Translation Adjustments". See below for the carrying amounts.

	June 30, 2021 (Unaudited)	
	Peso	US\$
Cash and cash equivalents	P18,948,210	\$390,331
Receivables	31,194,990	642,613
Investments in:		
Associates and joint ventures	12,633,556	260,250
Other financial assets at amortized cost	22,099,377	455,244
	84,876,133	1,748,438
Accounts payable and other current liabilities	(242,825)	(5,002)
Net foreign currency position	P84,633,308	\$1,743,436
	December 31, 2020 (As restated)	
	Peso	US\$
Cash and cash equivalents	P22,839,727	\$475,471
Receivables	13,841,336	288,145
Investments in associates and joint ventures	12,201,596	254,009
Other financial assets	28,297,818	589,096
	77,180,477	1,606,721
Accounts payable and other current liabilities	(202,544)	(4,217)
Net foreign currency position	P76,977,933	\$1,602,504



The Philippine Peso - US Dollar exchange rate as at June 30, 2021 and December 31, 2020 used were ₱48.54 to US\$1.00 and ₱48.04 to US\$1.00.

The following are the sensitivity rates used in reporting foreign currency risk internally to key management personnel. The sensitivity rates represent management's assessment of the reasonably possible change in foreign exchange rates.

		Increase (decrease) in Peso per foreign currency	Effect on income before income tax
June 30, 2021	USD	(\$0.50)	(₱871,718)
(Unaudited)		(1.00)	(1,743,436)
		0.50	871,718
		1.00	1,743,436
December 31, 2020	USD	(\$0.50)	(₱801,252)
(As Restated)		(1.00)	(1,602,504)
		0.50	801,252
		1.00	1,602,504

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.

	June 30, 2021 (Unaudited)					
	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						
<i>Current:</i>						
Trade receivables	₱4,771,388	₱-	₱-	₱618,125	₱83,815	₱5,473,328
Due from related parties	23,560,404	53,566	91,687	118,947	-	23,824,604
Others	3,003,088	2,498	73,515	149,377	84,033	3,312,511
<i>Noncurrent</i>						
Trade receivables	913,993	-	-	1,137,262	13,752	2,065,007
Due from related parties	4,793,293	-	-	-	-	4,793,293
Receivables from third parties	2,018,615	1,524	-	632,213	-	2,652,352
	₱39,060,781	₱57,588	₱165,202	₱2,655,924	₱181,600	₱42,121,095



	December 31, 2020 (As restated)					
	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						
<i>Current:</i>						
Trade receivables	₱3,896,023	₱-	₱-	₱685,056	₱80,991	₱4,662,070
Due from related parties	9,158,284	2,158	-	217,807	-	9,378,249
Others	1,457,649	146,875	235,454	812,412	85,985	2,738,375
<i>Noncurrent</i>						
Trade receivables	810,021	-	-	1,106,705	13,752	1,930,478
Due from related parties	2,741,428					2,741,428
Receivables from third parties	1,812,366	-	-	69,768	-	1,882,134
	₱19,875,771	₱149,033	₱235,454	₱2,891,748	₱180,728	₱23,332,734

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 ₱330.10 million and ₱13,001.92 million as at June 30, 2021 and December 31, 2020.

Maximum exposure to credit risk of financial assets subject to impairment

The gross carrying amount of financial assets subject to impairment are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
<i>Financial Assets at Amortized Cost (Portfolio 1)</i>		
Cash and cash equivalents	₱39,478,339	₱28,075,433
Under "Receivables" account		

(Forward)



	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Current:		
Trade receivables	₱5,473,328	₱4,662,070
Due from related parties	23,824,604	9,378,249
Others	3,312,511	2,738,375
Noncurrent:		
Trade receivables	2,065,007	1,930,478
Receivables from third parties	2,615,556	1,812,366
Other financial assets at amortized cost	21,770,489	15,297,105
Under "Other Noncurrent Assets" account		
Deposits	138,142	105,337
	₱98,677,976	₱63,999,413

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

Grade	June 30, 2021 (Unaudited)				Total
	12-month Stage 1	Stage 2	Stage 3	Simplified Approach	
High	₱39,478,339	₱-	₱-	₱7,538,335	₱47,016,674
Standard	-	-	-	-	-
Substandard	-	-	-	-	-
Default	-	-	-	13,752	13,752
Gross carrying amount	39,478,339	-	-	7,552,087	47,030,426
Less loss allowance	-	-	-	167,848	167,848
Carrying amount	₱39,478,339	₱-	₱-	₱7,384,239	₱46,862,578

Grade	December 31, 2020 (As restated, Note 4)				Total
	12-month Stage 1	Stage 2	Stage 3	Simplified Approach	
High	₱28,075,433	₱-	₱-	₱6,592,548	₱34,667,981
Standard	-	-	-	-	-
Substandard	-	-	-	-	-
Default	-	-	-	13,752	13,752
Gross carrying amount	28,075,433	-	-	6,606,300	34,681,733
Less loss allowance	-	-	-	166,975	166,975
Carrying amount	₱28,075,433	₱-	₱-	₱6,439,325	₱34,514,758

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.

June 30, 2021 (Unaudited)						
	On Demand	Less than 3 Months	3 to 12 Months	More than 1		Total
				Year to 5 Years	More than 5 Years	
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	₱775,275	₱5,222,413	₱270,155	₱-	₱-	₱6,267,843
Retention payable	22,409	2,136	27,666	-	-	52,211
Accrued expenses ^a	336,469	788,399	49,571	-	-	1,174,439
Accrued interest	-	132,170	-	-	-	132,170
Due to related parties	37,155	23,083	16,722	-	-	76,960
Others	82,894	14,742	28	-	-	97,664
Derivative Liability	-	63,215	-	10,144	-	73,359
Short-term loans	-	-	-	-	-	-
Due to stockholders	-	16,585	-	-	-	16,585
Lease liabilities ^b	-	86,326	232,951	1,375,525	3,724,842	5,419,644
Long-term loans ^c	-	221,303	1,647,493	8,430,417	19,745,364	30,044,577
Other noncurrent liabilities ^d	-	-	-	616,749	1,028,589	1,645,338
	₱1,254,202	₱6,570,372	₱2,244,586	₱10,432,835	₱ 24,498,795	₱45,000,790

^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, 2020 (As restated, Note 4)						
	On Demand	Less than 3 Months	3 to 12 Months	More than 1		Total
				Year to 5 Years	More than 5 Years	
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	₱504,520	₱956,567	₱2,452,185	₱-	₱-	₱3,913,272
Accrued expenses ^a	20,441	287,762	333,480	-	-	641,683
Accrued interest	-	193,201	10,771	-	-	203,972
Due to related parties	-	131,265	498,637	-	-	629,902
Retention payable	-	-	74,973	-	-	74,973
Derivative liability	-	3,300	-	-	-	3,300
Others	-	800	41,051	-	-	41,851
Short-term loans	-	3,549,370	1,085,630	-	-	4,635,000
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	8,597,483	80,163,617	90,748,772
Other noncurrent liabilities ^d	-	-	-	324,486	1,209,437	1,533,923
	₱524,961	₱5,469,907	₱6,392,217	₱9,825,610	₱84,528,002	₱106,740,697

^a Excluding current portion of vacation and sick leave accruals.

^b Gross contractual payments.

^c Including contractual interest payments.

^d Excluding contract liabilities.



As at June 30, 2021 and December 31, 2020, the profile of financial assets used to manage the Group's liquidity risk is as follows:

	June 30, 2021 (Unaudited)				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	
Loans and receivables:					
<i>Current:</i>					
Cash and cash equivalents	₱39,480,353	₱–	₱–	₱–	₱39,480,353
Receivables:					
Trade	–	5,335,347	54,166	–	5,389,513
Due from related parties	–	23,706,395	118,209	–	23,824,604
Others	–	3,102,527	125,951	–	3,228,478
<i>Noncurrent:</i>					
Trade receivables	–	–	–	2,051,255	2,051,255
Receivable from third parties	–	–	–	2,652,352	2,652,352
Deposit receivables	–	–	–	138,142	138,142
Derivative assets	–	–	–	–	–
Financial assets at FVOCI:					
Quoted	–	–	–	328,909	328,909
Unquoted	–	–	–	1,190	1,190
	₱39,480,353	₱32,144,269	₱298,326	₱5,171,848	₱77,094,796

	December 31, 2020 (As restated, Note 4)				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	
Loans and receivables:					
<i>Current:</i>					
Cash and cash equivalents	₱28,077,171	₱–	₱–	₱–	₱28,077,171
Receivables:					
Trade	313	3,920,394	660,372	–	4,581,079
Due from related parties	–	2,125	9,376,124	–	9,378,249
Others	–	163,139	2,489,252	–	2,652,391
<i>Noncurrent:</i>					
Trade receivables	–	–	–	1,916,726	1,916,726
Receivable from third parties	–	–	–	1,882,134	1,882,134
Deposit receivables	–	–	–	105,337	105,337
Derivative assets	–	35,046	–	–	35,046
Financial assets at FVOCI:					
Quoted	–	–	–	379,978	379,978
Unquoted	–	–	–	1,190	1,190
	₱28,077,484	₱4,120,704	₱12,525,748	₱4,285,365	₱49,009,301

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 June 30, 2021 and December 31, 2020, the Group has fixed rate financial instruments measured at fair value.

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



ACEN

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

On July 10, 2020, the Parent Company entered into a term loan agreement with CBC amounting to ₱7.00 billion. The loan has a term of ten (10) years with an option to choose the pricing structure prior to each drawdown. As at 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.

On March 19, 2021, the Parent Company entered into a term loan agreement with DBP amounting to ₱4.50 billion. The loan has a term of ten (10) years with an option for a floater or fixed interest rate. As at June 30, 2021, the Parent Company has drawn ₱805 million and is subject to a floating interest rate, subject to repricing on every semi-annual payment date. The undrawn portion of the term loan facility amounting to ₱3.695 billion is still subject to interest rate risk depending on the then benchmark rate plus spread.

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.

NorthWind

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 nil million and ₱145.04 million as at June 30, 2021 and December 31, 2020, respectively, was used for the funding of the Balaoi and Caunayan Wind Energy Project. BWPC availed loans from UPC Holdco amounting to ₱33.62 million and ₱17.28 million in 2021 and 2020, 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.

In May 2021, outstanding loan balance including the interest payable were paid in full.

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						Total
	< 1 month	1-3 months	4-6 months	7-9 months	10-12 months	>12 months	
As at June 30, 2021 (Unaudited)							
<i>Foreign exchange forward contracts</i>							
Notional amount (\$000)	\$-	\$1,636	\$2,495	\$32,935	\$49,894	\$7,404	\$94,364
Average forward rate (\$/₱)	-	47.95	48.01	48.15	48.31	48.72	
<i>Commodity swap contracts - Coal</i>							
Notional amount (in Metric Tons)	16,500	-	-	69,500	-	-	86,000
Notional amount (in \$000)	\$-	-	-	\$2,970,689	-	-	\$2,970,689
Average hedged rate (\$ per Metric ton)	\$74.73	-	-	\$76.01	-	-	
As at December 31, 2020 (As restated)							
<i>Foreign exchange forward contracts</i>							
Notional amount (\$000)	\$-	\$100,000	\$-	\$-	\$-	\$-	\$100,000
Average forward rate (\$/₱)	-	48.24	-	-	-	-	
<i>Commodity swap contracts - Coal</i>							
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	-



The Group had fuel oil hedges entered in 2020 but were all settled in 2020. There were no additional fuel commodity swap contracts entered into by the Company as at June 30, 2021.

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 period
As at June 30, 2021 (Unaudited)				
Foreign exchange forward contracts	\$94,364	₱73,359	Other current assets; Other noncurrent assets	₱73,359
Commodity swap contracts - Coal	\$2,970,689	144,209	Other current assets	₱50,748
As at December 31, 2020 (As restated)				
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	72,151

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 June 30, 2021 (Unaudited)			
Coal purchases	₱50,748	₱108,157	₱-
Highly probable forecast purchases	73,359	-	-
As at December 31, 2020 (As restated, Note 4)			
Coal purchases	₱72,151	₱57,409	₱-
Highly probable forecast sale	(3,300)	-	-

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 June 30, 2021 (Unaudited)						
Foreign exchange forward contracts	₱-	₱73,359	Other income (expense)	₱-	₱-	₱-
Commodity swap contracts - Coal	50,748	-	Unrealized fair value gains on derivative instruments designated as hedges	-	-	-



	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						
(As restated)						
Foreign exchange forward contracts	₱-	(₱3,300)	Other income (expense)	₱-	₱-	₱-
Commodity swap contracts - Coal	72,151	-	Unrealized fair value gains on derivative instruments designated as hedges	-	-	-

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.
- Monthly management reports are submitted to the Management Committee that includes updates from the various business and functional units, including market updates.
- Semiannual planning sessions are conducted to set the targets for the Group, and review the risks related to the accomplishment of these targets.
- 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.

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Short-term debt (Note 18)	₱-	₱4,635,000
Long-term debt (Note 18)	21,272,717	22,254,155
Total debt	21,272,717	26,889,155
(Forward)		



	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 4)
Less:		
Cash and cash equivalent (Note 5)	39,330,238	27,864,929
Restricted cash (Note 5)	150,115	212,242
Net debt	(18,207,636)	(1,188,016)
Total equity	133,589,078	104,279,335
Debt to equity	15.92%	25.79%
Net debt to equity	(13.63%)	(1.14%)

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.

33. 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 June 30, 2021 and December 31, 2020:

	June 30, 2021 (Unaudited)			
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Financial assets at FVOCI	P330,099	P21	P330,078	P-
Other financial assets at amortized cost	21,770,489	-	-	21,770,489
Derivative asset*	207,424	-	207,424	-
Refundable deposits**	138,142	-	-	128,496
Trade Receivables***	2,041,077	-	-	1,962,938
Receivables from third parties****	2,178,976	-	-	2,178,976
	P26,666,207	P21	P537,502	P26,040,899
Liabilities				
Long-term debt	P21,272,716	P-	P-	P22,193,848
Deposit payables and other liabilities*****	206,866	-	-	204,146
Derivative liability	73,359	-	73,359	-
	P21,552,941	P-	P73,359	P21,476,862

* 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, 2020 (As restated)			
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Financial assets at FVOCI	₱13,001,924	₱21	₱13,001,903	₱-
Other financial assets at amortized cost	15,297,105	-	-	15,297,105
Derivative asset*	82,014	-	82,014	-
Refundable deposits**	105,337	-	-	105,337
Trade Receivables***	2,008,697	-	-	1,942,804
Receivables from third parties****	1,177,755	-	-	1,177,755
	₱31,672,832	₱21	₱13,083,917	₱18,523,001
Liabilities				
Long-term debt	₱22,254,155	₱-	₱-	₱22,800,565
Short-term loans	4,635,000	-	-	4,635,000
Deposit payables and other liabilities*****	172,768	-	-	172,768
Derivative liability	3,300	-	3,300	-
	₱27,065,223	₱-	₱3,300	₱27,608,333

* 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.

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.

For unquoted financial assets at FVOCI, management uses the discounted cash flow technique in estimating the fair value of the financial instruments. Based on the financial performance and financial position of the investee entity which is a related party investment company, management estimates the amount and timing of the future cash inflow arising from redemption of preferred shares.



Other Financial Assets at Amortized Cost

This includes investments in redeemable preferred shares and convertible loans. The carrying amount approximates their fair values since the financial instruments are interest-bearing.

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 4.16% to 6.74% and 3.11% to 6.25% as at June 30, 2021 and December 31, 2020, 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.

34. 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 and 4).

- Parent and Others - represents operations of the Parent Company (excluding Retail Electricity Supply (RES) / Commercial Operations) and ACE Shared Services, Inc.
- Philippines, which includes:
 1. RES or Commercial Operations;
 2. Petroleum and exploration;
 3. Renewables - generation, transmission, distribution and supply of electricity using renewable sources such as solar, wind and geothermal resources;
 4. Thermal - generation, transmission, distribution and supply of electricity using conventional way of energy generation.
 5. Project development expenses incurred by ACE Endeavor, Inc and SPVs; and
 6. Leasing, bulk water supply
- International - represents the operations of ACRI, which is the holding company for all offshore investments. This includes earnings from the international investments, as well as project development expenses for the various power projects in the pipeline, ACE International, ACEC and ACE HK.



2020 comparative segment information have 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.

Revenue earned from a single external customer amounted to ₱3,444.28 million and ₱546.35 million for the six-month periods ended June 30, 2021 and 2020, respectively, which accounted for more than 10% of the consolidated revenue from external customers, arise from sale in the Philippine Segment.

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 are shown net of transfers between operating segments. Those transfers are eliminated in consolidation.

The following tables regarding operating segments present revenue and income information for the six-month periods ended June 30, 2021 and 2020 and assets and liabilities as at June 30, 2021 and December 31, 2020:

	For the six-month period ended June 30, 2021 (Unaudited)			
	Philippines	International	Parent and Others	Consolidated
Revenues				
Revenue from sale of electricity	₱13,319,362	₱-	₱-	₱13,319,362
Rental income	29,530	-	-	29,530
Dividend income	-	6,549	-	6,549
Other revenues	8,635	15,306	35,492	59,433
	13,357,527	21,855	35,492	13,414,874
Costs and expenses				
Cost of sale of electricity	10,384,349	-	-	10,384,349
General & administrative expenses	804,182	166,759	250,278	1,221,219
	11,188,531	166,759	250,278	11,605,568
Interest and other finance charges	(453,310)	(36,842)	(313,516)	(803,668)
Equity in net income of associates and joint ventures	649,822	286,232	-	936,054
Other income - net	231,030	1,800,244	209,545	2,240,819
Net income (loss) before income tax	2,596,538	1,904,730	(318,757)	4,182,511
Provision for (benefit from) income tax	131,011	(10,252)	(55,435)	65,324
Segment net income (loss)	₱2,465,527	₱1,914,982	(₱263,322)	₱4,117,187
Other disclosures				
Depreciation and amortization	921,604	14	44,182	965,800
Capital expenditures	1,463,317	203	193,410	1,656,930
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	139,673	-	-	139,673



As at June 30, 2021 (Unaudited)				
Operating assets	₱65,358,029	₱85,062,818	₱18,362,933	₱168,783,780
Operating liabilities	₱19,872,072	₱473,378	₱14,849,252	₱35,194,702
Other disclosures:				
Investments in associates and joint ventures	7,466,117	12,534,523	–	20,000,640
Pension & other employment benefits	37,357	–	34,455	71,812

For the six-month period ended June 30, 2020 (Unaudited)(As restated, Note 4)				
	Philippines	International	Parent and Others	Consolidated
Revenues				
Revenue from sale of electricity	₱9,887,477	₱–	₱–	₱9,887,477
Rental income	63,073	–	–	63,073
Other revenues	6,419	2,018	13,037	21,474
	9,956,969	2,018	13,037	9,972,024
Costs and expenses				
Cost of sale of electricity	6,405,995	–	–	6,405,995
General & administrative expenses	584,435	153,008	246,853	984,296
	6,990,430	153,008	246,853	7,390,291
Interest and other finance charges	(576,029)	(46,533)	(304,017)	(926,579)
Equity in net income of associates and joint ventures	338,534	614,686	–	953,220
Other income (expense) - net	190,154	1,682,951	(231)	1,872,874
Net income (loss) before income tax	2,919,198	2,100,114	(538,064)	4,481,248
Provision for (benefit from) income tax	577,235	236,759	(145,595)	668,399
Segment net income (loss)	₱2,341,963	₱1,863,355	(₱392,469)	₱3,812,849
Other disclosures:				
Depreciation and amortization	837,445	19	37,408	874,872
Capital expenditures	6,409,317	–	43,105	6,452,422
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	618,435	–	–	618,435

As at December 31, 2020 (As restated)				
Operating assets	₱58,576,953	₱78,281,075	₱4,957,792	₱141,815,820
Operating liabilities	₱22,385,676	₱595,696	₱14,555,112	₱37,536,484
Other disclosures:				
Investments in associates and joint ventures	6,593,492	12,201,596	–	18,795,088
Pension & other employment benefits	31,617	–	19,312	50,929

Adjustments and Eliminations

Interest on parent loans 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. Allocable operating expenses have been allocated as applicable.



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 ventures.

Other income - Net includes interest and other financial income from investments in redeemable preferred shares of associates and joint ventures and from development loans and advances to these associates and joint ventures, guarantee fee income, reversal of impairment on property, plant and equipment and impairment of investments in joint venture, tax credits on real property taxes, gain (loss) on derivatives, gain on sale of by-product, claims on insurance, foreign exchange gain (loss), gain (loss) on sale of property, plant and equipment, mark-to-market gains, fees on advisory services, and other miscellaneous income (expense) which are allocated to operating segments.

35. Supplemental Cash Flows Information

The non-cash investing activities of the Group for the six-month periods ended June 30, 2021 and 2020 are as follow:

	For the six-month period Ended June 30	
	2021 (Unaudited)	2020 (As restated)
Non-cash additions to property, plant and equipment	₱166,343	₱2,615,535
Set-up of ROU assets from new lease agreements	1,166,148	–
Reclassifications to (from):		
Property, plant and equipment	253,211	11,835
Assets held for sale	14,890	(3,546)
Investment properties	(438,375)	–
Investments in other financial assets at amortized cost	(192,491)	1,807,231
Acquired through business combination:		
Property, plant and equipment	–	5,783,074
Right-of-use assets	–	983,032
Other noncurrent assets	–	280,156

Movements in the Group's liabilities from financing activities for the six-month periods ended June 30, 2021 and 2020 are as follows:

	January 1, 2021 (As restated)	Availments/ Proceeds	Payments	Others	June 30, 2021 (Unaudited)
Current portion of:					
Short-term loans	₱4,635,000	₱3,000,000	(₱7,635,000)	₱–	₱–
Long-term loans	707,782	–	(1,847,701)	1,808,813	668,894
Lease liabilities	285,001	–	(140,122)	236,682	381,561
Interest payable	265,313	–	(804,655)	671,512	132,170
Due to stockholders	18,272	–	(2,350,888)	2,349,201	16,585
Noncurrent portion of:					
Long-term loans	21,546,373	848,276	–	(1,790,826)	20,603,823
Lease liabilities	1,631,628	–	–	776,075	2,407,703
Other noncurrent liabilities	1,695,048	200,539	–	3,579	1,899,166
Total liabilities from financing activities	₱30,784,417	₱4,048,815	(₱12,778,366)	₱4,055,036	₱26,109,902



	January 1, 2020 (As restated)	Availments/ Proceeds	Payments	Others	June 30, 2020 (Unaudited)
Current portion of:					
Short-term loans	₱3,556	₱9,610,325	(₱1,690,726)	₱2,001,724	₱9,924,879
Long-term loans	593,847	–	(593,848)	741,096	741,096
Lease liabilities	128,796	–	(116,948)	149,321	161,168
Interest payable	56,401	–	(741,961)	868,075	182,515
Due from stockholders	16,594	–	(102,018)	106,818	21,394
Noncurrent portion of:					
Long-term loans	22,325,599	2,300,000	(1,857,250)	(731,838)	22,036,511
Lease liabilities	852,742	–	–	908,105	1,760,847
Other noncurrent liabilities	3,289,903	1,257,143	–	–	4,547,046
Total liabilities from financing activities	₱27,267,438	₱13,167,468	(₱5,102,751)	₱4,043,301	₱39,375,456

Others include foreign exchange translation and reclassifications of current and noncurrent.

36. 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 August 27, 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 Ilocos Norte 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 two percent (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 CTA *en banc* upheld the CBAA ruling and ruled in favor of NLR. On March 16, 2021, the CTA *en banc* issued a resolution granting NLR's Motion for Entry of Judgment.

As at August 27, 2021, the 2017 to 2021 RPT protest, regarding an aggregate amount of ₱369.37 million, is still pending decision with the Local Board Assessment Appeals of Ilocos Norte.

On October 19, 2020, Guimaras Wind has settled its tax assessments for the period from January 1, 2017 to December 31, 2017.

On July 30, 2021, Guimaras Wind received from the BIR a PAN for taxable year 2018, assessing Guimaras Wind for a total of deficiency income tax, VAT, EWT and administrative penalties (including interest and compromise penalty) of ₱10.6 million. Guimaras Wind recognized provision amounting to ₱7.9 million as at June 30, 2021.

c. 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. In 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 an RE 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 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 which 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 Energy Corporation 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 filed 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. The CTA denied NLR's appeal through its decision dated 19 February 2021. NLR filed a motion for reconsideration on 16 March 2021 awaiting for the CTA's 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 on the investigation, an explosion in one of the barge's fuel tanks ruptured the hull of the barge which 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 notified the insurers of PB 102 about the incident, and discussions are ongoing in this regard. As at August 27, 2021, the Group has incurred ₱35.35 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 August 27, 2021, the investigations are 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. In an Order promulgated on June 11, 2021, the ERC resolved to deny the motion for reconsideration filed by the PEMC and directed PEMC to submit its plan of action for the refund scheme. The Group monitors PEMC's action relative to the ERC's Decision and Order.

ACRI Guarantee Agreements

On October 12, 2018, the Group through ACRI has entered into a guarantee agreement with the bank for a total of \$37 million to guarantee the obligation of AMI Khan Hoa Solar project to the project lender. Subsequently, on October 3, 2019, loan amounting to \$33.71 million was drawn by AMI Khan Hoa. As at June 30, 2021, the outstanding loan amounts to \$30.97 million. The Group recognizes guarantee income based on a fixed rate per annum applied to the outstanding loan balance.

In 2020, the Group through ACRI entered into various guarantee agreements with banks for a total of \$39.8 million for projects in India and Vietnam, of which, \$36.1 million was outstanding as at year-end. The purpose of the guarantee is to secure various module and supply agreements of the projects.

During the year ended December 31, 2020, the Group through ACRI entered into various guarantee agreements with BT1 Windfarm JSC ("BT1 Wind") and BT2 Windfarm JSC ("BT2 Wind") to provide a Parent Company Guarantee (PCG) in favour of the contractors as security for the obligations of BT1 Wind and BT2 Wind.

On August 19, 2020, the Group through ACRI entered into a guarantee agreement with the bank as guarantor for its Australia project amounting to AUD 26 million (\$18.7 million), but was cancelled in 2021.

On September 30, 2020, the Group through ACRI signed an agreement with the bank to guarantee BT1 Windfarm's payment obligation to the project lender on its loan amounting to \$118.28 million. As at June 30, 2021, the outstanding guarantee related to the loan amounts to \$84.7 million.

On various dates in January to June 2021, the Group through ACRI entered into additional guarantee agreements with banks for a total of US\$262.8 million for the projects in India and Australia. Of this amount, AU\$260 million (US\$200 million) is for the Australia project.

For the six-month periods ended June 30, 2021 and 2020, the Group recognized corresponding guarantee fee income amounting to ₱138.68 million (\$2.86 million) and ₱17.36 million (\$0.34 million), respectively (see Note 27).



37. Impact of Coronavirus Diseases 2019 (COVID-19) Outbreak

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.

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.



38. Events After the Reporting Period

Below are the events after the reporting period which are treated as non-adjusting events as at June 30, 2021.

On August 20, 2021, the Parent Company's Executive Committee approved the following:

1. Sale of PB 101 to Prime Strategic Holdings Inc. or its designated affiliate or subsidiary, and PB 102 and PB 103 to SPC Power Corporation or its designated affiliate or subsidiary; and
2. Amendment of ACEN's PAMAs with its wholly-owned subsidiaries CIP II, Bulacan Power and One Subic Power, all diesel power plant operators, to, among others: (a) update the fixed capacity fees billable to ACEN; and (b) include a variable capacity fee billable by CIP II and Bulacan Power.

The sale of the power barges is expected to be completed in the fourth quarter of 2021, subject to satisfaction of agreed conditions precedent, including obtaining the applicable regulatory approvals.

CIP II and Bulacan Power respectively own and operate a 21 MW diesel plant in Bacnotan, La Union and a 52 MW diesel plant in Norzagaray, Bulacan, while One Subic Power leases the 116 MW diesel plant in Subic Bay Freeport. The amendments to the PAMAs are effective as of July 1, 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.



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.

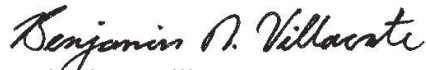
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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
Partner

CPA Certificate No. 111562

SEC Accreditation No. 1539-AR-1 (Group A),
March 26, 2019, valid until March 25, 2022

Tax Identification No. 242-917-987

BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022

PTR No. 8534383, January 4, 2021, Makati City

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)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
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	–
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
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			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
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										Total	Non-controlling Interests	Total Equity
	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)	Share in Other Comprehensive Gain (Loss) of Associates and a Joint Venture (Note 10)	Retained Earnings (Note 19)	Treasury Shares (Note 19)	Total			
BALANCES AT JANUARY 1, 2020,	₱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,	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	
AS RESTATED	-	-	-	(40)	72,151	35	(616)	3,753,813	-	3,753,813	115,700	3,869,513	
Net income	-	-	-	(40)	72,151	35	(616)	3,753,813	-	3,825,343	115,700	3,941,043	
Other comprehensive income (loss)	-	-	-	-	-	-	-	(546,751)	-	(546,751)	(133,121)	(679,872)	
Dividends declared and paid (Note 19)	-	-	-	-	-	-	-	-	-	-	-	-	
Issuance of capital stock (Note 32)	6,185,182	8,473,700	-	-	-	-	-	14,658,882	-	14,658,882	-	14,658,882	
Stock issuance costs (Note 32)	-	(94,782)	-	-	-	-	-	(94,782)	-	(94,782)	-	(94,782)	
Acquisition of treasury shares	-	-	-	-	-	-	-	(28,657)	(28,657)	(28,657)	-	(28,657)	
Reissuance of treasury shares	-	71,402	-	-	-	-	-	15,431	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 Loss on derivative instrument designated under hedge accounting (Note 34)	Unrealized Fair Value 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	P4,889,775	P83,768	P18,338	P59,772	P-	P536	(P2,193)	P3,303,708	(P27,706)	P8,325,998	P45,450	P8,371,448
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)	-	(99,154)	-	(99,154)
Total comprehensive income (loss)	-	-	-	(27,369)	(14,742)	(7,570)	86	8,059	-	(41,095)	75,219	(41,095)
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	-	-	-	-	-	-	-	-	-	-	-	-
Effects of business combinations (Note 32)	-	-	5,478,996	(88,455)	-	16,288	-	(14,884)	-	5,391,945	150,697	5,542,642
BALANCES AT DECEMBER 31, 2019, AS ADJUSTED	P7,521,775	P83,768	P5,366,480	(P96,584)	P-	P9,254	(P2,107)	P3,296,295	(P27,704)	P16,136,435	P248,584	P16,385,019
BALANCES AT JANUARY 1, 2018, AS PREVIOUSLY REPORTED	P4,889,775	P83,768	P18,338	P-	P85,924	(P3,130)	(P3,413)	P4,018,980	(P28,793)	P9,061,449	P78,110	P9,139,559
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	-	-	-	2,106	-	3,666	1,220	(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)	-	-	-	-	-	-	-	-	-	-	(32,660)	(32,660)
Sale of financial asset at FVOCI	-	-	-	(41,847)	-	3,666	1,220	(560,496)	-	(553,504)	(32,660)	(586,164)
Dividends declared	-	-	-	-	-	-	-	49,436	-	49,436	7,589	7,589
Disposal of treasury shares	-	-	-	-	-	-	-	(194,598)	-	(194,598)	-	(194,598)
BALANCES AT DECEMBER 31, 2018	P4,889,775	P83,768	P18,338	(P41,847)	P-	P536	(P2,193)	P3,303,708	(P27,706)	P8,325,998	P45,450	P8,371,448

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 Endeavor, Inc.'s ("ACE Endeavor" 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:

<i>Subsidiaries</i>	Principal Activities	Percentage of Ownership (%)			
		2020		2019 (As restated)	
		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		2019 (As restated)	
		Direct	Indirect	Direct	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 Endeavor, 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 Endeavor and Giga Ace 8.

Investments in Ingrid Power Holdings, Inc. (“Ingrid”)

On July 23, 2020, the Parent Company and ACE Endeavor 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 Endeavor 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, Endeavor 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 Endeavor 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:

NorthWind

The registered office address of NorthWind is Sitio Suyo, Barangay Baruyen, Municipality of Bangui, Province of Ilocos Norte.

MSPDC

MSPDC's registered office address is at No. 56, Rodriguez Avenue, Brgy. 36, Bacolod City, Negros Occidental.

BWPC

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.

Future Changes in Accounting Policies

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. 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 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:

<u>Category</u>	<u>In Years</u>
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.

Leases (Upon adoption of PFRS 16)

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).



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 Group's service contracts (SC) are assessed as joint operations.

Investments in Associates and a Joint Venture

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 (5th) 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.

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 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.

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 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 reassessed 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 in the 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 Grencore 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							Total
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Assets	Tools and Other Assets	Office Furniture, Equipment and Others	
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)

Cost	Tools and Other							Total
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	
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	—	—	(55,225)	(23,102)	(23)	(87)	(222,789)	(222,789)
Disposals and retirement	—	1,538	94,467	—	—	—	(96,005)	(287,532)
Reclassification	—	—	—	—	—	—	—	—
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	—	—	—	—	59,433
Balance at end of year	—	933	81,536	—	—	—	—	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, Solaracel 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 PNOG 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 Endeavor, 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				Total
	Goodwill	Deferred Exploration Costs	Leasehold and Water Rights	Other Intangible Assets	
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				Total
	Goodwill	Deferred Exploration Costs	Leasehold and Water Rights	Other Intangible Assets	
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)
<i>Petroleum and gas:</i>		
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
<i>Geothermal - SC 8 (Mabini, Batangas)</i>	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)

Block A

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.

Block B

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						Lease Liabilities
	Land and Easement Rights	Land and Power plants	Office Space and Parking Slots	Land and Office Building	Leasehold Rights	Total	
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 (18th) month from the initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

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

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:

Drawdown date	Tranche A (DBP)		Tranche B (SBC)	
	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

^aNet of prepayments made in 2016 and 2017

^bNet of unamortized debt issue costs.

In 2020, 2019 and 2018, Guimaras Wind made the following payments with their corresponding carrying values:

Payment date	Tranche A (DBP)		Tranche B (SBC)	
	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:

Creditor	Principal Balance		Interest Rate	Terms of Payment	Start of Repayment	End of Repayment
	2020	2019				
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 of 1.05 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	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)	(P5,199,120)	P7,708,583
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
	(P7,541,223)	P5,366,480

- (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	P13,612,505	P13,217,501	P13,079,769
Revenue from power generation and trading	6,670,798	2,879,048	2,033,832
	P20,283,303	P16,096,549	P15,113,601

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 P4.2366/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
<i>Salaries and directors' fees included under:</i>			
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
<i>Pension and other employee benefits included under:</i>			
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
<i>Interest expense on:</i>			
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	P328,643	P13,793	P29,329
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
	P908,028	P736,249	P120,252

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)	P57,563	P70,793	P34,041
Receivables and others*	63,949	14,934	37,983
Net gains on financial assets at FVTPL	-	30,842	24,827
	P121,512	P116,569	P96,851

*Includes amortization of security deposit amounting to P0.32 million in 2018. The security deposit has been reclassified 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		
<i>Deferred tax asset:</i>		
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
<i>Deferred tax liabilities:</i>		
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)
<i>Deferred income tax assets:</i>		
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
<i>Deferred income tax liabilities:</i>		
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
<i>Presented in OCI</i>		
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 Date
	Beginning	Additions	Application	Expiration	Ending	
Incurring						
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 Date	
	Beginning	Additions	Application	Expiration		
Incurring						
2018	₱9,539	₱-	(₱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:

Company	As at and for the Year Ended December 31, 2020					
	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
<u>Parent</u>						
<u>AC Energy and Infrastructure Corporation</u>						
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;
<u>Associates and Joint Venture</u>						
<u>MGI</u>						
Due to related parties / Cost of sale of electricity	116,378	Purchase of electricity	-	(128,447)	30-day, non-interest bearing	Unsecured;
<u>Asia Coal</u>						
Due to related parties	-	Advances	-	(254)	Non-interest bearing	Unsecured
<u>Entities Under Common Control of Ultimate Parent Company</u>						
<u>Various Entities under ACEI</u>						
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
<u>North Luzon Renewable Energy Corp.</u>						
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
<u>ACE Renewables Philippines, Inc. (Moorland)</u>						
Due from related parties	-	Dividend Income	11,521	-	Due and demandable	Unsecured; no impairment
<u>Viage Corporation</u>						
Due from related parties	-	Advances	110,373	-	Due and demandable	Unsecured; no impairment
<u>AC Renewables International Pte. Ltd.</u>						
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
<u>Presage Corporation</u>						
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



Company	As at and for the Year Ended December 31, 2020					
	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
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)		

Company	As at and for the Year Ended December 31, 2019 (As restated)					
	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
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



Company	As at and for the Year Ended December 31, 2019 (As restated)					
	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
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
	<hr/>
	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
	<hr/>
	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	<hr/> ₱49,970 <hr/>

^(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
	<u>₱3,683,951</u>

(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 Endeavor 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:

Name of Entities Transferred	Ownership of ACEIC		ACEN's existing interest before share swap	ACEN's interest after share swap
	Direct	Indirect		
Monte Solar Energy, Inc.	96.00	4.00	–	100.00
ACE Endeavor, 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		ACEN's existing interest before	ACEN's interest after share swap
	Direct	Indirect	share swap	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
	<u>15,682,014</u>	<u>16,070,370</u>
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)
	<u>(148,819)</u>	<u>(121,633)</u>
NET INCOME (LOSS)	<u>(₱416,903)</u>	<u>₱132,873</u>
Net Income (Loss) Attributable To:		
Equity holders of the Parent Company	(₱331,011)	₱57,654
Non-controlling interests	(85,892)	75,219
	<u>(₱416,903)</u>	<u>₱132,873</u>

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	<u>₱6,185,182,288</u>
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	<u>₱8,378,917,475</u>

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.

The RE Act and FIT rules

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 preemptive 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	(P5,485,784)	P-	(P867)	P575,950	(P34,655)	(P450)

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	(P0.50)	P57,512
	(1.00)	114,609	-	23
	0.50	(56,681)	-	(13)
	1.00	(113,777)	-	25
2019	(P0.50)	(P5,676)	P307	P6
	(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 Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade and other receivables						
<i>Current:</i>						
Trade receivables	P3,896,805	P-	P-	P685,056	P80,991	P4,662,852
Due from related parties	-	2,158	-	217,807	-	219,965
Others	42,111	146,875	235,454	868,752	85,985	1,379,177
<i>Noncurrent</i>						
Trade receivables	810,021	-	-	1,106,705	13,752	1,930,478
Receivables from third parties	349,673	-	-	-	-	349,673
	P5,098,610	P149,033	P235,454	P2,878,320	P180,728	P8,542,145



	December 31, 2019 (As restated)					
	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						
<i>Current:</i>						
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
<i>Noncurrent</i>						
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)
<i>Financial Assets at Amortized Cost</i>		
<i>(Portfolio 1)</i>		
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
<i>(Forward)</i>		



	2020	2019 (As restated)
Due from related parties	P219,965	P9
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
	P13,781,266	P14,651,168

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

Grade	December 31, 2020					
	12-month Stage 1	Lifetime ECL			Simplified Approach	Total
		Stage 2	Stage 3			
High	P5,133,784	P-	P-	P6,593,330	P11,727,114	
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	P5,133,784	P-	P-	P6,440,107	P11,573,891	

Grade	December 31, 2019 (As restated)					
	12-month Stage 1	Lifetime ECL			Simplified Approach	Total
		Stage 2	Stage 3			
High	P8,219,484	P-	P-	P3,094,449	P11,313,933	
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	P8,219,484	P-	P-	P3,047,704	P11,267,188	

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					Total
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	
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)					Total
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	
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				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	
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
<i>Noncurrent:</i>					
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
<i>Financial assets at FVOCI:</i>					
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
<i>Loans and receivables:</i>					
<i>Current:</i>					
Cash and cash equivalents	₱9,593,248	₱-	₱-	₱-	₱9,593,248
Short-term investments	100,000	-	-	-	100,000
<i>Receivables:</i>					
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
<i>Noncurrent:</i>					
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
<i>Financial assets at FVOCI:</i>					
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:

ACEN

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



On July 10, 2020, the Parent Company entered into a term loan agreement with CBC amounting to ₱7.00 billion. The loan has a term of ten (10) years with an option to choose the pricing structure prior to each drawdown. As at 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:

	Interest Rates	2020					Total
		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	
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					
		Within	More than	More than	More than	Beyond	Total
Interest Rates		1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years	
<u>Long-term loans</u>							
<u>Guimaras Wind</u>							
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
<u>ACEN</u>							
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
<u>Special savings account</u>							
(SSA) – Peso	0.50 – 4.25%	5,129,285	–	–	–	–	5,129,285
<u>Special savings account</u>							
(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						Total
	< 1 month	1-3 months	4-6 months	7-9 months	10-12 months	>12 months	
As at December 31, 2020							
<i>Foreign exchange forward contracts</i>							
Notional amount (\$000)	\$-	\$100,000	\$-	\$-	\$-	\$-	\$100,000
Average forward rate (\$/£)	-	48.24	-	-	-	-	-
<i>Commodity swap contracts - Coal</i>							
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							
<i>Foreign exchange forward contracts</i>							
Notional amount (\$000)	-	970	-	-	-	-	970
Average forward rate (\$/£)	-	50.84	-	-	-	-	-
<i>Commodity swap contracts - Coal</i>							
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	(P3,300)	Accounts payable and other current liabilities	(P3,300)
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	P33	Other current assets	P33
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	P72,152	P57,409	P-
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	P-	(P3,300)	Other income (expense)	P-	P-	P-
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			
	Carrying Value	Fair 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)			
	Carrying Value	Fair 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 Endeavor, and Citicore Solar Energy Corporation

On February 4, 2021, ACEN and ACE Endeavor 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 Endeavor 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 Endeavor 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.



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

Partner

CPA Certificate No. 88823

SEC Accreditation No. 0943-AR-3 (Group A),

March 14, 2019, valid until March 13, 2022

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2018,

March 14, 2018, valid until March 13, 2021

PTR No. 7332528, January 3, 2019, Makati City

March 21, 2019



PHINMA ENERGY CORPORATION AND 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 CORPORATION AND 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)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
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
<i>Other comprehensive income (loss) not to be reclassified directly to profit or loss in subsequent periods</i>			
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)
<i>Share in other comprehensive income (loss) of a joint venture and an associate - net of deferred income tax (Note 13)</i>			
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 CORPORATION AND 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)	Non-controlling Interests (Note 33)	Total	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)	₱78,110	₱9,061,449	₱9,139,559
Changes on initial application of PFRS 9 (Notes 3 and 15)	-	-	-	(₱5,924)	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)	78,110	9,065,424	9,143,534
Net loss	-	-	-	-	2,106	3,666	1,220	(560,496)	-	(32,660)	(560,496)	(593,156)
Total comprehensive income (loss)	-	-	-	-	2,106	3,666	1,220	(560,496)	-	6,992	6,992	6,992
Sale of equity investments at FVOCI (Note 15)	-	-	-	-	(41,847)	-	-	49,436	-	7,589	7,589	7,589
Dividends declared (Note 22)	-	-	-	-	-	-	-	(194,598)	-	(194,598)	(194,598)	(194,598)
Disposal of treasury shares (Note 22)	-	-	-	-	-	-	-	-	1,087	1,087	1,087	1,087
	-	-	-	-	(41,847)	-	-	(145,162)	1,087	(185,922)	(185,922)	(185,922)
BALANCES AT DECEMBER 31, 2018	₱4,889,775	₱83,768	₱18,338	₱85,924	₱59,772	₱536	₱(2,193)	₱3,303,708	₱(27,706)	₱45,450	₱8,325,998	₱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)	₱84,706	₱8,916,838	₱9,001,544
Net income	-	-	-	-	-	-	-	353,764	-	(6,596)	347,168	347,168
Other comprehensive income (loss)	-	-	-	(23,442)	-	5,432	(3,136)	-	-	(21,146)	(21,146)	(21,146)
Total comprehensive income (loss)	-	-	-	(23,442)	-	5,432	(3,136)	353,764	-	(27,742)	326,022	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)	₱78,110	₱9,061,449	₱9,139,559



Attributable to Equity Holders of the Parent Company

	Unrealized Fair			Accumulated			Treasury Shares (Note 22)	Retained Earnings (Note 22)	Total	Non-controlling Interests (Note 33)	Total Equity
	Capital Stock (Note 22)	Additional Paid-in Capital	Other Equity Reserve (Note 22)	Value Gains on AFS Investments (Note 14)	Remeasurement Losses on Defined Benefit Plan (Note 30)	Share in Other Comprehensive Loss of a Joint Venture (Note 13)					
BALANCES AT DECEMBER 31, 2015	₱4,865,146	₱40,783	₱34,913	₱101,478	(₱2,735)	(₱357)	(₱28,793)	₱2,845,559	₱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	-	-	(1,914)	-	-	-	-	-	(1,914)	-	(1,914)
on a joint venture	-	-	(14,661)	-	-	-	-	-	-	-	-
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)	(₱28,793)	₱3,859,659	₱8,916,838	₱84,706	₱9,001,544

See accompanying Notes to Consolidated Financial Statements.



PHINMA ENERGY CORPORATION AND 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	(P421,553)	P43,490	P1,442,982
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	(P15,741,377)	(P21,604,487)	(P2,106,124)
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)	P1,022,366	P1,300,999	P395,582



PHINMA ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except When Otherwise Indicated)

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 (UDEEC) 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.

Material Interest in Joint Ventures

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:

<i>Subsidiaries</i>	Principal Activities	Percentage of Ownership (%)			
		2018		2017	
		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
	Oil, gas, and geothermal				
PHINMA Petroleum	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				Category
	Category	Amount	Reclassification	Remeasurement		Amount	
				Expected Credit Losses (ECL)	Others		
Financial Assets							
Cash and cash equivalents:							
Cash on hand and in banks		₱120,897	₱-	₱-	₱-	₱120,897	Amortized cost
Cash equivalents		1,180,102	-	-	-	1,180,102	
		1,300,999	-	-	-	1,300,999	
Short-term investments		478,362	-	-	-	478,362	Amortized cost
Loans and receivables							FVTPL
Fair value through profit or loss (FVPL)							
Equity instruments:							
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:							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:							FVOCI
AFS investments							
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							FVTPL
		9,848	-	-	-	9,848	

* 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.

Financial Instruments - Initial Recognition, Classification and Subsequent Measurement (Prior to adoption of PFRS 9)

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.

Financial Assets

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.

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 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.

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 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 (5th) 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).

Upon adoption of PFRS 9

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.

Estimates

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
	<u>₱1,483,519</u>

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
	<u>₱749,191</u>

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							
Cost	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
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:

<u>Category</u>	<u>In Years</u>
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 PNOG 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	P390,840
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	P217,005

Additional Information

	2018
Cash and cash equivalents	P213,103
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	P535	P467
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	(P2,718)	(P4,321)

Additional Information

	2018	
	Jan – Sept	Oct – Dec
Depreciation and amortization	P174	P190
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
	<u>₱293,127</u>

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	<u>₱293,127</u>

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	<u>₱85,924</u>

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
	<u>₱257,995</u>



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	P-
<i>Changes upon adoption of PFRS 9 - net of tax:</i>	
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	P59,772

The dividend income earned from financial assets at FVOCI amounted to P7.07 million in 2018.

16. Investment Properties

	2018			
	Land	Property and Equipment	Office Unit	Total
Cost:				
Balance at beginning of year	P13,085	P106,902	P-	P119,987
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	P13,085	P-	P-	P13,085
	2017			
	Land	Property and Equipment	Office Unit	Total
Cost:				
Balance at beginning of year	P13,085	P-	P28,133	P41,218
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	P13,085	P37,830	P-	P50,915



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
<i>Petroleum and gas:</i>		
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
<i>Geothermal:</i>		
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
<i>Cost:</i>		
Balance at beginning of year	₱132,450	₱122,222
Cash calls	4,526	10,228
Balance at end of year	136,976	132,450
<i>Accumulated impairment:</i>		
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)

Block A

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:

Drawdown date	Tranche A (DBP)		Tranche B (SBC)	
	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

^aNet of prepayments made in 2016 and 2017

^bNet of unamortized debt issue costs.



In 2018 and 2017, PHINMA Renewable made the following payments with their corresponding carrying values:

Payment date	Tranche A (DBP)		Tranche B (SBC)	
	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 7 th 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 7 th 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 (8 th 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).

Short-term loan

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 (2nd) 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:

Date of Declaration	Dividend			Record Date
	Type	Rate	Amount *	
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	<ul style="list-style-type: none"> • 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	(P87,827)	(P98,753)
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	(P95,180)	(P111,387)

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	P1,680,346	P63,947
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 P1,951.37 million can be claimed as deduction from regular taxable income and MCIT amounting to P9.56 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	P129,030	P42,193	(P17,644)	(P51,259)	P102,320	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	P20	P351	P-	P-	P371	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
	<u>22,239</u>	<u>6,137</u>	<u>16,102</u>
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)
	<u>878</u>	<u>6,115</u>	<u>(5,237)</u>
Benefits paid	(11,750)	(11,750)	-
Contributions	-	15,478	(15,478)
At December 31, 2018	<u>₱166,279</u>	<u>₱142,498</u>	<u>₱23,781</u>

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
	<u>23,350</u>	<u>4,949</u>	<u>18,401</u>
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)
	<u>(15,546)</u>	<u>(7,786)</u>	<u>(7,760)</u>
Benefits paid	(9,746)	(9,746)	-
Contributions	-	16,058	(16,058)
At December 31, 2017	<u>₱154,912</u>	<u>₱126,518</u>	<u>₱28,394</u>



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%)	(P6,040)	(P7,638)
(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 P18.50 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	P82,379	P70,008
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:

Company	As at and for the Year Ended December 31, 2018						
	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions	
			Receivable	Payable			
<u>Ultimate Parent</u> <u>PHINMA, Inc.</u>							
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)



As at and for the Year Ended December 31, 2018						
Company	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
<u>Joint Ventures</u>						
<u>SLTEC</u>						
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
<u>PHINMA Solar</u>						
Due to related parties	-	Advances	-	(90,000)	Non-interest bearing	Unsecured
<u>Associates</u>						
<u>MGI</u>						
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
<u>Asia Coal</u>						
Due to related parties	-	Advances	-	(254)	Non-interest bearing	Unsecured
<u>Entities Under Common Control</u>						
<u>PHINMA Property Holdings Corporation (PPHC)</u>						
Due to related parties	-	Advances	-	(171)	30-60 day, non-interest bearing	Unsecured
<u>PHINMA Corporation</u>						
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
<u>Union Galvasteel Corp. (UGC)</u>						
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)	30-60 day, non-interest bearing	Unsecured
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
<u>T-O Insurance, Inc.</u>						
Due to related parties/ General and administrative expenses	59,146	Insurance expense and membership fees	-	(32,857)	30-60 day, non-interest bearing	Unsecured
<u>Other Related Parties</u>						
<u>Directors</u>						
General and administrative expenses	10,145	Directors' fee and annual incentives	-	-	On demand	Unsecured
<u>Stockholders</u>						
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		As at and for the Year Ended December 31, 2017				
	Amount/ Volume	Amount/ Volume	Nature	Outstanding Balances		Terms	Conditions
				Receivable	Payable		
<u>Ultimate Parent</u>							
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
<u>Joint Ventures</u>							
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
<u>Associates</u>							
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
<u>Entities Under Common Control</u>							
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		As at and for the Year Ended December 31, 2017				
	Amount/ Volume	Amount/ Volume	Nature	Outstanding Balances		Terms	Conditions
				Receivable	Payable		
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
<u>Other Related Parties</u>							
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
	<i>(In Thousands, Except for Number of Shares and Per Share Amounts)</i>		
(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:

Name	Percentage of Ownership (%)	
	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:

<i>PHINMA Petroleum</i>	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
<i>Palawan55</i>	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:

<i>PHINMA Petroleum</i>	2018	2017	2016
Operating activities	(P16,061)	(P8,903)	(P9,566)
Investing activities	19,025	8,454	8,904
Net increase (decrease) in cash and cash equivalents	P2,964	(P449)	(P662)
<i>Palawan55</i>	2018	2017	2016
Operating activities	P2,757	(P39)	(P332)
Investing activities	(1,102)	–	–
Financing activities	1,950		
Net increase (decrease) in cash and cash equivalents	P3,605	(P39)	(P332)

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 only 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 **risk** 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						
<i>Current:</i>						
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
<i>Noncurrent</i>						
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						
<i>Current:</i>						
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
<i>Noncurrent</i>						
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
<i>Financial Assets at Amortized Cost (Portfolio 1)</i>		
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:

Grade	2018				2017	
	12-month	Lifetime ECL		Total	Total	
	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					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
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					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	P-	P487,709	P19,711	P123,506	P-	P630,926
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
	P1,158,531	P2,113,139	P421,761	P3,828,868	P5,469,255	P12,991,554

^a Excluding current portion of vacation and sick leave accruals amounting to P18.46 million (see Note 30).

^b Excluding payable to officers and employees amounting to P1.95 million.

^c Gross contractual payments.

^d Including contractual interest payments.

^e Excluding noncurrent portion of finance lease obligation amounting to P63.84 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				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	
Loans and receivables:					
Current:					
Cash and cash equivalents	P1,022,366	P-	P-	P-	P1,022,366
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
	P3,485,355	P2,217,419	P69,056	P861,607	P6,633,437



	2017				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	
Loans and receivables:					
<i>Current:</i>					
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
<i>Noncurrent:</i>					
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:

	Interest Rates	2018					Total
		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	
Long-term loans							
<u>PHINMA Renewable</u>							
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
<u>PHINMA Energy</u>							
<i>Short-term loan</i>							
BDO	5.25%	400,000	-	-	-	-	400,000
<i>Long-term loan</i>							
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



	Interest Rates	2017					Total
		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	
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 re-challenged 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			
	Carrying Value	Fair 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			
	Carrying Value	Fair 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
<i>Current assets</i>		
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
<i>Noncurrent assets</i>		
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
<i>Current liabilities</i>		
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
<i>Noncurrent liabilities</i>		
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.



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

CPA Certificate No. 88823

SEC Accreditation No. 0943-AR-3 (Group A),

March 14, 2019, valid until March 13, 2022

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2018,

March 14, 2018, valid until March 13, 2021

PTR No. 7332528, January 3, 2019, Makati City

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



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

CPA Certificate No. 111562

SEC Accreditation No. 1539-AR-1 (Group A),
March 26, 2019, valid until March 25, 2022

Tax Identification No. 242-917-987

BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022

PTR No. 8534383, January 4, 2021, Makati City

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			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
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
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</i>			
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			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
Unrealized fair value loss on derivative instruments designated as hedges - net of tax	-	(28,077)	(28,077)
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</i>			
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	P16,096,549	P-	P16,096,549
Dividend income	14,741	-	14,741
Rental income	3,115	-	3,115
Other revenue	-	135,606	135,606
	<u>16,114,405</u>	<u>135,606</u>	<u>16,250,011</u>
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
	<u>16,070,370</u>	<u>259,808</u>	<u>16,330,178</u>
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)
	<u>(121,633)</u>	<u>67,808</u>	<u>(53,825)</u>
NET INCOME			
	<u>P132,873</u>	<u>P23,953,908</u>	<u>P24,086,781</u>
Net Income Attributable to:			
Equity holders of the Parent Company	P57,654	P23,954,155	P24,011,809
Non-controlling interests	75,219	(247)	74,972
	<u>P132,873</u>	<u>P23,953,908</u>	<u>P24,086,781</u>
Basic/Diluted Earnings Per Share (Note 4)			
	<u>P0.01</u>		<u>P1.05</u>
NET INCOME			
	<u>P132,873</u>	<u>P23,953,908</u>	<u>P24,086,781</u>
OTHER COMPREHENSIVE INCOME LOSS			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
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)
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</i>			
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)
	<u>(49,681)</u>	<u>1,660,367</u>	<u>1,610,686</u>
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES			
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</i>			
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)			
	<u>P83,278</u>	<u>P25,614,275</u>	<u>P25,697,553</u>
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	P8,059	P25,614,522	P25,622,581
Non-controlling interest	75,219	(247)	74,972
	<u>P83,278</u>	<u>P25,614,275</u>	<u>P25,697,553</u>

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)

Atributable to Equity Holders of the Parent Company

	Capital Stock	Additional Paid-in Capital	Other Equity Reserves	Unrealized Fair Value Gain (Loss) on Instruments at FVOCI	Unrealized Fair Value Gain (Loss) on Derivative instruments designated under hedging	Remeasurement Gain (Loss) on Defined Benefit Plans	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)	₱1,613,643	₱2,48,584	₱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	-	-	-	-	-	-	(546,751)	-	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	-	158,467	(12,907,703)	88,455	-	(16,288)	-	-	(1,335,672)	-	(14,012,741)	1,099,344	1,099,344
Acquisition under common control	6,185,182	8,608,787	(12,907,703)	88,455	-	(16,288)	-	-	(1,882,423)	(13,226)	62,784	966,223	(14,012,741)
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	₱50,599,078	₱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	Share in Other Comprehensive Gain (Loss) of Associates and Joint Ventures	Cumulative Translation Adjustment	Retained Earnings	Treasury Shares	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)	₱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
Acquisition of non-controlling interests	-	-	(130,854)	-	-	-	-	-	-	-	(22,782)	(153,636)
Effects of common control business combination	-	-	5,478,996	(88,455)	-	16,288	-	-	(14,884)	-	1,50,697	5,542,642
	2,632,000	-	5,348,142	(128,987)	-	16,288	-	-	25,648	2	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	-	74,972	25,697,553
Pro forma adjustments (Note 3.V.B)	16,685,801	69,246,072	(48,886,887)	-	-	-	-	-	-	-	39,123,377	76,168,363
Other pro forma adjustments (Note 3.V.C)	-	-	-	16	-	-	-	(1,660,383)	(23,954,157)	-	247	(25,614,277)
	16,685,801	69,246,072	(48,886,887)	16	-	-	-	(1,660,383)	(23,954,157)	-	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)	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)



**AC ENERGY CORPORATION
(Formerly AC Energy Philippines, Inc.)
AND SUBSIDIARIES**

**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.

Authorization for Issuance of the Pro Forma Condensed Consolidated Financial Information

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.

Name of Entities to be Transferred	Ownership of AC Energy and Infrastructure Corporation		ACEN's interest after share swap
	Direct	Indirect	
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		ACEN's interest after share swap
	Direct	Indirect	
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 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	2019
	(Unaudited)	(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
<i>(Forward)</i>		



	2020	2019
	(Unaudited)	(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	2019
	(Audited)	(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



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