



ENERGY DEVELOPMENT CORPORATION

One Corporate Centre, Julia Vargas Avenue corner Meralco Avenue,
Ortigas Center, Pasig City 1605, Philippines
Trunk line: +63 2 7-755 2332

₱15.0 Billion ASEAN Green Bond Program
of debt and other securities as provided by applicable
Securities and Exchange Commission rules and regulations
effective at the time of issuance
to be offered within a period of three (3) years

First Tranche:

Offer of ₱3,000,000,000 Fixed Rate ASEAN Green Bonds
With an oversubscription option of up to ₱2,000,000,000 Fixed Rate ASEAN Green Bonds
under its ₱15.0 Billion ASEAN Green Bond Program
consisting of

2.8565% p.a. Series A Bonds due 2024

3.7305% p.a. Series B Bonds due 2026

at an Offer Price of 100% of Face Value

to be listed and traded through
the Philippine Dealing and Exchange Corp.

Joint Issue Managers, and Joint Lead Underwriters and Bookrunners for the First Tranche Bonds



Co-Lead Underwriter



The date of this Final Prospectus is June 10, 2021.

**THE SECURITIES AND EXCHANGE COMMISSION ("SEC") HAS NOT APPROVED
THESE SECURITIES NOR DETERMINED IF THIS PROSPECTUS IS ACCURATE
OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL
OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SEC.**

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Ortigas Center, Pasig City 1605, Philippines
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Website: www.energy.com.ph

Energy Development Corporation ("EDC" or the "Issuer" or the "Company") is offering fixed rate ASEAN green bonds in the aggregate principal amount of up to Fifteen Billion Pesos (₱15,000,000,000) (the "EDC ASEAN Green Bond Program"; the securities to be issued under the EDC ASEAN Green Bond Program, the "Bonds") to be issued and offered within a period of three (3) years from the date of effectivity of the registration statement pursuant to the rules on shelf registration of securities of the Securities and Exchange Commission ("SEC") and the SEC Guidelines on the Issuance of Green Bonds under the ASEAN Green Bonds Standards in the Philippines ("SEC Guidelines on ASEAN Green Bonds"), in one or more tranches, as authorized by a resolution of the Board of Directors of the Company dated February 4, 2021. The first tranche of the Bonds to be publicly offered, sold, distributed, and issued pursuant to the foregoing will consist of three (3)-year bonds ("Series A") and five (5)-year bonds ("Series B") (the Series A and Series B bonds collectively, the "First Tranche Bonds"), in an aggregate principal amount of Three Billion Pesos (₱3,000,000,000), with an oversubscription option of up to Two Billion Pesos (₱2,000,000,000) (the public offer for sale, distribution, and issuance of the First Tranche Bonds, the "Offer") at an issue price of 100% of face value (the "Issue Price"). Assuming the oversubscription option is fully exercised, ₱5,000,000,000 of the Bonds will be issued by the Company. The SEC is expected to issue an order rendering effective the amended registration statement filed by the Company in connection with the EDC ASEAN Green Bond Program, and a corresponding certificate of permit to offer securities for sale for the First Tranche Bonds.

Within three (3) years following the effectivity date of the registration statement covering the EDC ASEAN Green Bond Program, the Company may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of the EDC ASEAN Green Bond Program covered by such registration statement, in one or more subsequent tranches under Rule 8.1.2 of the Implementing Rules and Regulations of the Securities Regulation Code. The EDC ASEAN Green Bond Program provides the Company with the ability to take advantage of the opportunities in a volatile debt capital market, as these occur.

The offer and sale of the Bonds, including the terms and conditions for each tranche shall be at the sole discretion of the Issuer. The specific terms of the Bonds for each tranche will be determined by the Issuer considering prevailing market conditions; in the case of the First Tranche Bonds, they are set forth in this Prospectus, and in the case of subsequent tranches, they shall be provided in a supplement and/or updated prospectus to be circulated at the time of the offer of the relevant tranche (such supplement and/or updated prospectus, the "Offer Supplement"). The use of proceeds for the First Tranche is provided below, and for each subsequent tranche will likewise be provided in the relevant Offer Supplement.

However, there is no assurance in respect of: (i) whether EDC would issue such Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of any such issuance. Any decision by EDC to offer the Bonds will depend on a number of factors at the relevant time, many of which are not within EDC's control, including but not limited to: prevailing interest rates, the financing requirements of EDC's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine regional and global economies in general.

Upon issuance, the First Tranche Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of EDC and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of EDC, other than obligations preferred by law. The First Tranche Bonds shall effectively be subordinated in right of payment to, among others, (i) all of EDC's secured debts (if any) to the extent of the value of the assets securing such debt; and (ii) all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines (see section on Ranking under "Description of the First Tranche Bonds" on page 73).

Each tranche of the Bonds will be rated by the Philippine Rating Services Corporation ("PhilRatings"), as may be applicable. Such ratings are not recommendations to buy, sell, or hold the Bonds, and may be subject to revision, suspension, or withdrawal at any time by PhilRatings.

The First Tranche Bonds have been rated PRS Aaa, with a stable outlook, by PhilRatings as of March 15, 2021. A rating of PRS Aaa is the highest credit rating on PhilRatings' long-term credit rating scale. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. The rating is not a recommendation to buy, sell, or hold securities, and is subject to an annual review, which may result in the revision, suspension, or withdrawal of the rating by PhilRatings.

The First Tranche Bonds shall be offered to the public at face value through the Underwriters named herein. The First Tranche Bonds shall be issued in scripless form, with the Philippine Depository & Trust Corp. maintaining the Registry of Bondholders, as the Registrar of the First Tranche Bonds. On Issue Date, the First Tranche Bonds shall be listed on Philippine Dealing & Exchange Corp. to facilitate secondary trading. The First Tranche Bonds shall be issued in denominations of ₱50,000 each, as a minimum, and in multiples of ₱10,000 thereafter, and traded in denominations of ₱10,000 in the secondary market.

EDC expects to raise gross proceeds amounting to at least ₱3,000,000,000 and up to a maximum of ₱5,000,000,000, assuming full exercise of the oversubscription option. The net proceeds of the First Tranche Bonds are expected to be approximately ₱2,955,798,095 and ₱4,932,288,095 if the oversubscription option is fully exercised. Proceeds of the Bonds will be used primarily by the Company to finance or refinance new and existing renewable energy projects that are considered Eligible Green Projects under the EDC Green Bond Framework. The net proceeds of the First Tranche Bonds shall be used for geothermal growth and maintenance capital expenditure projects, including a portion of the capex for the Palayan Bayan Binary Project ("PBBP"), the Mindanao III Binary Project ("M3") and other geothermal capex for natural catastrophe resiliency, powerplant equipment upgrades, spare parts replacements and other capex projects (see "Use of Proceeds" on page 60). The Underwriters shall receive a fee of up to 0.40% on the final aggregate nominal principal amount of the First Tranche Bonds issued.

The Bonds will be offered exclusively in the Philippines and pursuant to the requirements under Philippine laws, rules and regulations, which may be different from those of other countries and jurisdictions. No action has been or will be taken by the Issuer or any person on behalf of the Issuer to permit an offering of the Bonds in any jurisdiction other than the Philippines, where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, nor may any offering material relating to the Bonds be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

Holders of the Bonds shall not be entitled to any dividends from the Issuer, the Bonds being a debt issue and there being no issuance of shares involved in the offering. However, the Company's dividend policy is discussed further in the section "Dividend Information and Dividend Policy" on page 233 of this Prospectus.

EDC confirms that this Prospectus contains all information relating to the Company, its Subsidiaries and affiliates, which are, in the context of the issue and offering of the Bonds, material (including all information required by applicable laws of the Republic of the Philippines), true, accurate, and correct in every respect. To the best of its knowledge and belief, there is no material misstatement or omission of fact, which would make any statement in this Prospectus misleading in any material respect. EDC confirms that it has made all reasonable inquiries in respect of the information, data and analysis provided to it by its advisors and consultants for inclusion into this Prospectus. EDC, however, has not independently verified any publicly available information, data, or analyses, including without limitation, information sourced from the DOE and ERC. Neither the delivery of this Prospectus nor any sale made pursuant to the Offer shall, under any circumstance, create any implication that the information contained or referred to in this Prospectus is accurate as of any time subsequent to the date hereof. Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus.

No dealer, salesman or other person has been authorized by EDC and the Underwriters to give any information or to make any representation concerning the Bonds other than those contained herein, and, if given or made, any such other information or representation should not be relied upon as having been authorized by EDC or the Underwriters.

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. An investment in the Bonds, described in this Prospectus, involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider several risk factors (see "Risk Factors" on page 37, such as risks inherent to the Company, risks pertinent to the industry, risks pertinent to the Philippines, and risks inherent to securities, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Bonds.

In making an investment decision, investors must rely on their own examination of EDC and the terms of the Offer, including the material risks involved. The Offer is being made on the basis of this Prospectus.

The contents of this Prospectus are not to be considered legal, business, or tax advice. Each prospective purchaser of the Bonds receiving a copy of this Prospectus acknowledges that he has not relied on the Underwriters in his investigation on the accuracy of any information found in the Prospectus or in his investment decision. Prospective purchasers should consult their own counsels, accountants, or other advisors as to legal, tax, business, financial and related aspects of the purchase of the Bonds, among others. It bears emphasis that investing in the Bonds involves

certain risks (see discussion on factors to be considered in respect of an investment in the Bonds under “Risk Factors” on page 37).

EDC is organized under the laws of the Philippines. Its principal office address is at One Corporate Centre, Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City 1605, Philippines, with telephone number +63 2 7-755 2332.

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

(Space below intentionally left blank. Signature page follows.)

ENERGY DEVELOPMENT CORPORATION

By:


RICHARD RAYMOND B. TANTOCO

President and Chief Operating Officer

REPUBLIC OF THE PHILIPPINES)

PASIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this JUN 10 2021 day of 2021, in Pasig City, by affiant, exhibiting to me his Passport with no. P1471428A issued on January 4, 2017 at DFA, Manila as competent evidence of identity, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 444;

Page No. 91;

Book No. 10;

Series of 2021.


ATTY. MARITA P. LAGOS
Notary Public - Cities of Pasig, Taguig & San Juan
& Municipality of Pateros until *31 December 2020
Appointment No. 223 (2019-2020)
10th Floor, Rockwell Business Center Tower 3
Ortigas Avenue, Pasig City
IBP No. 1041184 / 5-23-2016 / IBP Rizal Chapter (lifetime member)
PTR No. 6439575 / 1-3-2020 / Pasig City
MCLE VI-0002225 / 4-14-2019
Roll of Attorneys No. 65937
*Notarial Commission extended until June 30, 2021, as per
Supreme Court En Banc Notice dated 1 December 2020
Re: B.M. No. 3795

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Forward-Looking Statements

This Prospectus contains certain “forward-looking statements”. These forward-looking statements generally can be identified by the use of statements that include words or phrases such as “believes”, “expects”, “anticipates”, “intends”, “plans”, “foresees,” or other words or phrases of similar import. Similarly, statements that describe the Company’s objectives, plans or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the expectations of the Company include, among others:

- General economic and business conditions in the Philippines;
- Intensive capital requirements of Subsidiaries and affiliates of the Company in the course of business;
- Increasing competition in the industry in which the Company, its Subsidiaries and its affiliates operate;
- Industry risks in the areas in which the Company, its Subsidiaries, and its affiliates operate;
- Changes in laws and regulations that apply to the segments or industry in which the Company, its Subsidiaries and its affiliates operate;
- Changes in political conditions in the Philippines;
- Changes in foreign exchange control regulations in the Philippines; and
- Changes in the value of the Philippine Peso.

For further discussion of such risks, uncertainties and assumptions, see section “Risk Factors” on page 37. Prospective purchasers of the Bonds are urged to consider these factors in evaluating forward-looking statements. The forward-looking statements included herein are made only as of the date of this Prospectus. The Company undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

The Underwriters do not take any responsibility for, or give any representation, warranty, or undertaking in relation to, any such forward-looking statement.

Definition of Terms

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

Applicable Law	With respect to any matter, all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, or judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards, promulgated, adopted, issued or rendered by any Governmental Authority, and applicable to the matter
Application to Purchase	The document to be executed by any Person qualified to become a Bondholder
ASPA	Ancillary Services Procurement Agreement
Business Day	Any day other than Saturday, Sunday, and public holiday, on which banks in Metro Manila are generally open for business transactions, except days when banking operations are suspended by the BSP
Bac-Man Geothermal Production Field	Bacon-Manito geothermal complex in Sorsogon and Albay in Luzon
BGI	Bac-Man Geothermal Inc.
BIR	Bureau of Internal Revenue
Board	The Board of Directors of the Company
Bond Agreements	This Prospectus, the relevant Trust Indenture, the relevant Underwriting and Issue Management Agreement, the relevant Registrar and Paying Agency Agreement, the relevant Application to Purchase, and the relevant Bonds, each in relation to the tranche being issued
Bonded Indebtedness	Negotiable corporate bonds that are secured by mortgage on corporate property
Bondholder	A Person whose name appears, at any time, as a holder of the Bonds in the Registry of Bondholders
Bonds	The securities subject to the EDC ASEAN Green Bond Program
BOT	Build-Operate-Transfer
BOT Contract	Agreement between EDC and a third party contractor for the latter to finance, build, operate, maintain and subsequently transfer to the Company the geothermal plants that convert steam to electricity
BOT Contractors	Contractors who, pursuant to the BOT Contracts, build, operate and eventually transfer to the Company the BOT plants that convert steam to electricity
Business Continuity Management or BCM	The holistic management process that identifies potential threats to the Company and the possible impacts of such threats to the Company's operations. BCM is intended to enable the Company to: (i) be resilient, (ii) be capable of effectively responding to threats that can significantly impact the health, safety, and security of its personnel and continuity of its operations, (iii) be capable of protecting its business interests, including its stakeholders, core activities, reputation, and the environment in its areas of operation. BCM also sets out the procedures that will guide the Company in responding

	to, recovering from, resuming, and restoring its business operations prior to, during, or following a business disruption
By-Laws	The Company's by-laws, as amended
CO₂	Carbon Dioxide
Common shares	The Company's shares of common stock, each with a par value of ₱1.00 per share
Company or EDC or Issuer	Energy Development Corporation
Contestable Market	Per Section 4, Rule 12 (Specification of the Contestable Market for Open Access) of the EPIRA IRR, this refers to electricity end-users with monthly average peak demand of at least 1 MW for the preceding twelve (12) months from the initial implementation of Open Access, which had been reduced to 500 KW effective February 26, 2021
Control	The possession, directly or indirectly, by a Person of power to direct or cause the direction of management and policies of another Person, whether through ownership of voting securities or otherwise; provided, that the Person's direct ownership of voting securities of over fifty per cent (50.0%) of the voting capital stock, registered capital, or other equity interest is deemed to constitute control of that Person, and "Controlling" and "Controlled" have corresponding meanings
Corporation Code	Republic Act No. 11232, otherwise known as "The Revised Corporation Code of the Philippines"
Currency Equivalent	With respect to: (i) any amount denominated in Peso, the equivalent of such amount in US Dollars based on the closing rate published at the Bankers Association of the Philippines website – https://bap.org.ph/ for the conversion of US dollars into Peso as of the relevant Business Day, or if such rate is not available, the prevailing official reference exchange rate recognized by the BSP for the conversion of US Dollars into Peso as of that Business Day or (ii) any amount denominated in a currency other than US dollars or Peso, the equivalent of such amount in US Dollars based on the prevailing official reference exchange rate recognized by the BSP for the conversion of that currency into US dollars as of the relevant Business Day, which as of the date hereof, is posted in https://www.bsp.gov.ph/SitePages/Statistics/ExchangeRate.aspx
Debt	With respect to any Person, without duplication, any indebtedness for or in respect of: (a) Financial Indebtedness (b) receivables sold or discounted (other than any receivables to the extent that they are sold on a non-recourse basis); (c) any amount raised under any sale and lease-back transaction (howsoever described) having the commercial effect of borrowing or otherwise classified as borrowings under PAS or PFRS; (d) any amount raised under any other transaction (including forward sale or purchase agreement) having the commercial effect of a borrowing; (e) the amount of any liability in respect of any lease or hire-purchase contract which would, in accordance with PAS or PFRS, be treated as a finance lease or capital lease; or (f) any Guarantee (whether corporate or otherwise), indemnity or similar assurance against financial loss of any Person in respect of any item referred to in the above paragraphs but solely to the extent of the amount

of indebtedness that is guaranteed, indemnified or to which an assurance has been provided (as applicable),

but excluding,

- (i) to the extent that it would otherwise be included as Debt, the aggregate of the Capitalized Lease Obligations payable to PSALM under the Independent Power Producer Administration ("IPPA") Agreements and under the take-or-pay Contracts; and
- (ii) any perpetual security, documented by bonds, notes, debentures or otherwise, that:
 - (A) (1) has no fixed redemption date or stated maturity date or has a maturity of at least fifty (50) years or (2) may be settled by the delivery of EDC's own equity instruments; and
 - (B) is not classified as indebtedness under PAS or PFRS

Distribution Wheeling Charges	The cost or charge for use of a distribution system and/or the availment of related services
DOE	Department of Energy
DOF	Department of Finance
Downward Affiliate	Any entity (other than a Subsidiary) of which the Issuer owns, whether directly or indirectly, any voting capital or similar right of ownership
DU or Distribution Utility	Any electric cooperative, private corporation, government-owned utility or existing local government unit that has an exclusive franchise to operate a distribution system
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EBWPC	EDC Burgos Wind Power Corporation, a wholly-owned subsidiary of the Company
EDC ASEAN Green Bond Program	The ASEAN Green Bond Program of EDC comprised of fixed rate ASEAN green bonds in the aggregate principal amount of up to Fifteen Billion Pesos (P15,000,000,000) to be issued in tranches
EDC Green Bond Framework	EDC's framework for the use and management of proceeds, its process for project evaluation and process, selection, as well as reporting requirements, externally reviewed by Sustainalytics, a leading environmental, social and governance research, ratings, and data firm, which provided a second party opinion that the same is aligned with the ASEAN Capital Markets Forum's ASEAN Green Bond Standards and the International Capital Market Association's ("ICMA") Green Bond Principles
EDC Group	EDC and each of its Subsidiaries for the time being (and, for the avoidance of doubt, as at the date of this Prospectus, the term EDC Group includes Bac-Man Energy Development Corporation, Bac-Man Geothermal Inc., EDC Siklab Power Corporation, EDC Bayog Burgos Wind Power Corporation, EDC Sinag Power Corporation, EDC Burgos Wind Power Corporation, EDC Geothermal Corp., EDC Pagali Burgos Wind Power Corporation, EDC Pagudpud Wind Power Corporation, Iloilo 1 Renewable Energy Corporation, EDC Siklab Iloilo Power Corporation, EDC Cleansolar Visayas Power Corporation, EDC Wind Energy Holdings, Inc., EDC Wind Energy Holdings 2, Inc., First Gen Hydro Power Corporation, Green Core Geothermal Inc., Unified Leyte Geothermal Energy Inc., EDC Bright Solar Energy Holdings, Inc., EDC Holdings International Limited, EDC Energia Geotermica S.A.C., EDC Energia Azul S.A.C., EDC Energia Peru S.A.C, EDC Energia Renovable Peru S.A.C., EDC Energia Verde Peru S.A., EDC Geotermica Del Sur

S.A.C., EDC Geotermica S.A.C. (Peru), EDC Peru Holdings S.A.C., EDC Progreso Geotermico Peru S.A.C., Energy Development Corporation Peru S.A.C., Geotermica Crucero Peru S.A.C., Geotermica Loriscota Peru S.A.C, Geotermica Tutupaca Norte Peru S.A.C, EDC Chile Holdings SPA, EDC Energia de la Tierra SPA, EDC Energia Verde Chile S.p.A., EDC Geotermica SPA (Chile), Energy Development (EDC) Corporation Chile Limitada, Compañía de Energía Limitada, EDC Desarrollo Sostenible Limited, EDC Soluciones Sostenibles Ltd., EDC Hong Kong Limited, EDC Hong Kong International Investments Limited, PT. EDC Panas Bumi Indonesia and PT. EDC Indonesia)

EGC	EDC Geothermal Corporation, a wholly-owned subsidiary of the Company
EDC Siklab	EDC Siklab Power Corporation, a wholly-owned subsidiary of the Company
EPIRA	Republic Act No. 9136, also known as the "Electric Power Industry Reform Act of 2001", as amended from time to time, and including the rules and regulations issued thereunder
EPWPC	EDC Pagudpud Wind Power Corporation, a wholly-owned subsidiary of the Company
ERB	Energy Regulatory Board, the predecessor of ERC
ERC	Energy Regulatory Commission, an independent, quasi-judicial regulatory body created under the EPIRA and responsible for promoting competition, encouraging market development, ensuring customer choice, and penalizing abuse of market power in the restructured electricity industry
Events of Default	Those events defined as such under the relevant Trust Indenture for each tranche of the Bonds
FCRS	Fluid Collection and Recycling System
FG Hydro	First Gen Hydro Power Corporation
First Gen	First Gen Corporation
Financial Indebtedness	Any debt or monetary liability or indebtedness for or in respect of: (a) Borrowed money, except for Non-Trade Shareholder Advances; (b) Any debenture, bond, note or any similar instrument; and/or (c) Any amount due for the redemption of redeemable preferred shares while the Bonds remain outstanding, except preferred shares redeemable at the sole option of the Company
First Tranche Bondholders	A Person whose name appears, at any time, as a holder of the First Tranche Bonds in the Registry of Bondholders
FPH	First Philippine Holdings Corporation
GOCC	Government-owned and/or -controlled corporation, where the Government's ownership thereof is, directly or indirectly, at least a majority of the outstanding capital stock
Government	The Government of the Republic of the Philippines or any of its political subdivisions, or any branch, department, agency or office thereof, or any Person exercising or entitled to exercise executive, legislative, judicial, regulatory or administrative functions thereof
Governmental Authority	The authority exercised by the Government
Green Core or GCGI	Green Core Geothermal Inc., a wholly-owned subsidiary of EGC

Grid	The Philippines' high voltage backbone system of interconnected transmission lines, substations and related facilities
Grid Code	The Philippine Grid Code that was promulgated pursuant to the EPIRA, which sets out the rules and regulations governing the safe and reliable operation, maintenance and development of the Grid
GRESC	Geothermal Renewable Energy Service Contract between EDC and the Government, represented by the DOE
Group	EDC and its Subsidiaries
GRSC	Geothermal Resources Sales Contract between EDC and Green Core
GSC	Geothermal Service Contract between EDC and the GOP, represented by the DOE
Guarantee	Any obligation, contingent or otherwise, of a Person directly or indirectly guaranteeing any Debt 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 Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement 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 the purpose of assuring in any other manner the creditor of such Debt or other obligation of the payment thereof or to protect such creditor 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
GW	Gigawatt, or one billion watts, or one million kilowatts, or one thousand megawatts
GWh	Gigawatt-hour, or one million kilowatt-hours, or one thousand megawatt-hours. GWh is typically used as a measure for the annual energy production of large power plants
IEMOP	Independent Electric Market Operator of the Philippines, the IMO
IMO	Independent Market Operator of the WESM
Interest Payment Date	The Interest Payment Date of each tranche of the Bonds, as stated in the relevant Offer Supplement, and for the First Tranche Bonds, as stated in the Summary of the Offer in this Prospectus
IPP	Independent power producer
IPP Administrator	As defined in the EPIRA, qualified independent entities appointed by PSALM who shall administer, conserve and manage the contracted energy output of NPC IPP contracts
Issue Date	Such date on which a relevant tranche of the Bonds shall be issued by the Company to the Bondholders, as indicated in the relevant Offer Supplement and for the First Tranche Bonds, as stated in the Summary of the Offer in this Prospectus
Joint Lead Underwriters	The joint lead underwriters to be appointed for each tranche, as indicated in the relevant Offer Supplement and for the First Tranche Bonds, as stated in the Summary of the Offer in this Prospectus

KW	Kilowatt, or one thousand watts, or 0.001 megawatts, or 0.000001 gigawatts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour. One kilowatt-hour is 0.001 megawatt-hours, or 0.000001 gigawatt-hours
Leyte Geothermal Production Field	EDC-operated geothermal complex in Leyte
Lien	With respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other preferential contractual arrangement of any kind having the effect under Applicable Law of creating a security over such property or asset, 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 contractual arrangement with any creditor to have its claims satisfied out of any assets, or the proceeds therefrom, prior to any general creditor of the owner thereof
Limited Recourse Project Financing	Any Financial Indebtedness of a Subsidiary or Downward Affiliate of the Issuer whereby the recourse of the creditors in relation to such Financial Indebtedness is limited only to: (a) a particular asset or assets of such Subsidiary or Downward Affiliate; (b) the claims associated with or the revenues arising from such asset or assets of such Subsidiary or Downward Affiliate; (c) the shares or other equity interests in such Subsidiary or Downward Affiliate or the direct and/or indirect shareholders thereof other than, in any case, such shares or equity interests held by the Issuer in any Subsidiary or Downward Affiliate; (d) in respect of the construction, expansion and/or rehabilitation phase of an asset or assets, the equity contribution commitments of the direct and/or indirect shareholders of such Subsidiary or Downward Affiliate (other than any direct or indirect contribution of equity commitment by EDC unless such commitment has expired, been terminated or is otherwise no longer binding on EDC); and/or (e) a standby or documentary letter of credit issued by a bank or other financial institution where there is no recourse (whether direct or indirect) to EDC in respect of any amount paid out (at any time) by such bank or financial institution pursuant to such standby or documentary letter of credit, and provided that the above will not include any scenario where for or in respect of and/or in relation to such Financial Indebtedness there is: (i) any existing and/or potential for a direct or indirect claim on any asset or assets of EDC (including, without limitation, on any cash of EDC collateralizing any standby or documentary letter of credit); or (ii) any existing and/or potential for an obligation and/or liability of any description (whether contingent or otherwise and whether pursuant to an indemnity obligation, guarantee or otherwise) on EDC to such Subsidiary or Downward Affiliate, any other member of the EDC Group, any other entity in which it holds an equity shareholding or any other person (including, without limitation, any bank or financial institution)
Lopez Group	Companies, in which Lopez, Inc. has a beneficial interest and in which any member of the Lopez Family holds an equity interest, directly or indirectly, and exercises management control

Majority Bondholders	The holder or holders of more than fifty percent (50.0%) of the principal amount of the First Tranche Bonds outstanding at the relevant time. For matters with respect to Series A bonds, the holder or holders of more than fifty percent (50.0%) of the principal amount of the Series A Bonds outstanding at the relevant time, and with respect to Series B bonds, the holder or holders of more than fifty percent (50.0%) of the principal amount of the Series A Bonds outstanding at the relevant time
Material Adverse Effect	A material and adverse effect on the business or financial condition of the Company taken as a whole, and on the Company's ability to perform or comply with its obligations under the Trust Indenture, the Bonds, the Terms and Conditions and other related documents
Maturity Date	The relevant Maturity Date of each tranche of the Bonds, as stated in the relevant Offer Supplement, and for the First Tranche Bonds, as stated in the Summary of the Offer in this Prospectus
MCM	Million cubic meters
Measurement Period	Twelve (12)-month period ending on June 30 or December 31 of each year, whichever is applicable, which is the subject of the relevant financial statements
MW	Megawatt, or one million watts, or one thousand kilowatts, or 0.001 gigawatts. The installed capacity of power plants is generally expressed in terms of MW
MWe	Megawatts of electrical output
MWh	Megawatt-hour, or one thousand kilowatt-hours, or 0.001 gigawatt-hours
NEA	National Electrification Administration
NEDA	National Economic Development Authority
NGCP	National Grid Corporation of the Philippines
NGO	Non-Governmental Organization
NIA	National Irrigation Administration
NNGP	Northern Negros Geothermal Project
Non-Trade Shareholder Advance	Advances from First Gen or other shareholders other than Trade Advances, which form part of the account "Due to Related Parties" (or any like caption) appearing in the Issuer's Balance Sheet
Northern Terracota	Northern Terracota Power Corporation, a wholly-owned subsidiary of First Gen
NPC or NAPOCOR	National Power Corporation
Offer	The offer and issuance of the First Tranche Bonds by the Company pursuant to the Trust Indenture, Underwriting and Issue Management Agreement, Application to Purchase, and the Registry and Paying Agency Agreement, which are summarized in the section "Description of the First Tranche Bonds" on page 73 of this Prospectus
O&M	Operation and Maintenance
Open Access	As defined in the implementing rules of the EPIRA, the system of allowing any qualified Person the use of electric power transmission, and/or distribution systems, and associated facilities subject to the payment of transmission and/or distribution retail

wheeling rates duly approved by the ERC

PAS or PFRS	Philippine Accounting Standards, and Philippine Financial Reporting Standards, respectively, and refers to the set of generally accepted accounting principles adopted at the relevant time, and issued by the Philippine Financial Reporting Standards Council ("FRSC"). PFRS includes statements named (i) Philippine Financial Reporting Standards, (ii) Philippine Accounting Standards, and (iii) Philippine Interpretations of International Financial Reporting Interpretations Committee ("IFRIC") issued by FRSC
Paying Agent	The party engaged by the Company to serve as Paying Agent for the offer of each particular tranche of the EDC ASEAN Green Bond Program, as indicated in the relevant Offer Supplement, and for the First Tranche Bonds, as stated in the Summary of the Offer in this Prospectus
Payment Date	The relevant Interest Payment Date and/or the relevant Maturity Date and/or the date of early redemption when interest on and/or the redemption amount of the Bonds is due and payable to the relevant Bondholders
PDEX	Philippine Dealing & Exchange Corp.
PDTC	Philippine Depository & Trust Corp.
PEMC	Philippine Electricity Market Corporation, the former market operator that governed the WESM until September 26, 2018
Permitted Investments	(a) Securities issued, directly or indirectly, or guaranteed by the government of the Republic of the Philippines or any agency or instrumentality thereof; (b) Securities issued, directly or indirectly, or guaranteed by the government of the United States of America and any other country with rating by Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's"), or Standard & Poor's Ratings Services ("S & P") similar to or higher than that of the United States of America, or any agency or instrumentality thereof, having maturities of not more than one (1) year from the date of acquisition; (c) Certificates of deposit and money market placements issued by any of the top twenty (20) banks in terms of asset size in the Republic of the Philippines, international banks rated by Moody's or S & P or Fitch as investment grade or prime local and international financial institutions; (d) Securities rated with an investment grade rating by Fitch, Moody's, or S & P; (e) Securities that may be classified as "Fair Value through Profit & Loss ("FVPL") and Fair Value through Other Comprehensive Income ("FVOCI") in accordance with PFRS 9; or (f) Any other investments acceptable to the Majority Bondholders
Person	Individuals; juridical persons such as corporation, partnership, joint venture unincorporated association, trust or other juridical entities; or any Governmental Authority
Pesos or P or PHP	The lawful and official currency of the Republic of the Philippines
Philippine Constitution	The 1987 Constitution of the Republic of the Philippines
Plant capacity factor	The ratio of the gross kilowatt-hours generated by the plant in a given period to the rated capacity times the number of hours in the period

PNOC	Philippine National Oil Company, a GOCC created under Presidential Decree No. 334
PNOC EDC	PNOC Energy Development Corporation, the former corporate name of EDC
PPA	Power Purchase Agreement between EDC and the relevant purchaser
Prime Terracota	Prime Terracota Holdings Corporation
PSALM	Power Sector Assets and Liabilities Management Corporation
PSA	Power Supply Agreement
PSE	The Philippine Stock Exchange, Inc.
RA	Republic Act
RCOA	Retail Competition and Open Access
RE or Renewable Energy	Renewable energy, referring to energy generated from energy resources that do not have an upper limit on the total quantity to be used, which include, among others, biomass, solar, wind, geothermal, ocean energy, and hydropower conforming with internationally accepted norms and standards on dams, and other emerging renewable energy technologies
RE Law	Republic Act No. 9513, also known as the Renewable Energy Act of 2008
REPA	Renewable Energy Payment Agreement
RE Service Contract	The service agreement between the Government and the RE developer, covering a period during which the RE developer shall have the exclusive right to explore, develop and utilize geothermal, hydropower, wind, ocean and other RE resources within a particular service contract area
Record Date	Two (2) Business Days prior to the relevant Payment Date, which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal, or any other amount due on the Bonds
Red Vulcan	Red Vulcan Holdings Corporation, a wholly-owned subsidiary of Prime Terracota
Refinancing Indebtedness	Any Financial Indebtedness that is incurred solely for the purpose of repaying or prepaying (as the case may be) any existing Financial Indebtedness on or before its due date
Registrar	The party engaged by the Company to serve as Registrar for the offer of each particular tranche of the EDC ASEAN Green Bond Program, as indicated in the relevant Offer Supplement, and for the First Tranche Bonds, as stated in the Summary of the Offer in this Prospectus
Registry and Paying Agency Agreement	The relevant Registry and Paying Agency Agreement executed between the Company and the Registrar and Paying Agent for the offer of each particular tranche of the EDC ASEAN Green Bond Program
Registry of Bondholders	Electronic record of the issuances, sales and transfers of the Bonds to be maintained by the Registrar, pursuant to and under the terms of the relevant Registry and Paying Agency Agreement
Reliability	A measure of the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled

	and unscheduled outages of system facilities
Retail Competition	As defined in the implementing rules of the EPIRA, the provision of electricity to a Contestable Market by persons authorized by the ERC to engage in the business of supply to electricity end-users through Open Access
RSC	Retail Supply Contract
SEC	Securities and Exchange Commission
SNGP	Southern Negros Geothermal Project
SRC	Republic Act No. 8799, otherwise known as "The Securities Regulation Code of the Philippines", including its Implementing Rules and Regulations as promulgated and amended or supplemented by the SEC from time to time
SSA	Steam Sales Agreement between EDC and BGI
Subsidiary	With respect to any Person, any entity of which fifty percent (50.0%) or more of whose securities, or other ownership interest having voting power to elect the board of directors or other person or body performing similar functions, are directly or indirectly owned by such Person
Tangible Net Worth	with respect to EDC and on the basis of its unconsolidated financial statements, the aggregate of: (i) (A) The amount paid up or credited as paid up on the share capital of EDC; and (B) The amount standing to the credit of the reserves of EDC (excluding asset revaluation reserves and including, without limitation, any share premium account, capital redemption reserve funds and any credit balance on the accumulated profit and loss account); after deducting, without double counting, from the amounts in (A) and (B): (ii) any debit balance on the profit and loss account or impairment of the issued share capital of EDC (except to the extent that deduction with respect to that debit balance or impairment has already been made); (a) amounts set aside for dividends to the extent not already deducted from equity; (b) amounts of deferred tax assets net of deferred tax liabilities (provided that any such deferred tax liabilities to be deducted from deferred tax assets must originate from the same Governmental Authority as the deferred tax assets); and (c) amounts attributable to capitalized items such as goodwill, trademarks, deferred charges, licenses, patents and other intangible assets; and (iii) if applicable, that part of the net results of operations and the net assets of any subsidiary of EDC attributable to interests that are not owned, directly or indirectly, by EDC.
Terms and Conditions	The terms and conditions of the issuance of the Bonds as set forth in Annex "A" of the relevant Trust Indenture
Total Equity	In respect of any Measurement Period, the sum of: (a) all amounts which would be included under the caption "Total Equity" (or any like caption) in the unconsolidated balance sheet of EDC; and (b) the aggregate principal amount of Non-Trade Shareholder Advances then outstanding
TransCo	National Transmission Corporation

Trade Advances	Advances representing the Issuer's share in the services and expenses charged by First Gen to all of its Subsidiaries, office rental, inventory issuances, broker's fee and management fee, and which advances form part of the account "Due to Related Parties" classified under "Trade and Other Payables" (or any like caption) appearing in the balance sheet of the Issuer
Trust Indenture	The relevant Trust Indenture to be entered into between the Company and the Trustee for each tranche of the EDC ASEAN Green Bond Program
Trustee	The trustee to be appointed for each tranche, as indicated in the relevant Offer Supplement, and for the First Tranche Bonds, as stated in the Summary of the Offer in this Prospectus
Underwriting and Issue Management Agreement	The relevant Underwriting and Issue Management Agreement for each tranche of the EDC ASEAN Green Bond Program to be entered into between the Company, and the relevant Underwriters
USD or US\$	United States dollar or U.S. dollar
Underwriters	The Joint Lead Underwriters and the underwriters that may be engaged by the Issuer for a particular tranche, as indicated in the relevant Offer Supplement, and for the First Tranche Bonds, as stated in the Summary of the Offer in this Prospectus
VAT	Value-Added Tax
WESC	Wind Energy Service Contract between the Government, represented by the DOE, and EDC or EBWPC
WESM	Wholesale Electricity Spot Market
WESM Rules	The rules promulgated pursuant to the EPIRA that govern the administration and operation of the WESM

Executive Summary

The following summary is qualified in its entirety, and should be read in conjunction with the more detailed information, including the Company's audited financial statements and the notes relating thereto, appearing elsewhere in this Prospectus. Because it is a summary, it does not contain all the information that a prospective purchaser should consider before investing. Prospective investors must read the entire Prospectus fully and carefully, including the section on "Risk Factors", and the financial statements and the related notes to those statements annexed to this Prospectus. In case of any inconsistency between this summary and the more detailed information in this Prospectus, then the more detailed portions, as the case may be, shall at all times prevail. Capitalized terms not defined in this summary are defined in the section "Definition of Terms".

The Company

Energy Development Corporation (the "Company" or "EDC"), by itself and through its Subsidiaries (EDC and its Subsidiaries are collectively referred to as the "Group") is the Philippines' leading 100% renewable energy producer, possessing interests in geothermal energy, hydro power, wind power and solar power.

As of March 31, 2021, the Group has total installed capacity of 1,480 MW composed of (i) 1,186 MW in geothermal, (ii) 150 MW in wind, (iii) 132 MW in hydro, and (iv) 12 MW in solar. For the full year 2020, the Group sold a substantial portion, or 88.8% of its power output through its various take-or-pay power offtake agreements, with the balance sold to the WESM.

The Company is the largest vertically integrated geothermal company globally. It is also the largest producer of geothermal energy in the Philippines¹. The Philippines, with a total installed geothermal capacity of 1,918 MW is the third largest geothermal energy producer in the world. The United States, the world's largest geothermal energy producer, has an installed geothermal capacity of 3,676 MW and Indonesia, the second largest geothermal energy producer, has an installed geothermal capacity of 2,133².

The Group's geothermal power projects are composed of two principal activities: (i) the production of geothermal steam for use at the Company's and its Subsidiaries' geothermal power plants, and (ii) the generation and sale of electricity through those geothermal power plants pursuant to take-or-pay and take-and-pay offtake arrangements. The Company's electricity sales are supported by medium-term to long-term offtake agreements in various forms. The Company also provides geothermal consultancy and ancillary services to third parties. EDC's steam sales are backed by long-term offtake agreements with its wholly owned subsidiaries: (i) GRSCs with GCGI; and (ii) SSA with BGI. EDC has three (3) twenty-five (25)-year PPAs with NPC covering EDC's Unified Leyte and Mindanao Geothermal Power Projects (Mindanao I and Mindanao II). The PPAs for Unified Leyte and Mindanao I are scheduled to expire between 2021 to 2022, while the PPA for Mindanao II will expire in 2024.

The Company's subsidiaries, namely GCGI, BGI, FG Hydro, and ULGEI, hold offtake agreements in the form of Power Supply Agreements ("PSAs") with various customers, particularly electric cooperatives and retail electricity suppliers.

BGI holds a Retail Electricity Supplier ("RES") license effective for a period of five (5) years from February 2017 until February 2022 and has offtake agreements in the form of RSCs with contestable customers.

In June 2020, the ERC approved GCGI's application for a RES license effective for a period of five (5) years from June 2020 to June 2025.

EDC, GCGI, and FG Hydro sell electricity through ancillary service to the NGCP under ASPA.

Generated electricity in excess of contracted levels is sold to the WESM.

The Company holds service contracts with the DOE corresponding to ten (10) geothermal contract areas, each granting the Company exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area. The Company conducts commercial operations in four (4) of its ten (10) geothermal contract areas. Within these contract areas, the Company operates four (4) geothermal steamfield projects that supply steam to twelve (12) Company-owned and Subsidiary-owned geothermal power plants with an aggregate installed capacity of 1,186 MW as of March 31, 2021. The Company has expertise spanning the entire geothermal energy value chain,

¹ ERC Resolution No. 02 Series of 2020.

² ThinkGeoEnergy Research (2020).

including geothermal energy exploration and development, reservoir engineering and management, engineering design and construction, environmental management and energy research and development.

The Group is also into hydro, wind, and solar power and has been pursuing growth opportunities within and outside the Philippines.

The Company owns a 60.0% equity interest in FG Hydro. FG Hydro owns and operates the 120 MW Pantabangan and the 12 MW Masiway Hydroelectric power plants located in Pantabangan, Nueva Ecija. Pantabangan commenced operations in 1977 and initially consisted of two (2) 50-MW generating units, while Masiway commenced operations in 1981 and consists of one (1) 12-MW generating unit. The rehabilitation of Pantabangan was completed in 2010, which increased the total capacity of Pantabangan-Masiway to 132 MW.

The Group holds ten (10) WESCs to develop wind projects in Ilocos Norte and in the Visayas area. One of these WESCs covers the 150-MW wind farm in Burgos, Ilocos Norte operated by the Company's subsidiary, EBWPC, which commenced full commercial operation in November 2014.

The Group also holds two (2) Solar Energy Service Contracts ("SESCs") located in various areas in Ilocos Norte and Iloilo. One of these SESC of the Company is for the operation of the 6.82-MW solar project (consisting of Phases 1 and 2) located in Burgos, Ilocos Norte, which started its commercial operation in March 2015 for Phase 1 and March 2016 for Phase 2.

The 150-MW wind and 6.82-MW solar projects of EBWPC and EDC were granted a Feed-In-Tariff ("FIT") Certificate of Compliance ("COC") by the ERC that entitles them to the applicable FIT rates, subject to adjustments as may be approved by the ERC, for the entire duration of their FIT eligibility periods.

EDC Siklab, a wholly-owned subsidiary of EDC, operates solar rooftop systems in various Gaisano Capital's malls located in the provinces of Iloilo, Aklan, Leyte, Southern Leyte and Sorsogon.

In 2017, EDC Siklab entered into eight (8) Solar Rooftop Lease Agreements ("SRLAs") with HEVA Management Development Corporation ("HEVA"). These SRLAs provide, among others, that EDC Siklab will construct, install, test, commission, operate and maintain solar power facilities in Gaisano Capital's mall in Passi, Ormoc, Sogod, Sorsogon Tacloban, Kalibo, Oton, Balasan, and HEVA will lease these facilities for a period of twenty five (25) years. In 2018, EDC Siklab's solar rooftop systems in Gaisano Capital's malls in Passi, Kalibo, Oton and Balasan started commercial operation, while Gaisano Tacloban Solar Rooftop Project was terminated. To date, all seven (7) sites are in commercial operation.

Beyond the domestic market, the Company is exploring growth opportunities outside the Philippines. The Company has opened offices in Jakarta in Indonesia, Santiago in Chile, and Lima in Peru to facilitate the identification and exploration of new geothermal projects. The Company has and continues to send experts overseas to evaluate its international business prospects, except during the period of the COVID-19 pandemic due to related travel constraints. In Latin America, the Company has three (3) existing concessions, one (1) in Chile and two (2) in Peru, and is currently applying for three (3) more sites. In Indonesia, the Company has already acquired a Preliminary Survey and Exploration permit. The Company is also in communication with various government agencies and advisors overseas for various early stage works such as permitting, regulatory consultations, engineering design, environmental studies, and technical evaluation studies, among others. As of December 31, 2020, the Group had consolidated assets of ₱146.3 billion and consolidated equity of ₱63.2 billion. For the year ended December 31, 2020, the Group had consolidated revenues of ₱37.6 billion and a consolidated net income of ₱11.5 billion.

As of March 31, 2021, Philippines Renewable Energy Holdings Corporation ("PREHC") owns 34.9% of EDC's outstanding voting shares while First Gen, directly and through its Subsidiaries, owns 45.7% effective economic interest in the Company. First Gen directly holds a 0.6% voting and 0.9% economic interest in the Company and indirectly, through its Subsidiaries (namely, Red Vulcan, which owns a 63.9% voting interest and a 44.0% economic interest in EDC and Northern Terracota which owns a 0.6% voting interest and a 0.9% economic interest in EDC), holds the controlling voting interest with 65.0% ownership of EDC's outstanding voting shares.

First Gen is one of the largest Filipino-owned and controlled independent power producers in the Philippines by installed capacity, based on data compiled by the DOE. FPH is the controlling shareholder of First Gen and a member of the Lopez Group, a diversified Philippine conglomerate with interests in power generation, power distribution, multimedia communication and manufacturing. It also has investments in support industries, such as oil pipeline services, construction and engineering services, as well as property development. As of March 31, 2021, FPH and First Gen had market capitalizations of ₱35.2 billion and ₱108.3 billion, respectively.

PREHC is a wholly-owned subsidiary of Philippines Energy Markets B.V. ("PEMB"), a company organized under the laws of the Netherlands. PEMB is owned and held by a consortium of investors comprising (i) funds managed by

Macquarie Infrastructure Management (Asia) Pty Limited, Singapore Branch ("MIMAL"), which is a member of Macquarie Infrastructure and Real Assets ("MIRA"), and (ii) Arran Investment Pte Ltd ("Arran"), which is an affiliate of GIC Pte Ltd. ("GIC").

MIRA is the world's largest infrastructure asset manager with growing portfolios in real estate, agriculture and energy. It has been investing in and managing infrastructure for more than twenty (20) years. Its businesses provide essential services to over 100 million people around the globe daily. MIRA has 6.5 GW of renewable energy investments under management globally.

GIC is a leading global investment firm with well over US\$100 billion in assets under management. It has a strong track record of infrastructure investments in the emerging markets, and has a direct portfolio of over 5 GW in renewable energy assets globally.

Business Prospects

The Company plans to capitalize on the favorable industry dynamics in the Philippines. The country's electricity consumption per capita has sustained a 2.39% Annual Average Growth Rate ("AAGR") increase since 1982³. Despite the lower demand and economic activity in 2020 due to the COVID-19 pandemic, demand is expected to grow in 2021 as experts forecast GDP growth to be at 6.50% or more. Aggregate demand is expected to reach up to 14,501 MW in Luzon, 3,427 MW in Visayas, and 3,456 MW in Mindanao by 2025⁴. As of March 31, 2021, the Company's generation assets represent 1.85% (296 MW) of the installed capacity in Luzon, 24.42% (825.84 MW) in Visayas, and 2.46% (100 MW) in Mindanao⁵.

This, and a strong government policy supporting development of geothermal energy, should help support dispatch and further growth of electricity supply from geothermal power in the coming years.

In addition, there is a growing emphasis on the importance of Environmental, Social and Governance ("ESG") practices, an area where EDC, as a pure renewable energy company, can capitalize on. EDC is well-positioned to take advantage of this growing trend in sustainable and green investing.

Competitive Strengths

The Company believes that its success and future prospects are bolstered by a combination of its strengths, including the following:

- The Company is the leading geothermal power company in the Philippines, with significant reserves and expertise spanning the entire geothermal value chain;
- The Company possesses relatively stable contracted cash flows;
- The Company has a strong track record, proven technical expertise, and well-equipped facilities;
- The Company is a low-cost producer of clean, renewable, and competitively-priced energy;
- The Company has a diversified portfolio of renewable generating assets; and,
- The Company has experienced management and technical teams.

A more detailed discussion of the Company's "Competitive Strengths" may be found on page 123.

Business Strategies

The Company plans to enhance its leading market position in the Philippine geothermal energy business by leveraging on its strong technical expertise in geothermal energy exploration, development, and production and by pursuing growth opportunities both locally and internationally. The Company's vision is to be the leading global geothermal energy company and key provider of 24/7 clean and renewable energy, guided by its mission to forge

³ Philippines | Data. The World Bank. Retrieved from <https://data.worldbank.org/country/PH>.

⁴ DOE 2016-2040 Power Development Plan.

⁵ ERC Resolution No. 05, Series of 2021.

collaborative pathways to a decarbonized and regenerative future. It plans to realize its vision by implementing the following strategies:

- Increasing production and sale of power from renewable energy sources with a focus on geothermal, both locally and internationally;
- Leveraging on its strong technical expertise in geothermal to explore emerging adjacent renewable technologies;
- Maintaining a competitive cost structure;
- Developing customer-centric energy solutions;
- Embarking on an innovative approach to improving the business model, delivering value through an agile enabled organization;
- Continuing to build strong relationships with its stakeholders while pursuing regenerative growth for both the Company, and the community; and
- Sustaining a values-, purpose-, and behavior-based high-performing culture with highly capable and engaged employees who are equipped to support the Company's growing portfolio.

Risks of Investing

There are a number of risks and uncertainties that could affect the Company's business and results of operations. These include, but may not be limited to:

Risks Relating to the Company and its Business

- A significant portion of the Company's revenues are attributed to payments from a single offtaker, NPC, who may be unable to meet its payment obligations to the Company;
- A significant portion of the Company's revenues are from contracts that are maturing in one (1) to two (2) years, which may expose the Company to re-contracting risk or WESM price volatility;
- Contractual relations may impose considerable financial obligations on the Company or otherwise adversely affect the financial conditions, operations, and/or business of the Company;
- The Company's financial performance depends on the successful operation of its geothermal steamfields and power plants, which are subject to various operational risks;
- The estimates of the Company's steam reserves may be imprecise;
- The Company's exploration, development and production of geothermal energy resources are subject to geological risks and uncertainties;
- Permits, licenses, and operating agreements necessary for the Company's businesses may not be obtained, sustained, extended, or renewed;
- Continued compliance with, and any changes in, legislative, regulatory, power industry structure, safety, health and environmental laws and regulations may adversely affect the Company's collections, revenues and operating costs and may expose the Company to increased competition in the power industry;
- The Company has relied and will continue to rely significantly on, and faces substantial competition for the services of its experienced, skilled, and specially-trained technical personnel;
- The Company may experience fluctuations in the cost of materials that may materially and adversely affect its business, financial condition, future results, and cash flow;
- The Company may face labor disruptions that may interfere with its operations;
- The adverse results of any pending and future litigation and disputes may impact the Company's future cash flows, earnings, results of operations and financial condition;
- The Company may be liable for further real property tax, royalties, income tax, franchise tax, and other taxes;
- The Company may be unable to refinance its outstanding debt and any future financing the Company receives may be less favorable than current financing arrangements;
- The Company may not be able to obtain or maintain adequate insurance;
- The Company may not successfully implement its growth strategy;
- The Company's intellectual property rights may not be adequate to protect its business;
- The failure to obtain financing or the inability to obtain financing on reasonable terms could affect the execution of the Company's growth strategies;
- The Company cannot predict the amounts it will have to pay for expropriated land;

- The Company has relied and will likely continue to rely significantly on the services of members of its senior management team, some of whom are also employees of other companies in the Lopez Group, and the departure of any of these persons could adversely affect its business;
- The success of the Company's foreign ventures depends largely on factors outside of the Company's control; and,
- The Company may potentially be exposed to stranded asset risk.

Risks Relating to the Philippines

- Substantially all of the Company's operations and assets are based in the Philippines; a slowdown in economic growth in the Philippines could adversely affect its businesses;
- Any political instability in the Philippines may adversely affect the Company;
- In case of escalated territorial disputes, the Philippine economy may be disrupted and its business and financial standing may be adversely affected;
- Continued terrorist activities in the Philippines could destabilize the country, adversely affecting the country's business environment;
- The credit ratings of the Philippines may adversely affect the Company's business;
- The occurrence of natural catastrophes or pandemic could adversely affect the Company's business, financial condition, or results of operations; and
- Foreign exchange controls could adversely affect the Company's financial conditions and results of operations.

Risks Relating to the Bonds

- The Bonds will effectively be subordinated to other debts of the Company;
- The Bonds do not have the benefit of any security;
- The Company may be unable to redeem the Bonds;
- Liquidity Risk;
- Pricing Risk; and,
- Retention of Ratings Risk.

Risks Relating to the Bonds issued as Green Bonds

Please refer to the section of this Prospectus titled "Risk Factors" on page 37, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with the purchase of the Bonds. The risk factors discussed in the section of this Prospectus titled "Risk Factors" are in no particular order of importance and are only separated into categories for ease of reference.

Summary Financial Information

The following presents a summary of consolidated financial information for the Group and should be read in conjunction with the Auditors' Report, the Consolidated Financial Statements and notes thereto, and the section "Management Discussion and Analysis of Financial Condition and Results of Operations". The summary financial information presented below for three years ended December 31, 2020, 2019 and 2018, were derived from the Group's audited consolidated financial statements. The financial statements are prepared in accordance with the PFRS.

CONSOLIDATED STATEMENTS OF INCOME (In Million Pesos)

	For the years ended December 31		
	2020	2019	2018
Revenues	37,616.8	41,868.4	37,985.6
Income from operations ⁶	14,777.2	14,897.7	12,703.4
Income before income tax	13,297.6	13,455.4	10,859.6
Net Income	11,537.0	12,352.8	9,595.5
Attributable to:			
Equity holders of the Company	11,494.6	11,931.2	9,403.8
Non-controlling Interest	42.4	421.6	191.7

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Million Pesos)

	As of December 31		
	2020	2019	2018
Cash and cash equivalents	21,755.4	14,254.1	14,988.5
Trade and other receivables	6,888.7	8,182.4	6,094.9
Parts and supplies inventories	5,961.2	4,300.5	3,972.8
Other current assets ⁷	6,193.8	2,831.9	3,323.1
<i>Total Current Assets</i>	40,799.1	29,568.9	28,379.3
Property, plant and equipment	91,022.4	90,559.3	90,702.1
Goodwill and intangible assets	3,899.4	4,054.6	4,067.1
Deferred tax assets - net	841.7	866.1	980.6
Exploration and evaluation assets	1,955.9	3,117.4	3,076.2
Other non-current assets ⁸	7,800.3	6,710.6	8,720.8
<i>Total Noncurrent Assets</i>	105,519.7	105,308.0	107,546.8
Total Assets	146,318.8	134,876.9	135,926.1

Trade and other payables	16,940.6	14,902.7	10,526.6
Current portion of long-term debts	14,164.4	7,663.2	4,359.4
Current portion of lease liability	122.9	133.2	-
Other current liabilities ⁹	573.1	95.0	128.0

⁶ Income from operations is computed as revenues less cost of sales of electricity and steam less general and administrative expenses.

⁷ Other current assets include financial assets at fair value through profit and loss, due from related parties, derivative assets, and other current assets.

⁸ Other non-current assets include financial assets at fair value through other comprehensive income, derivative assets and other non-current assets.

⁹ Other current liabilities include due to related parties, income tax payable and current portion of derivative liabilities.

<i>Total Current Liabilities</i>	31,801.0	22,794.1	15,014.0
Long-term debts - net of current portion	45,865.9	47,987.2	61,443.3
Net retirement and other post-employment benefits	2,024.2	1,552.8	1,144.5
Lease liability - net of current portion	243.8	279.8	-
Deferred tax liabilities - net	-	14.5	244.9
Other long-term liabilities ¹⁰	3,154.9	2,443.5	1,842.1
<i>Total Noncurrent Liabilities</i>	51,288.8	52,277.8	64,674.8
Total Liabilities	83,089.8	75,071.9	79,688.8
Equity attributable to equity holders of the parent	61,220.9	57,838.9	54,289.3
Non-controlling interest	2,008.1	1,966.1	1,948.0
Total Equity	63,229.0	59,805.0	56,237.3
Total Liabilities and Equity	146,318.8	134,876.9	135,926.1

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Million Pesos)

	For the years ended December 31		
	2020	2019	2018
Net cash flows from operating activities	18,659.3	20,105.4	21,952.0
Net cash flows used in investing activities	(6,217.7)	(3,334.4)	(2,294.1)
Net cash flows used in financing activities	(4,837.7)	(17,442.2)	(16,315.8)
Net increase (decrease) in cash and cash equivalents	7,603.9	(671.2)	3,342.1
Effect of foreign exchange rate changes on cash and cash equivalents	(102.6)	(63.2)	(49.3)
Cash and cash equivalents, beginning of year	14,254.1	14,988.5	11,695.7
Cash and cash equivalents, end of year	21,755.4	14,254.1	14,988.5

¹⁰ Other long-term liability include derivative liabilities - net of current portion and provisions and other long-term liabilities.

Capitalization and Indebtedness

As at December 31, 2020, the authorized capital stock of the Issuer was ₱30.2 billion or 42.3 billion shares divided into 27.0 billion common shares with par value of ₱1.0 per share, 15.0 billion voting preferred shares with par value of ₱0.01 per share and 0.3 billion non-voting preferred shares with par value of ₱10.00 per share and its issued capital stock was ₱17.1 billion consisting of 17.1 billion common shares with par value of ₱1.00 per share and 9.4 billion voting preferred shares with par value of ₱0.01 per share.

The following table sets forth the consolidated capitalization and indebtedness of the Issuer as at December 31, 2020 and as adjusted to give effect to the issue of the First Tranche Bonds (assuming with and without the exercise of the Oversubscription Option). This table should be read in conjunction with the Issuer's audited consolidated financial statements as at December 31, 2020 and notes thereto, included elsewhere in this Prospectus.

(In Million Pesos)	As of December 31, 2020	As adjusted for ₱ 3.0 billion issue	As adjusted for ₱ 5.0 billion issue
Short-term debt			
Current portion of long-term debts ¹	14,164.4	14,164.4	14,164.4
Total short-term debts	14,164.4	14,164.4	14,164.4
Long-term debts – net of current portion			
Long-term debts - net of current portion	45,865.9	45,865.9	45,865.9
The issue of First Tranche Bonds ²		3,000.0	5,000.0
Total long-term debts	45,865.9	48,865.9	50,865.9
Equity			
Common stock ³	19,076.3	19,076.3	19,076.3
Preferred stock	93.8	93.8	93.8
Treasury stock	(14,679.3)	(14,679.3)	(14,679.3)
Additional paid-in capital	8,715.1	8,715.1	8,715.1
Equity reserve	(3,706.4)	(3,706.4)	(3,706.4)
Common shares in employee trust account			
Net accumulated unrealized gain on financial assets at fair value	220.3	220.3	220.3
Fair value adjustments on hedging transactions	(813.8)	(813.8)	(813.8)
Cumulative translation adjustments	379.2	379.2	379.2
Retained earnings	51,935.7	51,935.7	51,935.7
Equity attributable to equity holders of the parent	61,220.9	61,220.9	61,220.9
Non-controlling interest	2,008.1	2,008.1	2,008.1
Total Equity	63,229.0	63,229.0	63,229.0
Total Capitalization⁴	123,259.3	126,259.3	128,259.3

1. Current portion of long-term debts pertains to total long-term debts that are maturing within one year.

2. The amount of proceeds from the Bond offering is presented gross of bond issue costs.

3. Foreigners own 9,241,872,197 of the Company's outstanding common shares. None of the Company's preferred shares are foreign-owned.

4. Total capitalization is the sum of short-term debt, long-term debt and equity.

Overview of the EDC ASEAN Green Bond Program

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular tranche of the EDC ASEAN Green Bond Program, the applicable terms and conditions.

EDC is offering the ASEAN Green Bond Program comprised of fixed rate Bonds, pursuant to the rules on shelf registration of securities of the SEC and the SEC Guidelines on the Issuance of Green Bonds under the SEC Guidelines on ASEAN Green Bonds. The EDC ASEAN Green Bond Program will be issued pursuant to the EDC Green Bond Framework (see section “EDC Green Bond Framework” on page 64).

The EDC Green Bond Framework was externally reviewed by Sustainalytics, a leading environmental, social and governance research, ratings, and data firm, which provided a second party opinion (“Second Party Opinion”) on the EDC Green Bond Framework that the same aligns with the core components of the ICMA 2018 Green Bond Principles. A copy of the EDC Green Bond Framework and the Second Party Opinion are available at www.energy.com.ph.

The following sections outline the description of the Program.

The EDC ASEAN Green Bond Program

Issuer	Energy Development Corporation (“EDC” or “Company”)
Facility	Up to Fifteen Billion Pesos (₱15,000,000,000.00) ASEAN Green Bond Program
Purpose	Net proceeds of the Bonds will be used for the financing or refinancing of new and existing renewable energy projects that are considered Eligible Green Projects under the EDC Green Bond Framework
Availability	The Program will be continuously available until the expiration of the shelf registration of the Program and the permit to offer securities for sale to be issued for each tranche by the SEC for the Program
Maturity Date	The Maturity Date of each tranche of the Bonds shall be as stated in the relevant Offer Supplement and for the First Tranche Bonds, as stated in the Summary of the Offer in this Prospectus
Method of Issue	Each of the Bonds will be issued on a continuous basis in tranches on different Issue Dates. The specific terms of each tranche (which, save in respect of the issue date, issue price, interest, interest commencement date, and principal amount of the tranche, and such other terms of the tranche specifically identified in the relevant final prospectus or the relevant Offer Supplement for such will be identical to the terms of other tranches of the same Bonds) will be set forth in the corresponding Offer Supplement or prospectus
Form of Bonds	Each tranche of the Bonds shall be issued in scripless form represented by a Master Certificate of Indebtedness to be issued and registered in the name of the Trustee for the Bondholders and by applicable document pursuant to the rules or other relevant regulations as promulgated by the SEC. Legal title to the Bonds shall be shown on and recorded in the Registry of Bondholders maintained by the Registrar
Denomination of the Bonds to be issued	Minimum denominations of ₱50,000 face value each, and in multiples of ₱10,000 thereafter, and traded in denominations of ₱10,000 in the secondary market
Early Redemption	The applicable final terms will indicate either that the relevant Bonds

cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an event of default) or that such Bonds will be redeemable at the option of the Issuer upon giving notice to the Bondholders 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 underwriters

Redemption for Taxation Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the relevant Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par or 100% face value plus accrued interest

Final Redemption

Except when a call option on the Bonds is exercised, the Bonds will be redeemed at par or 100% face value, on their respective Maturity Dates, or on the immediately succeeding Business Day if the Maturity Date is not a Business Day, without adjustment as to the amounts to be paid

Status of the Bonds

Upon issuance, the Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of EDC and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of EDC, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, (i) all of EDC's secured debts (if any) to the extent of the value of the assets securing such debt; and (ii) all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines

Negative Pledge

The Bonds will have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to the exceptions provided for in the relevant Trust Indenture

Taxation

Interest Income from the Bonds

Interest income on the Bonds is subject to withholding tax at rates of 15.0% to 30.0%, depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

- (a) The withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code, as amended, and its implementing rules and regulations as may be in effect from time to time; provided, further, that all Bondholders are required to provide the Issuer through the Paying Agent their validly issued tax identification numbers issued by the BIR;
- (b) Gross Receipts Tax under Section 121 of the Tax Code;
- (c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;
- (d) Value-Added Tax under Sections 106 to 108 of the Tax Code, and

as amended by Republic Act No. 9337 and Republic Act No. 10963; and,

- (e) Any applicable taxes on any subsequent sale or transfer of the Bonds by any Bondholder which shall be for the account of such Bondholder (or its buyer, as the Bondholder and the buyer may have agreed upon)

Documentary stamp tax for the primary issue of the Bonds and the execution of the Transaction Agreements, if any, shall be for the Issuer's account

Bondholders who are exempt from, or are not subject to final withholding tax on interest income, or are covered by a lower final withholding tax by virtue of a tax treaty may claim such exemption or the preferential tax rate as the case may be, by submitting to the relevant Joint Lead Underwriter, the necessary documents as required by the Bureau of Internal Revenue and the Company

Governing Law

Philippine Law

Summary of the Offer

A discussion containing the "Summary of the Offer" is set out below. However, the following summary should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus and, as applicable any relevant Offer Supplement, including, but not limited to, the discussion on the "Description of the Bonds" and "Plan of Distribution", and agreements executed in connection with a particular offer of the relevant tranche of Bonds as a whole. Such overview may not contain all of the information that prospective investors should consider before deciding to invest in the Bonds. Accordingly, any decision by a prospective investor to invest in the Bonds should be based on a consideration of this Prospectus, any relevant Offer Supplement and agreements executed in connection with a particular offer of Bonds as a whole.

Issuer	ENERGY DEVELOPMENT CORPORATION ("EDC", the "Issuer" or the "Company")
Issue	Public, Philippine Peso ASEAN Green Bonds (the "Bonds") Series A and Series B bonds (Series A and Series B, the "First Tranche Bonds").
Joint Issue Managers, Joint Lead Underwriters and Bookrunners	BDO Capital & Investment Corporation ("BDO Capital") BPI Capital Corporation ("BPI Capital")
Co-Lead Underwriter	SB Capital Investment Corporation ("SB Capital")
EDC ASEAN Green Bond Program	Fixed rate ASEAN Green bonds in the aggregate amount of up to Fifteen Billion Pesos (₱15,000,000,000).
Issue Amount	Fixed rate bonds in the aggregate principal amount of Three Billion Pesos (₱3,000,000,000), consisting of Series A bonds due three (3) years from the Issue Date and/or Series B bonds due five (5) years from the Issue Date, to be registered with the Philippine Securities and Exchange Commission ("SEC").
Oversubscription Option	Up to Two Billion (₱2,000,000,000) in addition to the Issue Amount.
Manner of Offer	Public offering
Issue Price	100% of face value of the First Tranche Bonds
Form and Denomination of the First Tranche Bonds	The First Tranche Bonds shall be issued in scripless form, and issued in denominations of Fifty Thousand Pesos (₱50,000) each as a minimum, and in integral multiples of Ten Thousand Pesos (₱10,000) thereafter, and shall be subsequently traded in denominations of Ten Thousand Pesos (₱10,000) in the secondary market.
Offer Period	The offer of the First Tranche Bonds shall commence at 9:00 a.m. on June 14, 2021 and end at 5:00 p.m. on June 18, 2021.
Security	Negative Pledge on the Company's existing and future assets subject to certain permitted liens, provided in the Trust Indenture of the First Tranche Bonds.

Status	The First Tranche Bonds shall constitute the direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and ratably without preference among themselves and among any present and future unsecured obligations of the Issuer, except for any statutory preference or priority established under Philippine law.
Purpose	Net proceeds of the Bonds will be used to finance or refinance new and existing renewable energy projects that are considered Eligible Green Projects under the EDC Green Bond Framework. The net proceeds of the First Tranche Bonds shall be used for geothermal growth and maintenance capital expenditure projects, including a portion of the capex for the Palayan Bayan Binary Project ("PBBP"), the Mindanao III Binary Project ("M3") and other geothermal capex for natural catastrophe resiliency, powerplant equipment upgrades, spare parts replacements and other capex projects.
Issue Date/s	June 25, 2021
Maturity Date	Series A Bonds: June 25, 2024 Series B Bonds: June 25, 2026
Interest Rate	Series A Bonds: 2.8565% per annum Series B Bonds: 3.7305% per annum
Interest Computation and Payment	Interest on the unpaid principal amount of the First Tranche Bonds will be calculated on a 30/360-day count basis and will be paid semi-annually in arrears on the last day of each Interest Period (each an "Interest Payment Date"). Interest Period shall refer to each successive period of six (6) months commencing on the Issue Date and ending on Maturity Date. If the Interest Payment Date is not a Business Day, interest will be paid on the next succeeding Business Day, without adjustment to the amount of interest to be paid.
Redemption and Purchase	<u>Final Redemption</u> Unless previously redeemed or cancelled, the First Tranche Bonds shall be redeemed at par, or 100% of face value, on their respective Maturity Dates, or on the immediately succeeding Business Day if the Maturity Date is not a Business Day, without adjustment as to the amounts to be paid. <u>Redemption for Taxation Reasons</u> If payments under the First Tranche Bonds become subject to additional or increased taxes other than the taxes and the rates of such taxes prevailing on Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the First Tranche Bonds in whole (and not in part), on any Interest Payment Date (having given not more than sixty (60) days nor less than thirty (30) days' notice to the Trustee) at par or 100% face value plus accrued interest.

Change in Law or Circumstance

The following events shall be considered as changes in law or circumstances ("Change in Law") in reference to the obligations of the Issuer and to the rights and interests of the First Tranche Bondholders under the Trust Indenture and the First Tranche Bonds:

(i) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Indenture or the First Tranche Bonds shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld.

(ii) Any provision of the Trust Indenture or any of the related documents is, or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provision of the Trust Indenture or any of the related documents, in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Indenture or any other related documents.

(iii) Any concessions, permits, rights, franchise or privileges for the conduct of the business and operations of the Issuer shall be revoked, cancelled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial conditions or operation of the Issuer.

(iv) The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer.

If any one or more of the events enumerated above shall occur and be continuing for a period of sixty (60) days, the Majority Bondholders, by notice in writing delivered to EDC through the Trustee, after the lapse of the said sixty (60) day period, may declare the principal of the First Tranche Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, without any prepayment penalty.

EDC may likewise invoke any one or more of the events enumerated above as a Change in Law. In such event, EDC shall provide the Trustee an opinion of legal counsel confirming the foregoing, such counsel being reasonably acceptable to the Trustee. Such opinion of legal counsel shall be provided by the Trustee to the Majority Bondholders. Thereupon, EDC, subject to giving of Notice to all Bondholders through the Trustee, shall declare the principal amount of the First Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable without any prepayment penalty, notwithstanding anything in the Trust Indenture and other related documents to the contrary.

Purchase and Cancellation

The Issuer may, at any time, purchase any of the First Tranche Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase the First Tranche Bonds pro-rata from all First Tranche Bondholders, and First Tranche Bondholders shall not be obligated to sell. Any First Tranche Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the First Tranche Bonds on PDEX, the Issuer shall disclose any such

	transactions in accordance with the applicable PDEX disclosure rules.																
Early Redemption	The Issuer shall have the option, but not the obligation, to redeem, in whole (and not in part), the relevant series of the outstanding First Tranche Bonds on the following relevant dates. If the Call Option Date is not a Banking Day, the call option shall be exercised on the following Banking Day. The amount payable to the First Tranche Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated, based on the principal amount of the relevant series of First Tranche Bonds being redeemed, as the sum of: (i) accrued interest computed from the last Interest Payment Date up to the relevant Early Redemption Option Date; and (ii) the product of the principal amount of the relevant series of First Tranche Bonds being redeemed and the Early Redemption Price in accordance with the following schedule: <table border="1"> <thead> <tr> <th>Early Redemption Option Date on Series A Bonds</th><th>Early Redemption Price</th></tr> </thead> <tbody> <tr> <td>4th Interest Payment Date</td><td>100.5%</td></tr> <tr> <td>5th Interest Payment Date</td><td>100.5%</td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Early Redemption Option Date on Series B Bonds</th><th>Early Redemption Price</th></tr> </thead> <tbody> <tr> <td>6th Interest Payment Date</td><td>101.0%</td></tr> <tr> <td>7th Interest Payment Date</td><td>101.0%</td></tr> <tr> <td>8th Interest Payment Date</td><td>100.5%</td></tr> <tr> <td>9th Interest Payment Date</td><td>100.5%</td></tr> </tbody> </table> The Issuer shall give not more than sixty (60) days nor less than thirty (30) days prior written notice to the Trustee of its intention to redeem the First Tranche Bonds, including information on the relevant series being redeemed, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the First Tranche Bonds at the Early Redemption Option Date stated in such notice.	Early Redemption Option Date on Series A Bonds	Early Redemption Price	4th Interest Payment Date	100.5%	5th Interest Payment Date	100.5%	Early Redemption Option Date on Series B Bonds	Early Redemption Price	6th Interest Payment Date	101.0%	7th Interest Payment Date	101.0%	8th Interest Payment Date	100.5%	9th Interest Payment Date	100.5%
Early Redemption Option Date on Series A Bonds	Early Redemption Price																
4th Interest Payment Date	100.5%																
5th Interest Payment Date	100.5%																
Early Redemption Option Date on Series B Bonds	Early Redemption Price																
6th Interest Payment Date	101.0%																
7th Interest Payment Date	101.0%																
8th Interest Payment Date	100.5%																
9th Interest Payment Date	100.5%																
Title	Legal title to the First Tranche Bonds shall be shown in the Registry of First Tranche Bondholders to be maintained by the Registrar. A notice confirming the principal amount of the First Tranche Bonds purchased by each applicant in the Offer shall be issued by the Registrar to all First Tranche Bondholders following the Issue Date. Upon any sale, transfer or assignment, title to the First Tranche Bonds shall pass by recording of such sale, transfer or assignment from the transferor to the transferee in the Registry of Bondholders. Settlement in respect of such sale, transfer or assignment, including the settlement of any cost arising from such transfers, including but not limited to, documentary stamp taxes, if any, shall be for the account of the relevant First Tranche Bondholder.																
Bond Rating	The First Tranche Bonds is rated PRS Aaa by the Philippine Rating Services Corporation																

Trustee	Rizal Commercial Banking Corporation - Trust and Investments Group ("RCBC Trust")
Registrar Agent and/or Paying Agent	Philippine Depository and Trust Corp.
Tax and Other Deductions	Interest income on the First Tranche Bonds is subject to a withholding tax at rates of 15.0%, 20.0%, 25.0% or 30.0%, depending on the tax status of the relevant First Tranche Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following: (a) The final withholding tax applicable on interest earned on the First Tranche Bonds prescribed under the Tax Code, as amended, and its implementing rules and regulations as may be in effect from time to time; provided, further, that all First Tranche Bondholders are required to provide the Issuer through the Paying Agent their validly issued tax identification numbers issued by the BIR; (b) Gross Receipts Tax under Section 121 of the Tax Code; (c) Taxes on the overall income of any securities dealer or First Tranche Bondholder, whether or not subject to withholding; (d) Value-Added Tax under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337 and Republic Act No. 10963; and (e) Any applicable taxes on any subsequent sale or transfer of the First Tranche Bonds by any First Tranche Bondholder which shall be for the account of such First Tranche Bondholder (or its buyer, as the First Tranche Bondholder and the buyer may have agreed upon). Documentary stamp tax for the primary issue of the First Tranche Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account. Tax-Exempt Status or Entitlement to Preferential Tax Rate A First Tranche Bondholder who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer, as being sufficient in form and substance: (i) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant applicant or First Tranche Bondholder, confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;

	(ii) with respect to tax treaty relief, a BIR Form No. 0901 or Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by a nonresident taxpayer from all sources within the Philippines, as required under BIR Revenue Memorandum Order No. 14-2021, and a duly notarized, consularized or apostilled, if executed outside the Philippines, Special Power of Attorney executed by the Bondholder in favor of its authorized representative (if the documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines to support the applicability of a tax treaty relief; (iii) a duly notarized undertaking executed by (1) the corporate secretary or any authorized representative of such applicant or First Tranche Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the First Tranche Bondholder holds, the First Tranche Bonds for its account, or (2) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the First Tranche Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent of any suspension or revocation of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Master RPAA, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax; and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized or apostilled proof of the First Tranche Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the First Tranche Bondholder is not doing business in the Philippines; provided, that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the First Tranche Bondholder on the interest payments to such First Tranche Bondholder; provided, further, that all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the First Tranche Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar; The foregoing requirements shall be submitted, (i) in respect of an initial issuance of the First Tranche Bonds, to the relevant Joint Issue Managers, Joint Lead Underwriters and Bookrunners, the Co-Lead Underwriter or Selling Agents (if any) who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a First Tranche Bondholder to a purchaser, to the Registrar upon submission of the account opening documents.

<i>Financial Ratios</i>	1) Incurrence ratio in terms of the unconsolidated Financial Indebtedness to unconsolidated Total Equity ratio of no more than 3.0x (after giving effect to the incurrence of such Equity Distribution and/or Debt Incurrence) for Equity Distribution and Debt Incurrence. 2) Excluded from the financial ratios are Finance lease due to IPPA Agreements and those under the take-or-pay contracts (but only to the extent it or a portion thereof has been accounted for as finance lease under applicable accounting standards as the same may be modified from time to time). Any Refinancing Indebtedness incurred within the reporting period shall be excluded from Financial Indebtedness, provided that the refinanced debt is repaid in full within six (6) months after the date the refinancing debt is incurred.
<i>Listing</i>	The First Tranche Bonds shall be listed at the Philippine Dealing & Exchange Corp. ("PDEX"), subject to compliance with the listing requirements of PDEX.
<i>Covenants</i>	Please refer to the covenants of the Issuer under the Sections "Affirmative Covenants" and "Negative Covenants" on page 83 of this Prospectus.
<i>Event of Default</i>	Please refer to the events of default under the Section "Events of Default" on page 87 of this Prospectus.
<i>Governing Law</i>	Laws of the Republic of the Philippines
<i>Counsel to the Issuer</i>	Quiason Makalintal Barot Torres Ibarra Sison & Damaso
<i>Counsel to the Underwriters</i>	Picazo Buyco Tan Fider & Santos Law Offices

Risk Factors

An investment in the Bonds, as described in this Prospectus, involves a certain number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward price movements and may lose part, or all, of its value over time. There is an inherent risk that losses may be incurred rather than profit, as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of any security. The market price of the Bonds could decline due to any one of, but not limited to, the risks described herein, and all or part of an investment in the Bonds could be lost.

Prior to making any investment decision, prospective investors should carefully consider all of the information in this Prospectus, including the risk factors described below.

This section entitled "Risk Factors" does not purport to be a comprehensive disclosure of all of the risks and other significant aspects of investing in these securities, but is intended to give a general idea to a prospective investor of the scope of risks involved in investing in the Bonds. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and on the Bonds in the future. Prospective investors may request publicly available information on the Bonds and the Company from the SEC. Prospective investors should undertake their own independent research and study on the merits of investing, and subsequently, trading these securities. Prospective investors should seek professional advice if he or she is uncertain of, or has not understood any aspect of the Offer or the nature of risks involved in purchasing, holding and trading the Bonds. Each potential investor should consult its own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an investment in the Bonds. EDC, the Joint Issue Managers as well as the Joint Lead Underwriters and Bookrunners do not make any warranty or representation on the marketability of an investment in the Bonds and the sustainability of the price of the Bonds.

The risk factors discussed in this section are in no particular order of importance and are only separated into categories for ease of reference.

Risks Relating to the Company and its Businesses

A significant portion of the Company's revenues is attributed to payments from a single oftaker, NPC, who may be unable to meet its payment obligations to the Company.

A substantial portion of the Group's revenues has historically been derived from one customer, NPC. For the years ended December 31, 2019 and December 31, 2020, 33.0% and 35.0%, respectively, of the Company's consolidated revenues were attributable to contracts with NPC. Under long-term PPAs, NPC is committed to purchase electricity from six (6) of the Company's geothermal plants. The expiration dates of these PPAs range from 2021 to 2024. If NPC is unable to meet its payment obligations under the PPAs, the Company would be materially and adversely affected.

NPC's power generation assets are subject to an ongoing privatization process conducted by PSALM. In particular, PSALM is transferring the control of the trading of the energy capacities covered by existing NPC-IPP contracts to qualified IPP Administrators.

The Company incurs various costs and obligations under its contracts with third parties to meet its obligations to supply electricity to NPC under the PPAs. These costs and obligations include debt service payments, project development, steam and power production and operating costs. The Company is directly obligated to pay for these costs and obligations, regardless of whether NPC pays the Company under the PPAs. The Company depends on NPC's payment under the PPAs to fund its costs and obligations to third parties.

Any difficulty or inability on the part of NPC to meet its payment obligations under the PPAs, including payments intended to cover the Company's costs and debt service obligations, would have a material and adverse effect on the Company's business, cash flows, and results of operations if the Company is unable to source other purchasers of energy on substantially the same or better terms. Additionally, if NPC fails to meet its obligations under the PPAs or raises dispute on its obligations, the Company would have difficulty in meeting its financial obligations to third parties, and therefore may have to obtain funds from other sources to meet these obligations. There can be no

assurance that such alternative funding would be available, or, if the funding were available, that it would be on commercially reasonable terms.

In recent years, barring any disputed billings, NPC has been current in its payment obligations to the Company. EDC also exerts utmost effort in ensuring prompt collections of its receivables.

A significant portion of the Company's revenues are from contracts that are maturing in one (1) to two (2) years, which may expose the Company to re-contracting risk or WESM price volatility.

Given the RCOA regulations and since majority of the NPC contracts are maturing in one (1) to two (2) years, the Company has in the past years started diversifying its customer base and contracted with various Contestable Customers with demand of 500kW and above. As mandated by regulations, the maximum tenor for these contracts is two (2) years; hence, the Company may be exposed to re-contracting risk or WESM price volatility.

To manage the re-contracting risk for maturing contracts, the Company prioritizes contracting longer tenor offtake contracts (i.e., five (5) to ten (10) year tenor) and baseload electricity. The Company also manages a pipeline of Contestable Customers such as existing customers with contracts about to expire, prospective customers served by Retail Electricity Suppliers ("RES") competitors with contracts about to expire, and DU/Electric Cooperative ("EC") customers that have just qualified for RCOA given their consumption. Normally, it takes three (3) months of engagement with customers before the actual start of their contracts. A number of the Company's customers have renewable energy sourcing mandates and conduct bidding. This can be an opportunity for the Company since there are limited competing suppliers due to the requirement that a supplier must be engaged in renewable energy in order to be eligible to participate.

As of March 31, 2021, 18.0% of the Company's Contestable Customer base was new customers acquired during the year, 4.0% did not renew their contracts with EDC, and the remaining 78.0% were existing customers that renewed their contracts.

Contractual relations may impose considerable financial obligations on the Company or otherwise adversely affect the financial conditions, operations, and/or business of the Company

The Company faces risks that the counterparties to its various agreements (including contractors and offtakers) would be in default or delay in the performance of their obligations, or that disputes may arise with such counterparties over contractual issues, or that the Company may be required to perform certain obligations under specific terms and conditions. These defaults, delays, disputes or requirements may have an adverse effect on the financial condition, operations and/or business of the Company. To mitigate this risk, the Company, among others, conducts credit investigations and background checks to ensure the credibility of its counterparties, and reviews contracts compliance regularly.

In addition, the Tongonan and Palinpinon GRSCs, which govern the steam supply agreement between EDC and these power plants, do not include take-or-pay provisions and include price adjustment mechanisms that may be less favorable to the Company. However, on a consolidated basis, it does not pose any substantial risk to the Group.

The Company's financial performance depends on the successful operation of its geothermal steamfields and power plants, hydro, wind and solar assets, which are subject to various operational risks

The Company's financial performance depends on the successful operation of its geothermal steamfields and power plants. In connection with such operations, the Group derived 97.1% and 95.9% of its total revenues for the years ended December 31, 2019 and December 31, 2020, respectively, from the sale of electricity. The cost of operation and maintenance and the operating performance of geothermal steamfields and power plants may be adversely affected by a variety of factors, including the following:

- unscheduled shutdowns due to maintenance, replacement of major parts, unexpected breakdowns, obsolescence, failure of equipment, or the equipment of the transmission serving utility beyond the contractual allowance;
- unplanned steam outages due to unexpected responses of the geothermal resource to utilization;
- the presence of hazardous materials and hazardous wastes in the Company's facilities within its project sites, which may come into contact with the environment through accidental spills and leakages;
- catastrophic events such as fires, explosions, earthquakes, typhoons, floods, landslides, lightning, environmental pollution, releases of hazardous materials, severe storms, or similar and unexpected occurrences affecting the Company's projects or any of the power purchasers or other third parties providing services to the Company's projects;
- unfavorable weather patterns or events, and other effects of climate change such as droughts or continuous rains, which may result to more volatile generation of the Company's wind, hydro or solar plants; and,
- generation of the Company's hydro power plants are dependent on the release of water from the dams operated by the NIA, which is not within the Company's control.

Many of these events may cause personal injury and loss of life, severe damage to or destruction of the Company's properties and the properties of others, and may result in the suspension of the Company's operations and the imposition of civil or criminal penalties.

The counterparties to the Company's SSAs, GRSCs, PPAs, PSAs, RSC, REPA, ASPA and other related agreements may have the conditional right to terminate those agreements under circumstances specified therein arising from failure to generate or deliver electricity or geothermal resources, as the case may be, continues beyond a specified period of time. As a consequence, there may be no revenues from the affected assets.

In addition, if an SSA, GRSC, PPA, PSA, RSC, REPA, ASPA or other related agreement is terminated by the counterparty thereto, the affected party may not be able to enter into a replacement agreement on terms as favorable as the terminated agreement or with a counterparty as creditworthy as the terminating counterparty. As a result of all or any of the foregoing, the Company may not be able to make payments of principal, premium, if any, and interest on its debts when due.

To mitigate the risks against adverse effects on the geothermal steam pipelines and power plants, the Company has programs in place for the continuous and comprehensive monitoring of its reservoirs and high-risk areas. The Company has also adopted measures to mitigate operational risks and minimize disruptions in production in the event of unexpected shutdowns. In recent years, the Company has also undertaken various asset rehabilitation, geo-hazard mitigation, and digital and technological transformation initiatives to upgrade its equipment, strengthen its assets and improve resiliency. In addition, the Company maintains industrial all-risk insurance policies that cover above-ground assets, such as power plants, fluid collection and reinjection systems, buildings, land improvements, machinery, and equipment in the various renewable energy projects and power plant operations. A more detailed discussion on the Company's Insurance will be discussed in the Insurance Section on page 164.

The estimates of the Company's steam reserves may be imprecise.

The Company relies on its steam reserve estimation in the planning of geothermal development, as any development requires the reasonable assurance that the field has sufficient production capacity over the projected life of the field. Reserve estimation also influences the infrastructure and investment requirements of the project. There is no assurance that any current or future estimates of the Company's steam reserves, whether conducted by the Company on its own or by any third parties, are or will be precise. These estimates are expressions of judgment based on knowledge, experience, analysis of drilling results, employment of calculation methods and industry practices. Valid estimates made at a given time may significantly change when new geo-scientific, reservoir and drilling information becomes available and incorporated into new reservoir simulation studies. By their nature, reserve estimates are imprecise and depend, to a certain extent, upon statistical inferences which may prove unreliable. If the Company's actual steam reserves are lower than the reserves disclosed herein, the Company's future cash flows, results of operations and financial condition could be negatively affected.

From time to time, the Company engages the services of foreign third-party independent geothermal energy consultants to assess the Company's steam reserves.

The Company's exploration, development and production of geothermal energy resources are subject to geological risks and uncertainties.

The Company's business involves the exploration, development, and production of geothermal energy resources. These activities are subject to uncertainties, which may result in non-commercial wells, due to, among others, the following:

- insufficient steam in the drilled wells;
- the discovery of acidic, oversaturated, and hypersaline fluids which are unsuitable in the steam generation process using current technologies;
- the sudden decline in pressure and temperature.

The occurrence of any of these or other uncertainties, which may occur naturally or as a result of human error, can increase the Company's operating costs and capital expenditures, or reduce the efficiency of its steamfields and power plants.

Given that geothermal resources are located in varied and complex geological environments, their sizes and volumes can only be estimated. The viability of geothermal projects depends on different factors directly related to the geothermal resource, such as the energy content (i.e., maximum temperature and reservoir size) of the geothermal reservoir, reservoir pressure decline, chemistry of the reservoir fluids, useful life (i.e., commercially exploitable life) of the reservoir, and operational factors relating to the extraction of geothermal fluids. Production and injection wells can require frequent maintenance or replacement. Replacement or repair of certain equipment, vessels or pipelines, may be required, due to corrosion and erosion arising from acidic and high-gas geothermal fluids. New production and injection wells may be required for the maintenance of current operating levels, thereby requiring substantial capital expenditures. The Company's geothermal energy projects may suffer an unexpected decline in the capacity of their respective geothermal wells and are exposed to a risk of geothermal reservoirs not being sufficient for sustained generation of the desired electrical power capacity over time. In addition, the Company may fail to find commercially viable geothermal resources in the expected quantities and temperatures during the exploration stage, which would adversely affect its development of geothermal power projects.

In view of these recognized risks, the Company extensively utilizes its resources and is investing into digital technology and data science to obtain reliable data in geology, geochemistry, and geophysics and to implement proper analysis and assessment of geo-scientific information. The Company believes that such measures will assist it to take appropriate measures to manage such risks.

Permits, licenses and operating agreements necessary for the Company's business may not be obtained, sustained, extended or renewed.

The Company's operations rely on permits, licenses and agreements (such as service contracts) and in some cases renewals of such permits, licenses and agreements. Management believes that the Company currently holds or has applied for all necessary licenses, permits and agreements to carry on the activities that it is currently conducting under Applicable Laws. However, the Company's ability to obtain, sustain, extend, or renew such permits, licenses and agreements on acceptable terms is subject to legal and regulatory requirements and limitations, change in regulations and policies and to the discretion of applicable governmental authorities and counterparties.

For instance, Article XII, Section 2 of the Philippine Constitution sets the term of agreements entered into by the State for the exploration, development, and utilization of natural resources (i.e., co-production, joint venture, or production-sharing agreements) to a period not exceeding twenty-five (25) years, renewable for not more than twenty-five (25) years.

The Company believes that since its GRESCs that are expiring in 2031 were originally granted to state-owned PNOG EDC, which was privatized only in 2007, these GRESCs should be extended until 2057 (i.e., fifty (50) years from 2007), consistent with Article XII, Section 2 of the Philippine Constitution, which imposes a fifty (50)-year term limit for service contracts awarded to Filipinos or Filipino-owned entities when the State ceased to directly undertake the exploration, development, and utilization of the natural resources in the service contract area. Should the Company's GRESCs not be extended, the Company may however take part and bid in any competitive selection process of the Government for a new GRESC, or otherwise negotiate with the Government for a new GRESC, subject to the requirements of Applicable Law.

In addition, and related to the GRESC covering the Mt. Apo Geothermal Power Plant ("MGPP"), the original GRESC that expired on March 24, 2017 was extended or renewed by the DOE for another twenty-five (25) years or until March 24, 2042, with the additional condition of commissioning a power plant by 2021 (subsequently extended to March 2022).

In view of these risks, the Company has engaged personnel to ensure compliance with the terms and conditions imposed by its permits, licenses, and operating agreements, such as the additional condition imposed by the DOE to maintain the extended status of the renewed GRESC of MGPP, as well as the timely extensions of contracts. Regular monitoring of these licenses, permits, and operating agreements are institutionalized to ensure that these are kept current. Such personnel also regularly coordinate with the relevant Government Authorities.

Continued compliance with, and any changes in, legislative, regulatory, power industry structure, safety, health and environmental laws and regulations may adversely affect the Company's collections, revenues and operating costs and may expose the Company to increased competition in the power industry.

The Company and its projects are subject to significant regulations under various laws and regulations, including the EPIRA and the RE Law as well as changes in the regulatory structure and decisions of the Supreme Court on regulatory issues. The regulatory framework of the energy industry has also been constantly evolving as regulations continue to develop and to be subject to challenges and modifications and additional requirements are imposed.

Depending on how the regulatory framework evolves, the Company may not be able to obtain or maintain all regulatory approvals that may be required in the future, or secure any necessary modifications to existing regulatory approvals. In addition, the cost of operation and maintenance and the operating performance of steamfields and geothermal power plants may be adversely affected by changes in certain laws and regulations and the manner in which these are implemented. Any such changes could affect aspects of the Company's present and future operations, or increase the Company's compliance expenses which could materially and adversely affect the Company's business, financial condition and results of operations.

These laws and regulations likewise affect the Company's disposal of various forms of materials resulting from geothermal reservoir production, the drilling and operation of new wells, and power plant operations. Such laws and regulations generally require the Company to obtain and comply with a wide variety of licenses, permits, and other approvals. In addition, regulatory compliance for the construction of new facilities is a costly and time-consuming process. Changing environmental regulations may also require major expenditures in obtaining permits and may create the risk of expensive delays or material impairment in project value if projects cannot be operated as planned due to changing regulatory requirements or local opposition.

The Company's projects are subject to numerous environmental laws and regulations, as well as local statutory and regulatory standards, including those relating to the use, storage, and disposal of hazardous substances. For instance, the Company uses industrial lubricants and other substances in its projects, which are or could be classified as hazardous substances under various environmental regulations and improper disposal can lead to fines and penalties in addition to remediation. If any of the Company's projects is found to have released any hazardous substances into the environment, the Company could become liable to investigation and removal of those substances, and remediation of the affected area regardless of their source and time of release. Thus, the Company observes various guidelines and controls and, in addition, maintains a comprehensive general liability insurance intended to cover liability that may be owed to third parties, arising from sudden and accidental discharge of pollutants in the course of its operations. These laws and regulations also impact on the rehabilitation, repair, or construction of facilities, particularly on cost and time from sudden and accidental discharge of pollutants in the course of its operations.

Safety, health, and environmental laws and regulations in the Philippines have become more stringent in recent years. The adoption of new laws and regulations on safety, health, and environment, new interpretations of existing laws, stricter governmental enforcement of environmental laws, regulations issued in response to calamities or pandemic, and other developments in the future may require additional capital expenditures or necessitate additional operating expenses in order to comply with such laws and regulations and to maintain current operations, or result to deferral of revenue collections.

Also, in recent years, the Government has sought to implement measures designed to establish a competitive energy market. These measures include the privatization of NPC-owned power generation facilities, the privatization of

TransCo's transmission facilities through a twenty five (25)-year concession to manage, operate and maintain the transmission and subtransmission assets of TransCo that was granted to NGCP in 2009, the appointment by PSALM of IPP Administrators, and the establishment of a wholesale spot market for electricity. In addition, the Government introduced the adoption of policies, rules, and guidelines governing the establishment of the RCOA and, more recently, the Green Energy Option Program ("GEOP"), which allows qualified end-users an opportunity to choose their preferred supplier and source of energy; and the adoption of a policy for the transition to the IMO for the WESM, as envisioned in the EPIRA. The objective is to establish a market operator with equitable representation from electric power industry participants. With this in mind, the DOE issued Department Order DO2017-07-0010 creating the Transition Committee for the PEMC to propose plans for the WESM and anticipate future challenges. In January 2018, DOE issued Department Circular DC2018-01-002 to enable the formation of the IMO. On September 26, 2018, the IEMOP took over the operations of the WESM, with PEMC remaining as the governing body. In October 2020, DOE issued Department Circular DC2020-10-0021, adopting further amendments to the WESM Rules on provisions for the implementation of the IMO.

The move towards a more competitive electricity industry could result in the emergence of new and numerous competitors. These competitors may have greater financial resources, and have more extensive operational experience and other capabilities than the Company, giving them the ability to respond to operational, technological, financial and other challenges more quickly than the Company.

In response to this risk, the Company undertakes all reasonable due diligence in its business decisions and operations and continues to monitor competition.

Likewise, under the RE Law and its implementing rules, in relation to a reduced income tax rate from 30.0% to 10.0% for RE developers, there is a provision for a possible pass-on of savings in the form of lower power rates under such mechanism as may be determined by the DOE in coordination with the NREB, the ERC, and other RE industry stakeholders. Such determination may include the applicability of certain exceptions to the pass-on savings provision. The results of the DOE's technical study on such pass-on savings mechanism, if deemed unfavorable to the Company, may have a material and adverse impact on the Company's business and financial condition.

Moreover, the Company's entitlement to VAT zero-rating of both its (i) local purchases of goods, services, and properties used for its RE operations, as provided in the RE Law, and (ii) sale of fuel and power from renewable sources of energy, as provided in the National Internal Revenue Code, as amended, may be challenged. Recently, the Court of Tax Appeals ("CTA"), citing the RE Law's implementing rules, required Certificates of Endorsement ("COE") from the DOE on a per transaction basis in order for these local purchases and RE sales to be entitled to VAT zero-rating, even though this requirement is only imposed on duty-free importations (not local purchases and RE sales) under the RE Law. It is likely that if this position is upheld, local suppliers will apply 12.0% VAT to the local purchases of the Company. Moreover, the BIR may, within the prescriptive period under the National Internal Revenue Code, as amended, assess the Company deficiency VAT and applicable penalties on its sale of fuel and power from renewable sources.

Congress may also pass a law rationalizing the various fiscal incentives available under different laws, and these may result to the reduction of incentives currently enjoyed by the Company. Meanwhile, the implementation of the development mechanisms and incentives provisions of the RE Law, such as the Renewable Portfolio Standards ("RPS") pursuant to DOE Department Circular DC2017-12-0015 may create opportunities for the Company. Also, in July 2018, DOE issued Department Circular DC2018-07-0019 promulgating the rules and guidelines governing the establishment of the GEOP, which will allow end-users with an average peak demand of at least 100kW to choose RE resources as their source of energy. Complementing this is the issuance in April 2020 of the GEOP Operating Permit Guidelines, which sets out the procedures on the issuance, administration, and revocation of operating permits for RE suppliers.

In December 2019, the DOE promulgated DOE DC 2019-12-0016 or the rules governing the establishment of the Renewable Energy Market ("REM"), which is needed to ensure the compliance of the Mandated Participants to the RPS and facilitate the participation of end-users in the GEOP. DOE also issued DC 2020-07-0017 promulgating the guidelines governing the policy for the conduct of the Green Energy Auction to provide more avenues for Mandated Participants to comply with their RPS requirements. The Company also anticipates the issuance of additional policy guidelines that will further promote RE development.

Beyond the aforementioned issuances on fiscal incentives and market governance, the Company expects to accelerate the implementation of its RE projects in the pipeline with the enactment of RA No. 11234 or the Energy Virtual One-Stop Shop ("EVOSS") Act and its implementing rules, and the approval of the Omnibus Guidelines Governing the Award and Administration of RE Service Contracts and Registration of RE Developers (DOE DC 2019-

10-0013, which took effect in November 2019). Meanwhile, the release of DOE DC 2019-12-0018 or the General Framework Governing the Provision and Utilization of Ancillary Services in the Grid presents an opportunity for the Company to participate in the ancillary service market, which is envisioned to maintain electric power stability and reliability in the country.

Considering the foregoing risks and associated costs, the Company closely monitors relevant proposed legislation and regulations, participates in public hearings or consultations, and takes proper and appropriate measures to address possible adverse effects of such proposals in the event that the latter are enacted or promulgated into law or regulation. The Company also endeavors to keep itself abreast with the latest laws and regulations and takes reasonable measures to ensure timely submission of documentary requirements for processing of applicable permits and licenses. It closely coordinates with relevant regulatory agencies, such as the DOE, ERC, DENR, and the DOLE and has historically been an active participant in public hearings and consultations regarding relevant proposed legislation and regulations. In line with its efforts to comply with safety, health, and environmental laws and regulations, the Company continues to reinforce its safety practices and require its contractors to obtain the relevant work permits and ensure safety practices are observed.

The Company has relied and will continue to rely significantly on, and faces substantial competition for, the services of its experienced, skilled and specially-trained technical personnel.

The Company has relied, and will continue to rely, on a large number of specially-trained technical personnel with highly specialized skills and abilities for its geothermal steamfield and power generating activities. The Company has experienced significant problems with hiring and retaining skilled personnel, and will continue to face increased competition for its retained employees from other geothermal energy producers and similar business sectors, especially where wages and benefits are much higher and better than those paid by the Company. Additionally, because the Company is one of the leading geothermal energy producers worldwide, the Company's technical employees form a pool of some of the most highly experienced and skilled professionals in the industry, which makes them very attractive to other companies. If the Company is unable to retain a sufficient number of its qualified personnel or if the Company is unable to attract new employees with the skills required for its technical operations, the Company's business operations could be adversely affected.

To address this risk, the Company strives to provide competitive remuneration packages to its prospective and existing employees as part of its retention strategy. The Company prides itself on its relationship with its employees and its ability to attract the best personnel, which the Company believes will continue.

The Company may experience fluctuations in the cost of materials that may materially and adversely affect its business, financial condition, future results and cash flow.

The Company's operations are dependent on the supply of various materials including pipes, and various industrial equipment components. The Company obtains such materials and equipment at prevailing market prices on an as-needed basis and does not have any long-term agreements with any of its suppliers. Most of the Company's supplies are imported and denominated in foreign currencies. In addition, there may be a limited number of suppliers for certain items that the Company requires and as a result, availability can be limited. Future cost increases and unavailability of necessary materials and equipment could adversely affect the Company's results of operations.

A portion of the revenues the Company receives from NPC is linked to the U.S. dollar and acts as a partial, natural hedge against currency fluctuation. As payments in foreign currency become due, the Company evaluates and may enter into forward transactions to lock in exchange rates so as not to be affected by further currency movements. The Company also continuously monitors significant movements in the cost of raw materials.

The Company may face labor disruptions that may interfere with its operations.

The Company is exposed to the risk of strikes and other industrial actions. As of March 31, 2021, the Group has a total of 1,489 full-time employees, 32.17% of whom are members of any of the Company's thirteen (13) unions. There can be no assurance that other employees will not unionize or that strikes, work stoppages or other industrial

actions will not occur in the future. Any such event could disrupt operations, possibly for a significant period of time, result in increased wages and other benefits and otherwise have a material adverse effect on the Company's business, financial condition or results of operation.

The Company continues to have dialogues with its employees and engages and maintains harmonious relationships with the unions.

The adverse results of any pending and future litigation and disputes may impact the Company's future cash flows, earnings, results of operations and financial condition.

The Company is currently involved in about 130 civil cases and 10 labor cases as of March 31, 2021 (see section on "Business—Civil Cases" on page 150 and "Business—Labor Cases" on page 150). While the final outcome of these cases may be adverse to EDC, the Company does not believe that any of these cases poses a material risk to the Company's operations and financial condition. In addition, there is no assurance that the Company will not be involved in future litigation or other disputes, the results of which may materially and adversely impact the Company's business and financial condition.

EDC believes it has appropriate legal representation for these proceedings, and endeavors to minimize the risk of future suit by strictly adhering to its corporate governance policies, practices and standards (see section "Corporate Governance" on page 253).

The Company may be liable for further real property tax, royalties, income tax, franchise tax, and other taxes.

The Company continues to receive assessments, claims, and inquiries on real property tax, royalties, income tax, franchise tax, and other forms of taxes from various local governments and other government agencies, which have jurisdiction over the various projects of the Company. The Company also periodically undergoes examination by the BIR, which may result in assessments for deficiency taxes.

EDC believes that having been issued a certificate of registration as an RE Developer under the RE Law, it is entitled to various incentives under the RE Law, including a preferential real property tax rate imposable on its properties. Also, it is of the view that it is entitled to certain tax exemptions under Republic Act No. 7160, or the Local Government Code of 1991. To preserve its rights, the Company contests in good faith actions, claims, and assessments to the extent that these are not aligned with the position of the Company.

The Company may be unable to refinance its outstanding debt and any future financing the Company receives may be less favorable than current financing arrangements.

The Company has issued corporate and retail notes and has multiple loan agreements with local and foreign banks. As of December 31, 2020, the Company's long-term debts (current and noncurrent portion) under its notes and loan agreements amount to ₱45,066.1 Million. The Company's continued access to debt financing is subject to a number of other factors, which are outside of the Company's control. For example, political instability, an economic downturn, social unrest, changes in the Philippine regulatory environment, changes in international financial regulations or reference rates, or the bankruptcy of an unrelated power generation company could increase the Company's cost of borrowing or restrict the Company's ability to obtain debt financing. Market conditions and other factors may not permit future projects with loan terms similar to those that the Company has previously received. If the Company is not able to refinance its outstanding debt at maturity, it may have to undertake alternative financing plans, such as:

- Seeking to raise additional capital;
- Restructuring its debt;
- Selling power plants or other assets; or,
- Reducing or delaying capital investments.

The undertaking of any of these alternative financing plans could have a materially adverse effect on the Company's financial condition and results of operations. In addition, if the Company is unable to obtain financing for its future

projects on a favorable basis, it may have a significant effect on its growth plans, financial condition and results of operations.

By maintaining and continuing to develop long-standing relationships with numerous financial institutions, the Company has been able to obtain the necessary financing from both local and international funding sources (including multilateral institutions). Its strong financial standing, as confirmed by its PRS Aaa from PhilRatings for the bonds due 2023, is expected to facilitate access to more financing at better terms.

As a policy, the Company endeavors to observe financial ratios well within its loan covenant requirements.

The Company may not be able to obtain or maintain adequate insurance.

One of the risk management tools that the Company uses as a way to mitigate, or ensure that it is protected against, financial losses due to the occurrence of certain perils is insurance. Risk transfer thru insurance enables the Company to recover, to the extent it is indemnifiable and within policy limits and coverages, the cost of reinstating the damaged property, including loss of income from the interruption of its operation therefrom or liabilities arising from third party claims for bodily injury and property damage.

While the Company endeavors to secure sufficient coverage, the insurance program that it procures are affected by a number of factors such as insurance market conditions of property policies and selection of appropriate limits of liability policies.

The property insurances that the Company procures are subject to annual renewal and as such are subject to the prevailing insurance market conditions. This market condition may affect the insurance underwriters' decision on whether to deny or accept the Company's application for insurance coverage, and, if the decision is to accept, at what premium. Moreover, underwriters may also impose limitation on their liability under the policies such as lower loss limits, higher deductibles, additional exclusions and stricter conditions which may result to inadequate cover under the policy.

Similar to the property insurances, the Company's liability policies are also subject to annual renewal. However, based on the Company's placement in prior years, it is generally not highly affected by the prevailing insurance market condition. The Company procures liability insurance based on an estimate of its assessment of its exposure to third party claims, which may be inadequate to cover all legal liabilities and related expenses in the unlikely event that they actually occur. Unlike the property insurances, the limits under the liability policies are not finite but more of a nominated value based on the Company's assessment.

In order to place the foregoing policies, the Company engages the services of top global insurance brokers to aid in providing the most comprehensive insurance programs to the extent they are commercially available. The Company also conducts annual insurance road shows, both local and abroad, in order to reach various insurance and reinsurance underwriters for purposes of placing the Company's property insurance program.

The Company may not successfully implement its growth strategy.

The Company's growth strategy is to develop additional geothermal power projects and other renewable energy projects, such as wind farms, in both the Philippines and in international markets. This strategy may require entering into strategic alliances and partnerships and substantial investments in new geothermal steamfield and other renewable energy facilities. The Company's success in implementing this strategy will depend on, among other things, its ability to identify and assess potential partners, investments and acquisitions, successfully finance, close and integrate such investments and acquisitions, control costs and maintain sufficient operational and financial controls.

As of the date of this Prospectus, the Company's geothermal electricity production, hydroelectric power generation, solar and wind power asset in the Philippines are the Company's only significant revenue generating businesses. The key challenges the Company faces in the implementation of its growth strategy include:

- its ability to attract and retain third party customers for its services and products;
- its ability to develop a positive reputation for offering services and products in new markets;

- in contrast to its expertise in the geothermal, hydro, wind, and solar business, an insufficient expertise in other renewable energy projects;
- its ability to attract and retain the personnel necessary to implement its growth strategy;
- competition from companies offering similar services in the markets that the Company plans to enter and for which entry is dependent, in part, on the number, size, operating history, geographic scope, expertise, reputation and financial resources of those competitors; and,
- its ability to identify and assess potential partners, investments and joint ventures; successfully receive approval from relevant government authorities; finance, close and integrate such investments; and maintain sufficient operational and financial controls.

This growth strategy could place significant demands on the Company's management and other resources. The Company's future growth may be adversely affected if it is unable to make these investments or form these partnerships, or if these investments and partnerships prove unsuccessful.

As of the date of this Prospectus, the Company is evaluating several potential investments and acquisitions internationally. Toward this end, the Company has opened offices in Indonesia, Chile, and Peru. The Company has sent experts overseas and continues to evaluate its international business prospects, except during the period of the COVID-19 pandemic and related travel constraints.

If, however, general economic, regulatory, 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.

As a matter of practice, the Company undertakes all reasonable due diligence before committing to potential investments and acquisitions.

The Company's intellectual property rights may not be adequate to protect its business.

The Company's competitors or other parties may assert that certain aspects of the Company's business or technology may be covered by patents held by them. Infringement or other intellectual property claims, regardless of merit or ultimate outcome, can be expensive and time-consuming and can divert management's attention from the Company's core business.

The Company has implemented measures to protect its intellectual property rights, including incorporation of adequate safeguard in its agreements with third parties and registration of its intellectual properties. The Company has four (4) patent registrations with the Intellectual Property Office ("IPO") of the Philippines. These registrations are maintained in accordance with applicable regulations, including the payment of annual fees required by the IPO commencing on the fifth (5th) year from publication of the patent application. These inventions are used in the Company's geothermal field and plant operations, specifically in relation to its fluid collection and reinjection system and geothermal wells.

As for the other intellectual property rights that the Company needs but does not own, the Company is generally granted a worldwide, royalty-free, perpetual, irrevocable license to exploit any commissioned work, procured item, or incorporated items, including, any and all copyrights, patents, designs, trade secrets, trademarks or other intellectual property rights, that the Company deems appropriate. Contracting parties are likewise required to warrant against infringement of intellectual property rights of any third party.

The failure to obtain financing or the inability to obtain financing on reasonable terms could affect the execution of the Company's growth strategies.

The Company's growth and expansion plans depend on the Company making strategic investments in new projects and acquisitions that are expected to be funded through a combination of internally generated funds and external fund raising activities, including debt and equity financing. The Company's ability to raise additional equity financing from non-Philippine investors is subject to foreign ownership restrictions imposed by the Philippine Constitution and Applicable Laws.

The Company's continued access to debt financing as a source of funding for new projects and acquisitions and for refinancing maturing debt is subject to many factors, many of which are outside of the Company's control. For example, political instability, economic downturn, social unrest, changes in the Philippine regulatory environment,

changes in international financial regulations or reference rates, or the bankruptcy of an unrelated power generation company could increase the Company's cost of borrowing or restrict the Company's ability to obtain debt financing. The Company cannot guarantee that it will be able to arrange financing on acceptable terms. The inability of the Company to obtain debt financing from banks and other financial institutions would adversely affect its ability to execute its growth strategies. In addition, any future debt incurred by the Company may:

- increase the Company's vulnerability to general adverse economic and industry conditions;
- restrict the Company's ability to incur additional capital expenditures and other general corporate expenses; require the Company to dedicate a substantial portion of its cash flow to service debt payments;
- limit the Company's flexibility to react to changes in the power generation business and the power industry;
- restrict the Company's ability to declare dividends;
- place the Company at a competitive disadvantage in relation to competitors that have less debt;
- require the Company to agree to additional financial covenants; and,
- limit, along with other restrictive covenants, the Company's ability to borrow additional funds.

To address these risks, the Company maintains and continues to develop long-standing relationships with numerous financial institutions, through which, the Company has been able to obtain the necessary financing from both local and international funding sources, including multilateral institutions. Its strong financial standing, as confirmed by its PRS Aaa rating from PhilRatings, is expected to facilitate access to more financing.

The Company cannot predict the amounts it will have to pay for expropriated land.

Under the laws of the Philippines, any party who has land expropriated by the Government is entitled to be paid the fair market value for the land expropriated. As such, any land which is expropriated by PNOC or the DOE on the Company's behalf must be paid for by the Company at its fair market value, as just compensation, as ultimately determined by a court of law. The Company is subject to 301 expropriation proceedings throughout the Philippines, as of December 31, 2020 the aggregate claim for just compensation is more than PHP203.0 million. Although the Company believes that the amounts claimed under these various expropriation cases may be inflated, there can be no assurance that the Company will be successful in its arguments and it cannot predict the amounts it will have to pay for expropriated land. Additionally, it takes considerable management time and expense to manage these expropriation cases which can also have a negative impact on the Company.

The Company does not believe that any of these cases poses a material risk to the Company's operations. In addition, the Company maintains sufficient liquidity to meet these potential claims.

The Company has and will likely continue to rely significantly on the services of members of its senior management team, some of which are also employees of other companies in the Lopez Group, and the departure of any of these persons could adversely affect its business.

The Company has and will likely continue to rely significantly on the continued individual and collective contributions of its senior management team. The loss of the services of any member of the Company's senior management or the inability to hire and retain experienced management personnel could have a material adverse effect on its business and results of operations.

A number of the Company's top management personnel, including the President and Chief Operating Officer; Chief Financial Officer, Treasurer, and Compliance Officer for the SEC; and Corporate Secretary and Head of Strategic Initiatives, Legal, and Regulatory Office, have been seconded from the Company's shareholder, First Gen and affiliate, FPH, and may be asked to return to their original employer, which continues to employ them, upon compliance with certain contractual terms and conditions.

To address movement of personnel, the Company conducts continuous training of all its personnel and has set plans for succession. As part of its retention strategy, the Company strives to provide competitive remuneration packages to its prospective and existing employees. The Company prides itself on its relationship with its employees and its ability to attract the best personnel, which the Company believes will continue.

In relation to top management personnel being also employees of other Lopez Group companies, conflict of interest issues may arise. To address this, the Company adheres to corporate governance principles, practices, and standards to demand a high level of integrity and accountability on the part of its directors, officers, and employees.

The success of the Company's foreign ventures depends largely on factors outside of the Company's control.

As of the date of this Prospectus, the Company is evaluating several potential investments and acquisitions internationally. Toward this end, the Company has opened offices in Indonesia, Chile and Peru, to facilitate the identification and exploration of new geothermal projects. The challenges in this development bring about issues relating to travel constraints and due diligence limitations due to the COVID-19 pandemic, legal and regulatory frameworks for geothermal energy lacking or still under development in certain countries, and other risk factors that are typical to developing geothermal projects.

To address this risk, the Company undertakes all reasonable due diligence in its business decisions, including foreign ventures, and continues to monitor available opportunities in the market.

The Company may potentially be exposed to stranded asset risk.

Stranded assets are investments that are not able to meet a viable economic return and which are likely to see their economic life curtailed due to a combination of technology, environmental, resource, regulatory and/or market changes¹¹, among others. For the Company, risk factors may potentially expose the Company to suffer from unanticipated or premature write-downs, devaluations or conversion of asset to liabilities, such as but not limited to:

- The Company's exploration, development and production of geothermal energy resources are subject to geological risks and uncertainties.
- The estimates of the Company's steam reserves may be imprecise.
- The Company's financial performance depends on the successful operation of its geothermal steamfields and power plants, hydro, wind and solar assets, which are subject to various operational risks.
- Permits, licenses and operating agreements necessary for the Company's business may not be obtained, sustained, extended or renewed.
- The success of the Company's foreign ventures depends largely on factors outside of the Company's control.

The Company has taken various steps to mitigate each of the risks enumerated above, as discussed in the relevant sections which may contribute to the Company suffering from a stranded asset risk.

Further, in the energy sector, stranded asset risk is more commonly associated with energy-sector assets being potentially rendered worthless prior to the end of their economic life time due to changing climate policies that aim to keep global warming below 2°C and/or cost competitiveness of alternative renewable and clean energy technologies. As the world moves towards a low carbon economy, fossil fuel companies and their related infrastructure are the most exposed to this risk of asset stranding. However, the Company believes that this shift to low carbon and clean energy technologies does not pose a risk for the Company, since it is a pure renewable energy company.

Risks Relating to the Philippines

Substantially all of the Company's operations and assets are based in the Philippines; a slowdown in economic growth in the Philippines could adversely affect its businesses.

Currently, substantially all of the Company's business operations and assets are based in the Philippines. The demand for electricity is closely linked to economic growth. As the economy grows, economic activities such as industrial production tend to expand, which increases the demand for electricity. Conversely, in economic downturns, activities such as industrial production tend to decline or stagnate, which decrease the demand for electricity. As a result, the Company's income and results of operations depend, to a large extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant

¹¹ Market Forces: <https://www.marketforces.org.au/info/key-issues/stranded-assets/>

devaluation of the Philippine currency and the imposition of exchange controls. A sustained economic downturn could have a material adverse effect on the Company's business, financial condition and results of operations.

Other factors that may adversely affect the Philippine economy include:

- reduced business, industrial, manufacturing or financial activity in the Philippines or elsewhere in Southeast Asia;
- scarcity of credit or other financing available to the Government, corporations or individuals in the Philippines;
- fluctuations in currency exchange rates and interest rates or prolonged periods of inflation or deflation;
- a downgrade in the long-term foreign and local currency sovereign credit ratings of the Philippines or the related outlook for such ratings;
- significant changes to the Government's economic, social or tax policies, pandemic, natural disasters, including tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and,
- other regulatory, political or economic developments in or affecting the Philippines.

These and other factors could materially and adversely affect the Company or its consumers, customers and contractual counterparties, which, in turn, could materially adversely affect the Company's business, financial condition and results of operations and its ability to implement its business strategy.

In response to this risk, the Company is exploring various international expansion opportunities overseas to diversify its portfolio and mitigate this risk.

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

The Philippines has from time to time experienced political and military instability. The Philippine Constitution provides that in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business. In the past, there has been political instability in the Philippines, including public and military protests arising from alleged misconduct by former administration/s. No assurance can be given that the political environment in the Philippines will not be subject to instability and any political or social instability in the future could result in inconsistent or sudden changes in regulations and policies that affect the Company, which could have an adverse effect on the Company's business, results of operations and financial condition.

In 2016, Davao Mayor Rodrigo R. Duterte was elected as President of the Philippines. Despite the changes that the present government has implemented, there are no guarantees that the Duterte Administration will be able to sustain investor and business confidence and that political instabilities will no longer occur. Any potential instability could have an adverse effect on the Philippine economy, the Company's business, and its results of operations and financial condition.

In case of escalated territorial disputes, the Philippine economy may be disrupted and its business and financial standing may be adversely affected

The Philippines, together with China Vietnam, Malaysia and several Southeast Asia nations are currently involved in competing and overlapping territorial claims over the West Philippine Sea. This has been a source of various tension and conflict among such nations. China claims historic rights to the West Philippine Sea based on the so-called "nine-dash line" and has dramatically expanded its military presence, which further escalated tension among claimant countries. In 2013, the Philippines filed a case before the Permanent Court of Arbitration, the international arbitration tribunal based at The Hague, Netherlands to legally challenge the claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea. The tribunal rendered a decision in July 2016 stating that the Philippines has exclusive sovereign rights over the West Philippine Sea and that the "nine-dash line" claim of China is invalid. The Government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

As China takes steps to exercise control over the disputed territory, there is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate

further. In case of escalated territorial disputes, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Continued terrorist or insurgent activities in the Philippines could destabilize the country, adversely affecting the Company's business environment.

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine military has been in conflict with the Abu Sayyaf Group ("ASG"), which has been identified as being responsible for kidnapping and terrorist activities in the country and is also alleged to have ties to the Al-Qaeda terrorist network.

The Philippines has a long running counter-insurgency problem with the Communist Party of the Philippines' New People's Army ("NPA") spanning five (5) decades of conflict. The NPA aims to replace the current Filipino political and economic order with a socialist system through a strategy of protracted people's war and has leveraged all tactical means at its disposal, including military action, mass mobilization and political lobbying. Despite the government's prioritization of ending the conflict, numerous NPA surrenderers and NPA leaders are still getting arrested for criminal offenses or killed in armed encounters with government troops. The NPA threat still lingers, targeting isolated military and police detachments, conducting extortion on government-funded infrastructure projects, preying on private firms serving as contractors, threatening public transportation in the countryside, burning sets of equipment for non-compliance to financial demands. These retributions were meted under the guise of environmental issues that private firms and contractors are doing in the pursuit of their projects.

Currently, focused military operations are being undertaken by the government to put more pressure on the NPAs to either surrender and/or bring the political arm back to the negotiating table to resume peace talks that have been stalled since November 2017 because of the NPAs insincerity to previous truces. The Armed Forces of the Philippines ("AFP") believes that this is not the right time to have a ceasefire or resume talks with the CPP-NPA and have recommended such policy to the President through the Department of National Defense not to declare a ceasefire as customarily done annually. This was traditionally declared by the government to give both parties a respite from the conflict. However, there had been instances wherein the NPAs used this lull as a time to consolidate their forces, set to track their recruitment among the countryside and pursue ideological, political and organizational mass base work.

For more than a decade, terrorists, insurgents and criminal actors have carried out major attacks against government troops and/or civilians. Most of these have occurred in southern and western Mindanao and on the islands of Basilan and Sulu. Some notable recent attacks include:

- On March 23, 2017, a five (5)-month-long armed conflict began in Marawi, Lanao del Sur, Philippines between the Philippine government security forces and militants affiliated with the Islamic State of Iraq and the Levant ("ISIL"), including the Maute and Abu Sayyaf Salafi jihadist groups, dubbed as The Siege of Marawi. Isnilon Hapilon, Abu Sayyaf Group leader and ISIL Emir in Southeast Asia, was eventually killed by the Philippine Special Forces, and all seven Maute brothers were killed by the Philippine Army. Marawi was recaptured by the Armed Forces of the Philippines on October 23, 2017. Martial law was declared in Mindanao until December 31, 2017, but thereafter extended throughout 2018 to 2019. The battle also became the longest urban battle in the modern history of the Philippines.
- In January 2019, twenty (20) people were killed and eighty-two (82) others were wounded during the mass at the Jolo Cathedral following the two (2) explosions happening at the inside and outside of the same place.
- In April 2019, a restaurant bombing was recorded in Isulan in the province of Sultan Kudarat, which resulted in five injuries.
- In June 2019, two (2) suspected ASG suicide bombers struck a military base in Jolo, Sulu.
- In September 2019, an Improvised Explosion Device explosion in the motorcycle parking area near a bakery in Isulan injured seven (7) people.
- In September 2019, a suspected ASG suicide bomber attacked a military checkpoint in Sulu. Apart from the suicide bomber, there were no reported injuries.
- In April 2020, government relief goods distribution in Aroroy, Masbate were attacked by NPA rebels.
- In April 2020, relief goods were snatched by NPA rebels intended from barangay officials in Brgy. Guinmayohan, Balangiga, Samar.

- In August 2020, twin bombings rocked the town of Jolo in Sulu killing fourteen (14) people and injuring seventy-five (75) others. One of the bombers was initiated by a female suicide bomber.
- In September 2020, three policemen were ambushed by NPA in Mansalay, Mindoro Oriental. The policemen were on the way to serve a warrant of arrest.
- In September 2020, Rona Jane Manalo, a Gabriela member was killed along with five (5) other NPAs in Brooke's Point, Palawan.
- In October 2020, NPAs burned heavy equipment of a mining firm in Balingasag, Misamis Oriental.
- In October 2020, a policeman and four (4) civilians were injured when suspected NPAs detonated two (2) landmines along a major highway in Jiabong, Samar.
- In November 2020, a daughter of a Partylist representative was killed in an encounter between NPAs and government forces in Marihatag, Surigao Del Sur.

While the Company's business operations have not been hampered by security-related threats posed by terrorists or the NPAs in each of its areas of operations, there may still be instances wherein business activities in frontier and/or exploration areas could be delayed should security conditions on the ground, most especially in Misamis Oriental and Mt. Zion in Cotabato, will not allow it to proceed as scheduled.

The credit ratings of the Philippines may adversely affect the Company's business.

The sovereign credit ratings of the Government directly and adversely affect companies resident in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that Moody's Investors Service, Inc., Standard & Poor's Ratings Group or any other international credit rating agency will not, in the future, downgrade the credit ratings of the Government and, consequently, Philippine companies. 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.

As of March 31, 2021, the Philippines' long-term foreign-currency denominated debt was rated Baa2 by Moody's, BBB+ by S&P Global Ratings, and BBB by Fitch. However, no assurance can be given that Fitch, Moody's, S&P Global Ratings or any other international credit rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including the Company. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including EDC, to raise additional financing, and will increase borrowing and other costs.

The occurrence of catastrophes or pandemic could adversely affect the Company's business, financial condition or results of operations.

Over the years, the Philippines has experienced a number of major natural catastrophes including typhoons such as Typhoon Ulysses in November 2020, floods, volcanic eruptions such as the Taal Volcano eruption in January 2020, and earthquakes. The Philippines has also not been spared from the current COVID-19 pandemic. Natural catastrophes and the pandemic may materially disrupt and adversely affect the Company's business operations. In addition, the damage caused by natural catastrophes and the effects of the pandemic may materially disrupt and adversely affect the business operations of the Company's customers, which may in turn have an adverse effect on the Company, including its cash flows. The frequency and severity of the occurrence of natural catastrophes and pandemic may be further exacerbated by the effects of global climate change. The Government may also adopt regulations in response to calamities or pandemic that may result to lower revenues or deferral of collections.

To mitigate these risks, the Company has established its Business Continuity Management system and Natural Catastrophe Resiliency Program. Even with these, however, there can be no assurance that the Company will be fully capable to deal with catastrophic situations and that the insurance coverage it maintains will fully compensate it for all damages and economic losses resulting from catastrophes and other disasters.

Recently, the coronavirus disease ("COVID-19") is an infectious disease caused by a new strain of coronavirus which was an unknown virus before an outbreak was first reported in Wuhan, China on December 2019. By January 30,

2020, the Philippine Department of Health ("DOH") reported the first case of COVID-19 in the country. On March 7, 2020, the first local transmission of COVID-19 was confirmed and subsequently, a State of Public Health Emergency throughout the Philippines was declared by President Rodrigo R. Duterte. Shortly thereafter, on March 11, 2020, the World Health Organization declared the global outbreak a pandemic. Since then, the Government has implemented various community quarantine measures to prevent the further spread of the COVID-19 virus.

To mitigate exposure to COVID-19 and ensure unhampered business operations, the Company activated its Crisis Management Committee ("CMC") and laid down its priorities in this order – (1) Keep our people safe, (2) Keep the assets running and protect the fuel source, and (3) Engage and help the communities. Each of the Company's project sites also formed its own Incident Management Teams ("IMTs") to deal exclusively with local issues.

As of the date of this Prospectus, the Company continues to implement its BCM initiatives to ensure unhampered business operations, including:

1. Activation of corporate and facility CMC and conduct of regular meetings between these two (2) teams.
2. Implementation of work from home arrangement for employees across all sites/locations. Only essential personnel and contractors for operations and maintenance are allowed to work onsite. Shelter-in-Place arrangement for the Company's operations team was also implemented, with alternating teams reporting to site/power plants every two (2) weeks, including providing stay-with provisions for lodging, and provision of food and other basic necessities for the employees while onsite. These onsite employees are regularly tested, at no cost to them, and monitored for symptoms and are required to strictly implement controls imposed by the Company's occupational health team in compliance with national health protocols.
3. Implementation of fourteen (14)-day self-quarantine of personnel coming from sites and countries with high rate of COVID-19 infections and/or those who may have been exposed to persons who tested positive for COVID-19.
4. Regular disinfection of Company premises.
5. Release of regular advisories on COVID-19 to the Company's employees.
6. Stockpiling of emergency provisions and inventory of critical spares.

Further, to ensure the health and wellbeing of its employees, Personal Protective Equipment ("PPE") kits (which included surgical and face masks, face shield, thermometer, and disinfectant kits) were distributed at no cost to its employees. The Company pushed through with its vaccination program to further strengthen the employees' level of protection including the usual flu vaccines which is given annually and the pneumococcal vaccines, at no cost to the employees. The Company doubled its efforts in taking care of employees' mental and emotional wellbeing, in addition to the existing Employee Assistance Program ("EAP") partner, PowerVision EAP Inc., the Company engaged another provider, MyGolana, to support the needs of its employees. Employees were also kept abreast with reliable and up-to-date information through a series of Health Advisories and access to the internal company health portal. A Special Interest Development Program allowance was also granted to help employees unwind and pursue personal interests during the work from home period. A homecoming program allowed employees to return to their homes and families (in the provinces) and work at (their real) home, with transportation costs and permits processed and paid for by the Company.

Recognizing the importance of early detection, isolation, and treatment in the fight against COVID-19, the Company supported eight (8) projects to develop new or expand existing molecular testing centers in its project sites. The Company donated state-of-the-art Real-Time Reverse Transcriptase-Polymerase Chain Reaction ("RT-PCR") machines, laminar flow and biosafety cabinets, and other laboratory equipment to its partner LGUs, the DOH, and provincial hospitals.

In addition, the Congress enacted Republic Act No. 11469 or the "Bayanihan to Heal as One Act" ("Bayanihan 1 Act"), which took effect on March 25, 2020 which granted the President of the Philippines additional authority to combat the COVID-19 pandemic. On September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted in view of the persistent spread of COVID-19 in the country and the ensuing economic disruption. Following these enactments, the DOE issued advisories on payment extensions or deferring payments of obligations for electricity customers.

Under Bayanihan 1 Act, the Company experienced some delays in payment in the first few months of the Enhanced Community Quarantine, but a number of customers settled payments, resulting to unexpected high levels of collection with more than 90% of February to May billings collected as of July 2020. TransCo also paid the full

invoices due to one of the Company's subsidiaries, EBWPC. In addition, a number of DUs/ECs paid their bills in advance to avail of the Company's prompt payment discounts. A similar trend in collections was observed following the imposition of Bayanihan 2 Act. As of March 31, 2021, all deferred collections following the imposition of Bayanihan 1 Act and Bayanihan 2 Act have been fully collected.

Foreign exchange controls could adversely affect the Company's financial conditions and results of operations

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. However, the Monetary Board of the BSP, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, has the statutory authority to: (i) suspend temporarily or restrict sales of foreign exchange; (ii) require licensing of foreign exchange transactions; or (iii) require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings. 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 obligations.

There is no assurance that the Philippine government will not impose economic restrictions or regulatory controls that may restrict free access to foreign currency. Any such restrictions could severely curtail the ability of the Company to pay for certain key inputs or to meet its foreign currency payment obligations, which could materially and adversely affect its financial condition and results of operations.

Risks Relating to the Bonds

The Bonds may be subordinated to other debts of the Company.

Under Philippine law, in the event a borrower submits to insolvency or liquidation proceedings on which the borrower's assets are liquidated, the unsecured debt of such borrower that is evidenced by a public instrument, as provided in Article 2244 of the Civil Code of the Philippines, will rank ahead of the unsecured debt that is not so evidenced. The debt becomes evidenced by a public instrument when the creditor and debtor have 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* (a statement of the circumstances in which an affidavit was made) may be sufficient to constitute the document a public instrument. Accordingly, it may be possible for debt to become evidenced by public instrument through the unilateral action of a creditor without the knowledge of the borrower.

As far as the Company is aware, all of the Company's lenders waived the preference of credit implied by the notarization of their respective agreements and the Company will undertake in the Trust Indenture to use its best endeavors not to incur any debt that will rank ahead of the Bonds merely by virtue of being evidenced by a public instrument except (a) notarized indebtedness not exceeding USD10.0 million in the aggregate at any time, or (b) to the extent that the relevant lender waives the benefit of such preference or priority. Any such debt evidenced by a public instrument may, by mandatory provision of law, rank ahead of the Bonds in the event of the liquidation of the Company.

The Bonds do not have the benefit of any security.

First Gen, FPH, or any other member of the Lopez Group will not guarantee the Bonds. Likewise, no assets of the Company will be used as collateral for the Bonds. As a policy, EDC's borrowings are clean and are not collateralized by its assets. As of the date of this Prospectus, there are no borrowings secured by any of the Company's assets.

The Company may be unable to redeem the Bonds.

At maturity, the Company will be required to redeem all of the Bonds. At that point in time, the Company may not have sufficient cash on hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Company would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Company.

EDC has a strong and stable business in the Philippines, supported by diversified power supply contracts. It has strong recurring cash flows, maintains a low debt-equity ratio, and maintains a high level of liquidity in its statement of financial position. The Company is confident that it can service the interest and redeem the Bonds at maturity and/or seek refinancing facilities.

Liquidity Risk

The Philippine debt securities markets, particularly the market for corporate debt securities, are substantially smaller, less liquid and more concentrated than other securities markets. The Company cannot guarantee whether an active trading market for the Bonds will develop or if the liquidity of Bonds will be sustained throughout its life. Even if the Bonds are listed on the PDEX, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. There is no assurance that the Bonds may be easily disposed of at prices and volumes at instances best deemed appropriate by their holders.

Pricing Risk

The market price of the Bonds will be subject to market and interest rate fluctuations as well as changes in monetary policy or regulations, which may result in the investment being appreciated or reduced in value. If market interest rates decrease relative to the Interest Rate of the Bonds, the price of the Bonds, when sold in the secondary market, may increase. Conversely, if market interest rates increase relative to the Interest Rate of the Bonds, the price of the Bonds, when sold in the secondary market, may decrease. Thus, a Bondholder could face possible losses if he decides to sell in the secondary market.

Retention of Ratings Risk

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

Risks Relating to the Bonds issued as Green Bonds

Prospective investors should have regard to the information set out in the EDC Green Bond Framework (see section "EDC Green Bond Framework" on page 64) regarding the use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment, whether the Bonds issued under the EDC ASEAN Green Bond Program are issued as "Green Bonds" together with any other investigation that such investor deems necessary.

In accordance with EDC's prescribed eligibility criteria, it may issue the Bonds where the use of proceeds is specified to be for the financing and/or refinancing of specified "Eligible Green Projects" of the Company or any of its Subsidiaries. However, there is currently no market consensus on what precise attributes are required for a particular project to qualify, be considered an eligible green project or be defined as "green"; hence, no assurance can be provided to potential investors that the Eligible Green Projects to be specified in the use of proceeds will meet all investors' expectations in line with sustainability performance or will continue to meet relevant eligibility criteria. Although Eligible Green Projects are expected to be selected in accordance with the categories recognized by the

ICMA Green Bond Principles and ASEAN Green Bond Standards 2018, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects.

Further, although the Company may agree on the relevant issue date of the Bonds to use the proceeds for financing and/or refinancing of new and existing renewable energy projects that are considered Eligible Green Projects under the EDC Green Bond Framework, it would not be an event of default under the Bonds if (i) the Company were to fail to actually use the proceeds in the manner specified as such in accordance with the EDC Green Bond Framework or with SEC Memorandum Circular No. 12, Series of 2018. Any failure to use the net proceeds of the Bonds as stated in the EDC Green Bond Framework, and/or any failure to meet or to continue to meet the investment requirements of certain environmentally focused investors with respect to such Bonds may affect the marketability, value, trading price and/or liquidity of the Bonds, and/or may have consequences for certain investors with strategies or portfolio mandates to invest in green assets which may cause one or more of such investors to dispose of the Bonds held by them which may, in turn, affect the marketability, value, trading price and/or liquidity of the relevant Bonds.

Taxation

The following is a discussion of the material Philippine tax consequences of investment in and beneficial ownership of the Bonds to a holder who purchases Bonds in the Offering (a "Bondholder"). This discussion is based upon laws, regulations, rulings, income tax conventions (treaties), administrative practices and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial, or administrative changes or interpretations may be retroactive and could affect the tax consequences to Bondholders.

The tax treatment of a Bondholder may vary depending upon such Bondholder's particular situation, and certain Bondholders may be subject to special rules not discussed below. United States Federal, State, and other foreign (other than Philippine) tax consequences of the ownership and disposition of the Bonds are not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.

EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE BONDS, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL, NATIONAL OR FOREIGN TAX LAWS.

Philippine Taxation

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof, a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

Taxation of Interest

Interest income on the Bonds is subject to a withholding tax at rates of 15.0%, 20.0%, 25.0% or 30.0%, depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Interest income on the Bonds received by individuals who are Philippine residents as well as domestic and resident foreign corporations shall be subject to a final withholding tax of 20.0%, which shall be withheld at the source. Interest income received by non-resident foreign individuals engaged in trade or business in the Philippines shall be subject to a final withholding tax of 25.0%. Interest income received by non-resident foreign corporations shall be subject to a final withholding tax of 30.0%. The tax shall be for the account of the Bondholder.

The foregoing rates are subject to further reduction by any applicable tax treaty in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15.0% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is 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 with such permanent establishment.

Recent promulgations from the BIR concerning the tax treatment of interest income earnings on financial instruments and other related transactions differ from previous promulgations and opinions issued by the BIR on the same matter. Thus, depending on the position taken by the said office, taxes on interest income applicable to the Bonds may, at any time, be subject to adjustment. Such changes include the possibility of a higher tax rate.

Tax Exemptions or Tax Treaty Rates of Withholding

A Bondholder who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer, as being sufficient in form and substance:

- (i) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant applicant or Bondholder, confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;
- (ii) with respect to tax treaty relief, a BIR Form No. 0901 or Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by a nonresident taxpayer from all sources within the Philippines, as required under BIR Revenue Memorandum Order No. 14-2021, and a duly notarized, consularized or apostilled, if executed outside the Philippines, Special Power of Attorney executed by the Bondholder in favor of its authorized representative (if the documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines to support the applicability of a tax treaty relief;
- (iii) a duly notarized undertaking executed by (1) the corporate secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder holds, the Bonds for its account, or (2) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax; and
- (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized or apostilled proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided, that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided, further, that all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of the Bonds, to the relevant Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, the Co-Lead Underwriter or Selling Agents (if any) who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar upon submission of the account opening documents.

Value-Added Tax

Gross income arising from the sale of the Bonds in the Philippines by Philippine-registered dealers in securities will be subject to a 12.0% value-added tax.

Gross Receipts Tax

Banks and non-bank financial intermediaries are subject to gross receipts tax on gross receipts (equivalent to the gross selling price less acquisition cost) 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, gross receipts tax shall be levied on the basis of the remaining life of debt instruments from which such receipts are derived:

Maturity period is five years or less	5.0%
Maturity period is more than five years	1.0%

Provided, however, that in case the maturity period referred above is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year by banks and non-bank financial intermediaries performing quasi-banking functions on the sale or disposition of the Bonds shall be taxed at 7.0%.

Documentary Stamp Taxes

A documentary stamp tax is imposed upon the issuance of debentures and certificates of indebtedness issued by Philippine companies, such as the Bonds, 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 of a proportional amount in accordance with the ratio of its 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, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue will be paid by the Company for its own account.

Taxes on Sale or Disposition of the Bonds

Under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures, and other certificates of indebtedness will generally form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the graduated regular or ordinary tax rates of 20.0% to 35.0%, as the case may be. If the Bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the Bonds for a period of more than twelve (12) months prior to the sale, only 50.0% of any capital gain will be recognized and included in the seller's gross taxable income.

However, any gain realized from the sale, exchange or retirement of bonds with an original maturity date of more than five years (as measured from the date of issuance of such securities, debentures or other certificates of indebtedness) will not be subject to income tax.

No documentary stamp tax is due on the subsequent sale or disposition (or assignment) of the Bonds, as long as there is no change in the maturity date or in the remaining period of coverage or the material terms and conditions of the Bonds, or there is no renewal or no issuance of new Bonds in the name of the transferee, or no novation of the Bonds.

Estate or Donor's Taxes

The transfer of a Bond by way of succession upon the death of a Bondholder will be subject to Philippine estate tax at the rate of 6.0% computed based on the value of the net estate.

The transfer of a Bond by way of gift or donation is subject to Philippine donor's tax at the rate of 6.0% of the total gifts made during a calendar year in excess of ₱250,000.

The foregoing applies without regard to whether the Bondholder is a non-resident. However, the Philippines will not collect estate and donor's taxes on the transfer of the Bonds by gift or succession if the deceased, at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country that provides certain reciprocal rights to citizens of the Philippines ("Reciprocating Jurisdiction"). For these purposes, a Reciprocating Jurisdiction is a foreign country which at the time of death or donation: (i) 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 (ii) allowed a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Taxation Outside the Philippines

The tax treatment of non-resident Bondholders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such Bondholders by reason of domicile or business activities and such Bondholder's particular situation.

This Prospectus does not discuss the tax considerations on such non-resident Bondholders under laws other than those of the Philippines.

Use of Proceeds

The intended use of proceeds of each offer of the Bonds being offered will be used for the financing or refinancing of new and existing renewable energy projects that are considered Eligible Green Projects under the EDC Green Bond Framework (see section “EDC Green Bond Framework” on page 64), and shall be set in the relevant prospectus, or as applicable, Offer Supplement under “Use of Proceeds”. The use of the net proceeds from the First Tranche Bonds is set out below.

Eligible Green Projects are those that involve the financing or refinancing of, in whole or in part, the exploration, development, construction, rehabilitation, expansion or acquisition of new or existing renewable energy projects, including: 1) Geothermal energy projects, 2) Wind energy projects, 3) Solar energy projects, 4) Hydropower projects, 5) Bioenergy projects, and 6) Energy storage projects, subject to certain eligibility criteria (collectively referred to as the “Eligible Green Projects”). The Eligible Green Projects are identified, evaluated and selected based on, but not limited to: a) the Framework, b) EDC’s vision, mission, chosen path, strategy, and objectives, c) technical, financial, and commercial feasibility, and d) risks assessment.

The net proceeds shall not be used towards financing and/or refinancing of activities related to coal or any other fossil fuel-related technologies.

Net proceeds from this Offer are estimated to be at least as follows:

For a ₱3.0 billion Issue Size	
	Total
Estimated proceeds from the sale of First Tranche Bonds	₱3,000,000,000
Less: Estimated expenses	
Documentary Stamp Tax	22,500,000
SEC Registration	
SEC Registration Fee and Legal Research	1,451,905
SEC Publication Fee	100,000
Underwriting and Other Professional Fees	
Underwriting Fee	12,000,000
Legal Fee	3,000,000
Audit Fees	4,000,000
Rating Fee	720,000
Listing Application Fee	100,000
Trustee Fees	10,000
Paying Agency and Registry Fees	170,000
Miscellaneous fees	150,000
	44,201,905
Estimated net proceeds for ₱3.0 billion Issue	2,955,798,095
For the ₱2.0 billion Oversubscription Option	
Estimated proceeds from the sale of First Tranche Bonds	₱2,000,000,000
Less: Estimated expenses	
Documentary Stamp Tax	15,000,000
Underwriting Fees	8,000,000
Rating Fee	480,000
Paying Agency and Registry Fees	30,000

	23,510,000
Estimated net proceeds for ₱2.0 billion Oversubscription Option	1,976,490,000
Total Estimated Net Proceeds	₱ 4,932,288,095

Aside from the foregoing one-time costs, EDC expects the following annual expenses related to the First Tranche Bonds:

1. The Issuer will be charged the first year Annual Maintenance Fee of 1/200 of 1% of the face value or a maximum of ₱150,000.00 in advance upon the approval of the listing of the First Tranche Bonds by PDEX;
2. The Issuer will pay a retainer fee to the Trustee amounting to ₱160,000 per annum; and,
3. After the Issue Date, a Paying Agency fee amounting to 5 basis points of the amount to be paid with a minimum of ₱10,000 and a maximum of ₱100,000 is payable every interest payment date. The Registrar will charge a monthly maintenance fee based on the face value of the First Tranche Bonds and the number of First Tranche Bondholders, estimated at ₱150,000.00 per annum (for the estimated issuance of ₱3,000 million), or ₱180,000.00 per annum (for the estimated issuance of ₱5,000 million) assuming a count of 1-2,500 bondholders.

The net proceeds from the issue of the First Tranche Bonds, without the Oversubscription Option (after deduction of commissions and expenses) is approximately ₱2,955.80 million. Assuming the Oversubscription Option of up to ₱2,000 million is fully exercised, the Company expects total net proceeds of approximately ₱4,932.29 million after deducting fees, commissions and expenses.

For this Offer, the Issuer has identified the following geothermal growth and maintenance capital expenditure projects as Eligible Green Projects, with breakdown as to purpose and timing:

(in ₱ millions)	EDC	GCGI	BGI	Total
Palayan Bayan Binary Project ("PBBP")	1,000		665	1,665
Mindanao III Binary Project ("M3")	1,995			1,995
Other geothermal capex	918	625		1,543
Total	3,913	625	665	5,203

EDC

(in ₱ millions)	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total
PBBP					242	260	498	1,000
M3	200	751	502	543				1,995
Other geothermal capex		885	33					918
Total	200	1,636	535	543	242	260	498	3,913

GCGI

(in ₱ millions)	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total
Other geothermal capex		385	240					625
Total	-	385	240	-	-	-	-	625

BGI

(in ₱ millions)	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total
PBBP				665				665
Total	-	-	-	665	-	-	-	665

The PBBP is a geothermal expansion project which will utilize the existing geothermal resource of the reinjected brine adjacent to its geothermal operating power plant in Manito, Albay, using an Organic Rankine Cycle ("ORC") process. This is a process wherein heat from brine is used to produce electricity by heating up a motive fluid using heat exchangers to drive the turbine and produce additional electricity from the steam byproduct. The PBBP has an estimated total cost of ₱6,000.00 million. The power plant component of the PBBP totaling approximately ₱5,000.00 million will be mainly developed and operated by BGI, a wholly-owned subsidiary, through equity contribution and/or advances by EDC, while the steamfield component of approximately ₱1,000.00 million will be spent by EDC mainly for pipeline assets.

A Notice to Proceed ("NTP") was issued for the PBPP in December 2020. Contractors have started mobilization in January 2021, and the contractor work areas for the Balance of Plant ("BOP") construction offices. The BOP lodging camp, construction office and substation area were turned over to the contractor last February 2021. The construction management team consisting of the project manager, construction manager, safety and occupational health advisor has also been mobilized to the project site. Construction has commenced and is on-track, as of March 31, 2021.

EDC initially funded the investments into BGI for PBBP amounting to ₱2,040.00 million on November 17, 2020 and ₱2,295.00 million on February 22, 2021 using its internally-generated cash. The remaining balance of ₱1,665.00 million shall be funded by the net proceeds of the First Tranche Bonds. Approximately ₱1,000.00 million will be booked as capex at EDC parent level in 2022 for related pipeline assets that will be invested to connect the brine to the binary expansion project, while the remaining ₱665.00 million subsequent infusions into BGI may be through equity and/or advances. In return of EDC's infusion to BGI through equity, BGI may declare dividends or redeem the redeemable preferred shares from its operating cash flows. Meanwhile, in case of infusion to BGI through advances, BGI may repay the advances to EDC from its operating cashflows.

M3 is also a geothermal binary powerplant expansion project to be developed by EDC (parent entity), with an estimated capacity of 3.6MW located within the Mt. Apo concession. Total estimated cost for this project is ₱1,995.00 million, of which ₱1,452.00 million and ₱543.00 million are expected to be disbursed in 2021, and 2022, respectively. An NTP was issued in March 2021, and construction commenced in April 2021. Plant construction is scheduled to be completed by 1st quarter of 2022.

The other geothermal capital expenditure projects identified for funding include various natural catastrophe resiliency projects, powerplant equipment upgrades, and spare parts replacements and other capex, all budgeted for year 2021. These projects shall be undertaken to improve the Group's natural catastrophe resiliency, strengthen and upgrade its geothermal assets and modernize its powerplant equipment and other assets. ₱918.00 million of these other geothermal capex shall be booked as Power Plant and Equipment (assets) in EDC, while ₱625.00 million shall be infused as advances to GCGI, a wholly-owned subsidiary of EDC, to fund its 2021 capex projects. GCGI may repay the advances to EDC from its operating cash flows.

The net proceeds of this Offer amounting to ₱2,955.80 million, assuming an Issue Amount of ₱3,000 million, shall be used primarily for the capital expenditure requirements of PBBP and M3 binary projects. In particular, the breakdown of proceeds to be used towards the growth and maintenance capital expenditures will be as follows:

Purpose	Estimated Amount	EDC	BGI
PBBP capex	₱1,665.00 million	₱1,000.00 million	₱665.00 million
M3 capex	1,290.80 million	1,290.80 million	
Total	Up to ₱2,955.80 million		

If the ₱2,000 million Oversubscription Option is fully exercised, the additional net proceeds of ₱1,976.49 million from the Oversubscription Option shall be allocated as follows:

Purpose	Estimated Amount	EDC	GCGI
Balance of M3 capex	₱504.20 million	₱504.20 million	
Other geothermal capex	1,472.29 million	₱918.00 million	₱554.29 million
Total	Up to ₱1,976.49 million		

Any shortfall in the net proceeds for the intended uses described above shall be funded by the Issuer from internal sources such as cash flows generated from operations and/or availments from credit facilities provided to the Issuer by various financial institutions.

Pending the above uses, the Company intends to invest the net proceeds from the Issue in short-term and medium-term liquid investments including but not limited to short-term government securities, bank deposits and money market placements which are expected to earn prevailing market rates, consistent with the EDC Green Bond Framework.

The net proceeds from the Issue will not be used to reimburse any officer, director, employee or shareholder for services rendered, assets previously transferred, money loaned or advanced or otherwise. Further, except as disclosed herein, none of the proceeds from the Issue will go to the Underwriters.

The Company undertakes that it will not use the net proceeds from the Issue for any purpose, other than as discussed above. However, the Company's plans may change, based on factors including changing macroeconomic and market conditions, or new information regarding the cost or feasibility of these plans. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to reallocate the net proceeds within the categories described above, or to alter its plans, including modifying the projects described in the foregoing and/or pursuing different projects. In the event of any substantial deviation/adjustment in the planned uses of proceeds, the Company shall inform the SEC and the stockholders within thirty (30) days prior to its utilization.

EDC Green Bond Framework

EDC is a global and diverse renewable energy company, with over forty (40) years of pioneering sustainable practices. Since 1976, the Company has primarily engaged in the business of exploring, developing, operating, and utilizing geothermal energy and other indigenous renewable energy sources for electricity generation.

EDC is the largest pure renewable energy company in the Philippines, operating 1,186 MW of geothermal, 150 MW of wind, 132 MW of hydroelectric power, and 12 MW of solar – for a total of 1,480 MW of clean and renewable energy.

The Company's vision is to be the leading global geothermal energy company and key provider of clean, renewable, 24/7 energy. Its mission is "to forge collaborative pathways for a decarbonized and regenerative future."

Recognized as a world leader in wet steam field technology, the Company operates in various locations in the Philippines, including in Bicol, Leyte, Negros Island, and Mindanao. EDC, through its subsidiaries, also operates the biggest combined wind and solar farm in the region, located in Burgos, Ilocos Norte, and substantial hydropower assets located in Nueva Ecija. Through these investments, EDC can supply 100% naturally sourced power to the national grid and bolster the Philippines' economic growth.

To support the Company's objective of promoting a regenerative environment and society while contributing to a low carbon economy by increasing access to reliable renewable energy, EDC established a Green Bond Framework under which it may issue green bonds to finance or refinance, in whole or in part, the exploration, development, construction, rehabilitation, expansion or acquisition of new or existing renewable energy projects ("Green Bonds").

An amount equal to the aggregate net proceeds from the issuance of every Green Bond will be used to finance or refinance, in whole or in part, projects under any of the Eligible Green Projects below. With respect to refinancing, only financing originally made within two (2) to three (3) years of the issue date of each relevant Green Bond issuance will qualify.

1. Use of Proceeds

The net proceeds from the issuance of Green Bonds shall be used to finance or refinance, in whole or in part, the exploration, development, construction, rehabilitation, expansion or acquisition of new or existing renewable energy projects, including:

- a. Geothermal energy projects (direct emissions < 100gCO₂/kWh),
- b. Wind energy projects,
- c. Solar energy projects,
- d. Hydropower projects, which are expected to have a
 - i. Life-cycle carbon intensity that is below 100gCO₂e/kWh; or
 - ii. Power density that is greater than 5W/m²,
- e. Bioenergy projects,
 - i. For waste biomass to energy - waste from non-certified Roundtable on Sustainable Palm Oil (RSPO) operations shall be excluded; and
 - ii. For non-waste to energy:
 - (a) life-cycle GHG emission intensity below 100gCO₂e/kWh, or
 - (b) substantial reduction (at least 50.0%) of life-cycle emissions relative to fossil fuel baseline for biofuels.

Additionally, regardless of emissions threshold, intended non-waste feedstock shall ensure that:

- (a) production of biofuel feedstock does not take place on land with high biodiversity (at least within the last ten (10) to fifteen (15) years),
- (b) land with a high amount of carbon has not been converted for biofuel feedstock production, and
- (c) there is no competition with food (considerations for food security).

Non-waste biogas from peat, palm oil, and non-certified energy/oil crops shall be excluded.

f. Energy storage projects.

(Power-to-Hydrogen projects shall be through water electrolysis.)

Energy projects that meet the above criteria are known as “Eligible Green Projects”. For the avoidance of doubt, coal or any other fossil fuel-related technologies shall not be eligible for funding by the Green Bonds.

2. Process for Project Evaluation and Selection

Eligible Green Projects are identified, evaluated and selected by EDC’s Business Development team, in collaboration with various support groups, including the Subsurface Geothermal Resource; Facilities Operations and Maintenance; Finance; Strategic Initiatives, Legal and Regulatory; Integrated Planning; Strategy and Long-Term Planning; and Corporate Support Functions. Shortlisted projects are then reviewed and endorsed by the Company’s Operations Committee, and subsequently approved by the Board of Directors.

Projects are evaluated and selected based on, but not limited to: a) the EDC Green Bond Framework; b) EDC’s vision, mission, chosen path, strategy, and objectives; c) technical, financial and commercial feasibility; and d) risks assessment.

Additional guidance may be provided by the Chief Sustainability Officer of EDC’s parent company, FPH.

In keeping with EDC’s commitment to the International Finance Corporation (“IFC”) Performance Standards on Environment and Social Sustainability, the projects must undergo environmental and social impact assessment and implement environment management system in the assessment, prevention and mitigation of risks.

The projects must also comply with FPH’s sustainability policies on corporate sustainability; human rights, including labor and working conditions; environment, safety and health; gender equality and diversity; biodiversity conservation and sustainable natural resource management; cultural heritage and indigenous peoples; corporate social responsibility and responsible asset protection.

3. Management of Proceeds

The net proceeds from the issued Green Bonds will be allocated to finance or refinance Eligible Green Projects of EDC and, if applicable, its subsidiaries, which projects are selected in accordance with the use of proceeds criteria and the evaluation and selection process presented above.

Over time, the Company aims to fully allocate the net proceeds from the Green Bonds issuance to a portfolio of Eligible Green Projects. EDC will regularly monitor the allocation through its internal information system. In the event an Eligible Green Project ceases to satisfy the eligibility criteria, EDC will remove the said project from the portfolio and replace it as soon as reasonably practicable.

Until fully allocated, the unallocated net proceeds from the Green Bonds issuance may be invested in cash or cash equivalents, or used to repay or prepay debts, or used in accordance with the Company’s internal liquidity management policies and strategies.

4. Reporting

Allocation Reporting

As long as there are outstanding Green Bonds issued under the Green Bond Framework, EDC will provide information on the allocation of the net proceeds and balance of unallocated funds at least annually and starting one (1) year from the date of the Green Bond issuance until full allocation, on EDC’s official website (www.energy.com.ph) and/or in the Company’s Integrated Report.

Impact Reporting

Where relevant and possible, EDC will report on selected impact metrics (per project or in aggregate for all projects financed by the Green Bonds). The Company will aim to publish a brief description of the Eligible Green Projects and their expected impact, inclusive of, but not limited to, installed capacity, electricity generation, and GHG emissions reductions or avoidance.

Determination of Offer Price

The First Tranche Bonds shall be issued on a fully-paid basis and at an issue price that is at par.

The determination for each subsequent tranche of the Bonds to be offered shall be set in the relevant Offer Supplement under "Determination of Offering Price".

The interest rate of the Series A Bonds shall be based on the three (3)-day simple average of the three (3)-year PHP BVAL Reference Rate, as published on the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time) on the dates of June 8, 9, and 10, 2021 plus the final spread per annum of 40 basis points.

The interest rate of the Series B Bonds shall be based on the three (3)-day simple average of the five (5)-year PHP BVAL Reference Rate, as published on the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time) on the dates of June 8, 9, and 10, 2021 plus the final spread per annum of 60 basis points.

Plan of Distribution

The detailed plan of distribution and underwriting arrangement for the First Tranche Bonds is set out below. The detailed plan of distribution and underwriting arrangement for each subsequent offer of the Bonds shall be set out in the relevant Offer Supplement or prospectus.

For the First Tranche Bonds, BDO Capital & Investment Corporation, and BPI Capital Corporation, as Joint Lead Underwriters, and SB Capital Investment Corporation, as Co-Lead Underwriter, pursuant to an Underwriting and Issue Management Agreement with EDC executed on June 10, 2021 (the "Underwriting Agreement"), have agreed to act in such respective capacities for the Offer and as such, distribute and sell the First Tranche Bonds at the Issue Price, and have also committed to underwrite ₱3,000,000,000 on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses. The Company has not appointed any selling agent but has the flexibility to appoint selling agent(s) as necessary.

Each of the Underwriters has committed to underwrite the Offer on a firm basis up to the amount indicated below:

Underwriters	Amount
BDO Capital	₱1,375,000,000
BPI Capital	₱1,375,000,000
SB Capital	₱250,000,000
Total	₱3,000,000,000

There is no arrangement for the Underwriters to return to EDC any unsold First Tranche Bonds. The Underwriting Agreement may be terminated in certain circumstances prior to payment of the net proceeds of the First Tranche Bonds being made to EDC. There is no arrangement as well giving the Underwriters the right to designate or nominate any member to the Board of the Issuer.

EDC will pay the Underwriters a fee of up to 0.40% on the final aggregate nominal principal amount of the First Tranche Bonds issued, which is inclusive of all the fees to be ceded. No fees will be given to Broker-Dealers selling the First Tranche Bonds.

The Underwriters are duly licensed by the SEC to engage in underwriting and distribution of securities to the public.

BDO Capital is the wholly-owned investment banking subsidiary of BDO Unibank, Inc., which, in turn, is an associate of the SM Group. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 1998, BDO Capital commenced operations in March 1999.

BPI Capital is the wholly-owned investment banking subsidiary of the Bank of the Philippine Islands and is duly licensed by the SEC to engage in the underwriting and distribution of securities. BPI Capital offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placement, project finance and loan syndication. It began operations as an investment house in December 1994.

SB Capital is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues.

SALE AND DISTRIBUTION

The distribution and sale of the First Tranche Bonds shall be undertaken by the Underwriters who shall sell and distribute the First Tranche Bonds to third party buyers/investors within the Philippines. Nothing herein shall limit the rights of the Underwriters from purchasing the First Tranche Bonds for their own respective accounts.

There are no persons to whom the First Tranche Bonds are allocated or designated. The First Tranche Bonds shall be offered to the public at large and without preference.

The obligations of each of the Underwriters will be several, and not solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Underwriters. Unless otherwise expressly provided in the Underwriting Agreement, the failure by an Underwriter to carry out its obligations thereunder shall neither relieve the other Underwriters of their obligations under the same Underwriting Agreement, nor shall any Underwriter be responsible for the obligation of another Underwriter.

OFFER PERIOD

The Offer Period for the First Tranche Bonds shall commence at 9:00 a.m. of June 14, 2021, and end at 5:00 p.m. of June 18, 2021.

APPLICATION TO PURCHASE

Applicants may purchase the First Tranche Bonds during the relevant Offer Periods by submitting to the Underwriters properly completed Applications to Purchase (including the applicant's tax identification number validly issued by the BIR), together with two (2) signature cards, and the full payment of the purchase price of the First Tranche Bonds in the manner provided in the said Application to Purchase.

Corporate and institutional applicants (including Trust Accounts) must also submit, in addition to the foregoing:

- (a) an original notarized certificate of the Corporate Secretary or an equivalent officer of the applicant setting forth resolutions of the board of directors, partners or equivalent body (i) authorizing the purchase of the Bonds indicated in the Application to Purchase and (ii) designating the signatories, with their specimen signatures, for the said purpose;
- (b) copies of its Articles of Incorporation and By-Laws and latest amendments thereof, together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory(ies);
- (c) two (2) duly accomplished signature cards containing the specimen signatures of the authorized signatories of the applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory(ies);
- (d) identification document(s) of the authorized signatories of the applicant, as specified in item (a) of the immediately succeeding paragraph below; and
- (e) such other documents as may be reasonably required by any of the Underwriters/Selling Agents, or the Registrar and Paying Agent in the implementation of its internal policies regarding "know your customer" and anti-money laundering.

Individual applicants must also submit, in addition to accomplished Applications to Purchase and its required attachments:

- (a) identification document ("ID") of the applicant which shall consist of any one of the following valid identification documents bearing a recent photo, and which is not expired: Passport, Driver's License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System

- Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, e.g., Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);
- (b) two (2) duly accomplished signature cards containing the specimen signature of the applicant; and
 - (c) such other documents as may be reasonably required by any of the Underwriters/Selling Agents, or the Registrar in implementation of its internal policies regarding "know your customer" and anti-money laundering.

An applicant claiming exemption from any applicable tax, or is subject to a preferential withholding tax rate shall, in addition to the requirements set forth above, be required to submit the following requirements, subject to acceptance by the Issuer, as being sufficient in form and substance:

- (a) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion addressed to the relevant applicant or Bondholder, confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;
- (b) with respect to tax treaty relief, a BIR Form No. 0901 or Application Form for Treaty Purposes ("BIR Form"), Tax Residency Certificate (TRC) duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by a nonresident taxpayer from all sources within the Philippines, as required under BIR Revenue Memorandum Order No. 14-2021, and/or three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder in favor of its authorized representative, which shall expressly state the authority to sign the BIR Form as well as to file the tax treaty relief application or request for confirmation (if the BIR Form and other documents are accomplished by an authorized representative);
- (c) a duly notarized affidavit with undertaking or indemnity executed by (1) the corporate secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder holds, the Bonds for its account, or (2) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify EDC, the Registrar and the Paying Agent of any suspension or revocation of the tax exemption certificate, certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold EDC, the Registrar and the Paying Agent, and the Underwriters/Selling Agents free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax; and
- (d) such other documentary requirements as may be required by EDC and the Registrar and Paying Agent, or as required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to EDC that the Bondholder is not doing business in the Philippines; provided that EDC shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by EDC to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

Completed Applications to Purchase and corresponding payments must reach the Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Underwriters. Acceptance by the Underwriters of the

completed Application to Purchase shall be subject to the availability of the First Tranche Bonds and the acceptance by EDC. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase shall be deemed revoked.

MINIMUM PURCHASE

A minimum purchase of Fifty Thousand Pesos (₱50,000) for each series of the First Tranche Bonds shall be considered for acceptance. Purchases for each series of the First Tranche Bonds in excess of the minimum shall be in multiples of Ten Thousand Pesos (₱10,000) for each series.

ALLOTMENT OF THE FIRST TRANCHE BONDS

If the First Tranche Bonds are insufficient to satisfy all Applications to Purchase, the available First Tranche Bonds shall be allotted in accordance with the chronological order of submission of properly completed and appropriately accomplished Applications to Purchase on a first-come, first-served basis, without prejudice and subject to EDC's exercise of its right of rejection.

ACCEPTANCE OF APPLICATIONS

EDC and the Underwriters reserve the right to accept or reject applications to purchase the First Tranche Bonds, and in case of oversubscription, allocate the First Tranche Bonds available to the applicants in a manner they deem appropriate.

REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such applicant through the relevant Underwriter with whom such application to purchase the First Tranche Bonds was made.

PAYMENTS

The Paying Agent shall open and maintain a Payment Account, which shall be operated solely and exclusively by the said Paying Agent in accordance with the Registry and Paying Agency Agreement, provided that beneficial ownership of the Payment Account shall always remain with the First Tranche Bondholders. The Payment Account shall be used exclusively for the payment of the relevant interest and principal on each Payment Date.

The Paying Agent shall maintain the Payment Account for six (6) months from Maturity Date or date of early redemption. Upon closure of the Payment Account, any balance remaining in such Payment Account shall be returned to the Issuer and shall be held by the Issuer in trust and for the irrevocable benefit of the First Tranche Bondholders with unclaimed interest and principal payments.

PURCHASE AND CANCELLATION

The Issuer may purchase the First Tranche Bonds at any time in the open market or by tender or by contract at market price, in accordance with PDEX Rules, without any obligation to make pro-rata purchases from all First Tranche Bondholders. First Tranche Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the First Tranche Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with

the applicable PDEX disclosure rules.

SECONDARY MARKET

EDC intends to list the First Tranche Bonds in the PDEX. EDC may purchase the First Tranche Bonds at any time without any obligation to make pro-rata purchases of First Tranche Bonds from all First Tranche Bondholders.

REGISTRY OF BONDHOLDERS

The First Tranche Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the First Tranche Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the First Tranche Bonds shall be shown in the Registry of Bondholders to be maintained by the Registrar. Initial placement of the First Tranche Bonds and subsequent transfers of interests in the First Tranche Bonds shall be subject to applicable prevailing Philippine selling restrictions. The names and addresses of the First Tranche Bondholders and the particulars of the First Tranche Bonds held by them and of all transfers of First Tranche Bonds shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

Description of the First Tranche Bonds

The following is a description of certain terms and conditions of the First Tranche Bonds. The description of the Bonds for each subsequent offer of the Bonds being offered shall be set in the relevant Offer Supplement.

The description of the First Tranche Bonds does not purport to be a complete listing of all the rights, obligations, or privileges of the First Tranche Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors and Shareholders of EDC, the information contained in this Prospectus, the Trust Indenture Agreement, Underwriting and Issue Management Agreement, and other agreements relevant to the Offer.

The First Tranche Bonds is offered by the Company as the first tranche of the Bonds under the EDC ASEAN Green Bond Program (the "EDC ASEAN Green Bond Program") that was authorized by a resolution of the Board of Directors of the Company dated February 4, 2021 (see section "Overview of the EDC ASEAN Green Bond Program" on page 27 of this Prospectus).

The EDC ASEAN Green Bond Program is issued pursuant to the EDC Green Bond Framework (the "Framework") (see section "EDC Green Bond Framework" on page 64 of this Prospectus). This Framework is drafted in accordance with the four core components of the ICMA 2018 Green Bond Principles; namely: a) Use of Proceeds, b) Process for Project Evaluation and Selection, c) Management of Proceeds, and d) Reporting.

The Framework was externally reviewed by Sustainalytics, a leading environmental, social and governance research, ratings, and data firm, which provided a second party opinion ("Second Party Opinion") on the EDC Green Bond Framework that the same aligns to the core components of the ICMA 2018 Green Bond Principles. A copy of the EDC Green Bond Framework and the Second Party Opinion are available at www.energy.com.ph.

A registration statement was filed by the Company covering the EDC ASEAN Green Bond Program with the SEC on March 15, 2021.

The First Tranche Bonds shall be constituted by a Trust Indenture Agreement executed on June 10, 2021 (the "Trust Indenture") entered into between the Issuer and the Trustee, which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Indenture. The description of the terms and conditions of the First Tranche Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Indenture. A registry and paying agency agreement was executed on June 10, 2021 (the "Registry and Paying Agency Agreement") in relation to the First Tranche Bonds between the Issuer and Philippine Depository & Trust Corp. as registrar (the "Registrar") and as paying agent (the "Paying Agent"). The First Tranche Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of Fifty Thousand Pesos (₱50,000) and in multiples of Ten Thousand Pesos (₱10,000) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000) in the secondary market. The First Tranche Bonds will be repaid at 100% of Face Value on the relevant Maturity Dates. See "Description of the First Tranche Bonds — Redemption and Purchase".

The Registrar and Paying Agent has no interest in or relation to EDC which may conflict with its role as Registrar for the Offer. The Trustee has no interest in or relation to EDC which may conflict with its role as Trustee for the First Tranche Bonds.

Copies of the Trust Indenture and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The holders of the First Tranche Bonds (the "First Tranche Bondholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Indenture and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

The First Tranche Bonds are not deposits and therefore are not insured nor covered by the Philippine Deposit Insurance Commission ("PDIC"). Accordingly, the First Tranche Bondholders shall have no recourse to PDIC for losses, if any, arising from the Bonds.

FORM, DENOMINATION AND TITLE

Form and Denomination

The First Tranche Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (₱50,000) each as a minimum, in multiples of Ten Thousand Pesos (₱10,000) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000) in the secondary market.

Title

Legal title to the First Tranche Bonds shall be shown in the Registry of Bondholders maintained by the Registrar. A notice confirming the principal amount of the First Tranche Bonds purchased by each applicant in the Offer shall be issued by the Registrar to all First Tranche Bondholders following the Issue Date. Upon any sale, transfer or assignment, title to the First Tranche Bonds shall pass by recording of such sale, transfer or assignment from the transferor to the transferee in the Registry of Bondholders. Settlement in respect of such transfer or change of title to the First Tranche Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant First Tranche Bondholder.

BOND RATING

The First Tranche Bonds have been rated PRS Aaa by PhilRatings, as of March 15, 2021, having considered: (1) EDC's leading position as a pure renewable energy company; (2) strong parent company support and highly-experienced management team; (3) manageable decline in net income amid the COVID-19 pandemic; (4) sufficient liquidity; and (5) conservative capital structure. PhilRatings also maintained its Issue Credit Rating of PRS Aaa, with a Stable Outlook, for EDC's outstanding P4.0 billion Fixed-rate Bonds due 2023. PRS Aaa is the highest rating assigned by PhilRatings. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the First Tranche Bonds are outstanding. After the Issue Date, the Trustee will monitor the compliance of the First Tranche Bonds with the regular annual reviews.

TRANSFER OF THE FIRST TRANCHE BONDS

Registry of First Tranche Bondholders

The Issuer shall cause the Registry of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the First Tranche Bondholders and the particulars of the First Tranche Bonds held by them and of all transfers of First Tranche Bonds shall be entered into the Registry of Bondholders. As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each First Tranche Bondholder a written statement of registry holdings at least quarterly (at the cost of the Issuer), and a written advice confirming every receipt or transfer of the First Tranche Bonds that is effected in the Registry of Bondholders. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant First Tranche Bondholder as of the date thereof. Any requests of the First Tranche Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting First Tranche Bondholder.

Transfers; Tax Status

The First Tranche Bondholders may transfer their First Tranche Bonds anytime, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between First Tranche Bondholders of different tax status occur on a day that is not an Interest Payment Date, tax-exempt entities trading with non tax-exempt entities shall be treated as non tax-exempt entities for the interest period within which such transfer occurred. A First Tranche Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified in the section on "Tax-Exempt Status or Entitlement to Preferential Tax Rate" on

page 79, below, within three days from the settlement date for such transfer.

Secondary Trading of the First Tranche Bonds

The Issuer intends to list the First Tranche Bonds on PDEX for secondary market trading. The First Tranche Bonds will be traded in a minimum board lot size of Ten Thousand Pesos (₱10,000), and in multiples of Ten Thousand (₱10,000) in excess thereof for so long as any of the First Tranche Bonds are listed on PDEX. Secondary market trading in PDEX shall follow the applicable PDEX rules and conventions and guidelines, including rules, conventions and guidelines governing trading and settlement between First Tranche Bondholders of different tax status, and shall be subject to the relevant fees of PDEX and PDTC.

RANKING

The First Tranche Bonds shall constitute the direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and ratably without any preference or priority among themselves and among any present and future unsubordinated and unsecured obligations of the Issuer (with the exception of those which have preference solely by operation of Applicable Law, including but not limited to preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, except any preference or priority established by Article 2244, paragraph 14(a) of the Civil Code of the Philippines, as the same may be amended from time to time).

INTEREST

Interest Payment Dates

The Series A Bonds bear interest on its principal amount from and including Issue Date at the rate of 2.8565% per annum and the Series B Bonds bear interest on its principal amount from and including Issue Date at the rate of 3.7305% per annum. Interest is payable semi-annually in arrears on June 25 and December 25 of each year (each, for purposes of this Section, an "Interest Payment Date") commencing on December 25, 2021. If the Interest Payment Date is not a Business Day, interest shall be payable on the subsequent Business Day without adjustment as to the amounts to be paid. However, the last Interest Payment Date shall fall on the Maturity Date.

The cut-off date in determining the existing First Tranche Bondholders entitled to receive interest or principal amount due shall be the Record Date. No transfers of the First Tranche Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Dates.

Interest Accrual

The First Tranche Bonds will cease to bear interest from and including the relevant Maturity Date, as defined in the discussion on "*Final Redemption*" below, unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see "*Penalty Interest*" below) shall apply.

Determination of Interest Amount

The interest shall be calculated on the basis of a three hundred sixty (360)-day year consisting of twelve (12) months of thirty (30) days each regardless of the actual number of days in an interest period.

REDEMPTION AND PURCHASE

Final Redemption

Unless previously redeemed or cancelled, the Series A Bonds shall be redeemed at par or 100% of face value on June 25, 2024 and the Series B Bonds shall be redeemed at par or 100% of face value on June 25, 2026 (each, a "Maturity Date"), or on the immediately succeeding Business Day if the relevant Maturity Date is not a Business Day, without adjustment as to the amounts to be paid.

Redemption for Taxation Reasons

If payments under the First Tranche Bonds shall require the Issuer to pay or shoulder any additional or increased taxes other than the taxes and the rates of such taxes that the Issuer is required to pay or shoulder on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be legally avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the First Tranche Bonds in whole (and not in part), without premium or penalty, on any Interest Payment Date (having given not more than sixty (60) days nor less than thirty (30) days notice to the Trustee) at par or 100% of the face value of the First Tranche Bonds plus accrued interest.

Change in Law or Circumstance

The following events shall be considered as change in law or circumstances ("Change in Law") in reference to the obligations of the Issuer and to the rights and interests of the First Tranche Bondholders under the Trust Indenture and the First Tranche Bonds:

- (a) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Indenture or the First Tranche Bonds shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;
- (b) Any provision of the Trust Indenture or any of the related documents is, or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provision of the Trust Indenture or any of the related documents, in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Indenture or any other related documents;
- (c) Any concessions, permits, rights, franchise or privileges for the conduct of the business and operations of the Issuer shall be revoked, cancelled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial conditions or operations of the Issuer; and
- (d) The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer.

If any one or more of the events enumerated above shall occur and be continuing for a period of sixty (60) days, the Majority Bondholders, by notice in writing delivered to EDC through the Trustee, after the lapse of the said sixty (60) day period, may declare the principal of the First Tranche Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, without any prepayment penalty.

EDC may likewise invoke any one or more of the events enumerated above as a Change in Law. In such event, EDC shall provide the Trustee an opinion of legal counsel confirming the foregoing, such counsel being reasonably acceptable to the Trustee. Such opinion of legal counsel shall be provided by the Trustee to the Majority Bondholders. Thereupon, EDC, subject to giving of Notice to all Bondholders through the Trustee, shall declare the principal amount of the First Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately

due and payable without any prepayment penalty, notwithstanding anything in the Trust Indenture and other related documents to the contrary.

Purchase and Cancellation

The Issuer may, at any time, purchase any of the First Tranche Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase the First Tranche Bonds pro rata from all the First Tranche Bondholders, and the First Tranche Bondholders shall not be obligated to sell. Any First Tranche Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the First Tranche Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Early Redemption Option

The Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the relevant series of the outstanding First Tranche Bonds (the "Early Redemption Option"). The Issuer's Early Redemption Option may be exercised only on the relevant date as follows:

- (a) For Series A Bonds, on the fourth (4th) Interest Payment Date and on the fifth (5th) Interest Payment Date; and
- (b) For Series B Bonds, on the sixth (6th) Interest Payment Date and on each Interest Payment Date thereafter until the ninth (9th) Interest Payment Date,

(each, an "Early Redemption Date"). If the Early Redemption Date is not a Business Day, the Early Redemption Option shall be exercised on the following Business Day.

The amount payable to the First Tranche Bondholders in respect of an Early Redemption Option exercise shall be calculated, based on the principal amount of the relevant series of the First Tranche Bonds being redeemed, as the sum of (i) accrued interest computed from the last Interest Payment Date up to the relevant Early Redemption Date; and (ii) the product of the principal amount of the First Tranche Bonds being redeemed and the Early Redemption Price in accordance with the following schedule:

<u>Series A Early Redemption Date</u>	<u>Early Redemption Price</u>
4 th Interest Payment Date	100.5%
5 th Interest Payment Date	100.5%
<u>Series B Early Redemption Date</u>	<u>Early Redemption Price</u>
6 th Interest Payment Date	101.0%
7 th Interest Payment Date	101.0%
8 th Interest Payment Date	100.5%
9 th Interest Payment Date	100.5%

The Issuer shall give not more than sixty (60) days nor less than thirty (30) days prior written notice to the Trustee of its intention to redeem the First Tranche Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the First Tranche Bonds at the Early Redemption Date stated in such notice.

PAYMENTS

The principal of, interest on, and all other amounts payable on, the First Tranche Bonds shall be paid to the First Tranche Bondholders, as of the relevant Record Date, as follows: not later than 12:00 noon of each relevant Payment Date, the Paying Agent shall pay on behalf of the Issuer the amounts due in respect of the First Tranche Bonds by crediting the proper amounts via Real Time Gross Settlement ("RTGS"), net of applicable final taxes and fees, to the Demand Deposit Account ("DDA") of the bank designated in writing by each First Tranche Bondholder for the purpose. The principal and interest on the First Tranche Bonds will be payable in Pesos. The Issuer will ensure that so long as any of the First Tranche Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the First Tranche Bonds and the Issuer may not terminate the appointment of the Paying Agent, except as provided in the Registry and Paying Agency Agreement. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint the Makati City office of such other leading bank in the Philippines to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

PAYMENT OF ADDITIONAL AMOUNTS - TAXATION

- (a) Interest income on the First Tranche Bonds is subject to a withholding tax at rates of 15.0% to 30.0%, depending on the tax status of the relevant First Tranche Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided, however that, the Issuer shall not be liable for the following:
 - (i) The final withholding tax applicable on interest earned on the First Tranche Bonds prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations as may be in effect from time to time, (the "Tax Code"). An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue confirming the exemption or preferential rate; (ii) a duly notarized Affidavit with Undertaking or Indemnity with Undertaking, in the prescribed form, as may be applicable, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer of any suspension or revocation of or change in the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty, consularized or apostilled proof of the First Tranche Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the First Tranche Bondholder is not doing business in the Philippines, provided further, that all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the First Tranche Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar;
 - (ii) Gross Receipts Tax under Section 121 of the Tax Code;
 - (iii) Taxes on the overall income of any securities dealer or First Tranche Bondholder, whether or not subject to withholding;
 - (iv) Value-Added Tax under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337 and Republic Act No. 10963; and
 - (v) Any applicable taxes on any subsequent sale or transfer of the First Tranche Bonds by any First

Tranche Bondholder which shall be for the account of such First Tranche Bondholder (or its buyer, as the First Tranche Bondholder and the buyer may have agreed upon).

Documentary stamp tax for the primary issue of the First Tranche Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

(b) Tax-Exempt Status or Entitlement to Preferential Tax Rate

A First Tranche Bondholder who is exempt from the final withholding tax or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer, as being sufficient in form and substance:

- (i) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR addressed to the relevant applicant or First Tranche Bondholder, confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;
- (ii) with respect to tax treaty relief, a BIR Form No. 0901 or Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by a nonresident taxpayer from all sources within the Philippines, as required under BIR Revenue Memorandum Order No. 14-2021, and a duly notarized, consularized or apostilled, if executed outside the Philippines, Special Power of Attorney executed by the Bondholder in favor of its authorized representative (if the documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines to support the applicability of a tax treaty relief;
- (iii) a duly notarized affidavit with undertaking or indemnity with undertaking executed by (A) the corporate secretary or the duly authorized representative of such applicant or First Tranche Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the First Tranche Bondholder holds, the First Tranche Bonds for its account, or (B) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the First Tranche Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent of any suspension or revocation of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax; and
- (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized or apostilled proof of the First Tranche Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the First Tranche Bondholder is not doing business in the Philippines; provided, that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the First Tranche Bondholder on the interest payments to such First Tranche Bondholder; provided, further, that all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the First Tranche Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar;

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of the First Tranche Bonds, to the Joint Issue Managers, Joint Lead Underwriters and Bookrunners, the Co-Lead Underwriter or Selling Agents (if any) who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in

respect of a transfer from a First Tranche Bondholder to a purchaser, to the Registrar upon submission of the account opening documents.

(c) **Tax on Fees of Joint Issue Managers, Underwriters and Joint Bookrunners**

All payments to be made by the Issuer to the Joint Issue Managers, Underwriters and Joint Bookrunners and the members of the underwriting syndicate, (in respect of issue management and underwriting fees paid by the Issuer) will be made without withholding or deduction for, or account of, any Taxes (as defined below) other than creditable withholding taxes, duties, assessments or charges imposed by the Philippine Government of whatsoever nature, present or future.

For the purposes of this Section, "Taxes" shall refer to any present and future taxes (including, without limitation, final withholding tax, DST, VAT or such substitute tax as may be imposed on banks and financial institutions), provided that the Issuer shall have no liability with respect to creditable withholding taxes and any taxes on the overall net income of the Joint Issue Managers, Underwriters and Joint Bookrunners, and the members of the underwriting syndicate. In the event that such deduction or withholding is required to be made, the Issuer will be obliged to gross-up its payments in order that the Joint Issue Managers, Underwriters and Joint Bookrunners and the members of the underwriting syndicate will receive the full amount which otherwise would have been due and payable as if no such deduction or withholding had been made.

FINANCIAL RATIOS

Incurrence ratio in terms of unconsolidated Financial Indebtedness to unconsolidated Total Equity ratio of no more than 3.0x (after giving effect to the incurrence of such Equity Distribution and/or Debt Incurrence) for Equity Distribution and Debt Incurrence.

Excluded from the financial ratios are finance leases due to IPPA Agreements and those under the take-or-pay contracts (but only to the extent it or a portion thereof has been accounted for as finance lease under applicable accounting standards as the same may be modified from time to time).

Any Refinancing Indebtedness incurred within the reporting period shall be excluded from Financial Indebtedness, provided that the refinanced debt is repaid in full within six (6) months after the date the refinancing debt is incurred.

The Philippine Accounting Standard ("PAS") or Philippine Financial Reporting Standards ("PFRS") to be used for computing the financial ratios shall be the PAS or PFRS applicable as of December 31, 2020. If, as a result of any change or changes in PAS or PFRS, the computation of the above ratio would, solely as a consequence of such change/s in PAS or PFRS, result in a Financial Indebtedness to Total Equity which is higher than the same ratio computed on the basis of PAS or PFRS in effect immediately before such change or changes shall have become effective, then the Issuer and the Trustee/s, at the instance of the former, shall negotiate in good faith and in an expeditious manner the terms and conditions of an amendment to the computation of such ratio (assisted by the hiring of a third party expert acceptable to the Issuer and the Trustee/s to assist in the determination of the effect of the change or changes, as the case may be, in PAS or PFRS, which determination shall be final absent manifest error).

AFFIRMATIVE COVENANTS

For as long as any of the First Tranche Bonds remain outstanding, the Issuer hereby covenants that it shall:

(a) **Payments** – As and when the First Tranche Bonds or any of them becomes due to be redeemed or any principal on the First Tranche Bonds or any of them becomes due to be repaid in accordance with the Terms and Conditions, unconditionally pay or procure to be paid to the order of the Trustee in Philippine Pesos in same day freely transferable funds the principal amount of the First Tranche Bonds or any of them becoming due for redemption or repayment on that date and shall (subject to the Terms and Conditions), until all such payments (after as well as before any judgment or other order of any court of competent jurisdiction) are duly made, unconditionally pay or procure to be paid to the order of the Trustee as aforesaid on the dates provided for in the Terms and

Conditions interest on the principal amount of the First Tranche Bonds or any of them outstanding from time to time as set out in the Terms and Conditions, provided that:

- (i) Every payment of principal or interest in respect of the First Tranche Bonds or any of them made to the Paying Agent in the manner provided for in the Registry and Paying Agency Agreement shall satisfy, to the extent of such payment, the relevant covenant by the Issuer contained in this clause except to the extent that there is default in the subsequent payment thereof to the First Tranche Bondholders as provided in the Terms and Conditions;
 - (ii) If any payment of principal or interest in respect of the First Tranche Bonds or any of them is made after the due date, payment shall be deemed not to have been made until the full amount is received by the Paying Agent in accordance with the Terms and Conditions; and
 - (iii) In any case where payment of the whole or any part of the principal amount and/or interest due in respect of the First Tranche Bonds is not made, improperly withheld or refused by the Issuer (if so provided for in the Terms and Conditions), Penalty Interest shall accrue on the whole or part of such principal amount and/or interest from the due date thereof, or date of such withholding or refusal until such amounts due are received by the Paying Agent in accordance with the Terms and Conditions.
- (b) Maintenance and Continuity of Business – Maintain and preserve its corporate existence, its rights, privileges and authorizations to carry on the normal conduct of its business operations, particularly, the Geothermal Renewable Energy Service Contracts and conduct its business in an orderly, efficient, and customary manner, save to the extent that any failure to do so could not reasonably be expected to have a Material Adverse Effect.
- (c) Financial Statements –
- (i) The Issuer will maintain proper and adequate financial records in accordance with the PAS or PFRS, then in effect, consistently applied and in compliance with the regulations of any Governmental Authority having jurisdiction and authority over the PAS or PFRS implementation;
 - (ii) Provide the First Tranche Bondholders through the Trustee with:
 - (1) One (1) copy each of its quarterly unaudited financial reports and its audited annual reports and accounts, as submitted to the SEC in its required form, within five (5) Business Days from the SEC prescribed deadline for the submission of each said report, each prepared in accordance with the PAS/PFRS then in effect;
 - (2) Within five (5) Business Days from the SEC-prescribed deadline for the submission of the Issuer's unaudited financial report for the period ending June 30 and its audited annual reports and accounts for the period ending December 31, a certificate issued by the Chief Financial Officer or any authorized officer of the Issuer, substantially in the form attached as Annex "B" of the Trust Indenture certifying that no Default has occurred and that all of its undertakings set out in the Sections on Affirmative Covenants and Negative Covenants in this Prospectus have been met at the date of such reports.
- (d) Insurance – (i) To the extent available on commercially reasonable terms, obtain or maintain insurance over its properties, which properties are necessary to its business and the loss of which would have a Material Adverse Effect (provided they are of an insurable nature) with financially sound and reputable insurers, or otherwise self-insure such properties (provided they are of an insurable nature) against loss or damage with such coverage and amounts as are customary for a business of the same character in the Philippines; and (ii) promptly submit to the Trustee, upon request, a certification on payment of insurance premiums.
- (e) Appointment of Auditors – Appoint and maintain as auditors a firm of independent public accountants of internationally recognized standing.
- (f) Continuing Approvals – Obtain or procure the obtaining of, and thereafter maintain in full force and effect:
- (i) every Governmental Approval and do all other acts and things as may from time to time be required under Applicable Law for the legality, validity and enforceability of the Trust Indenture, the First Tranche Bonds and any of the Terms and Conditions; and
 - (ii) every material Governmental Approvals as may from time to time be required

under Applicable Law for the due performance of its obligations under the Trust Indenture, the First Tranche Bonds and any of the Terms and Conditions.

(g) Notice of Occurrence of Default – Inform the First Tranche Bondholders in writing through the Trustee, within five (5) Business Days after any senior officer with the rank of Vice President or higher or a member of the Board of Directors of the Issuer obtains knowledge of any occurrence of any event which constitutes an Event of Default together with the statement as to the nature thereof.

(h) Compliance with Law – At all times comply with, or cause to be complied with, all Applicable Laws in relation to the Issuer, including obtaining or procuring and thereafter maintaining in full force and effect every Governmental Approval for the maintenance and carrying of its business and operations in the manner in which such business is now carried on, except to the extent failure to do so will not have a Material Adverse Effect.

(i) Taxes – Duly pay and discharge all taxes, final assessments and governmental charges of whatsoever nature and by whomsoever levied upon it or against its properties prior to the date on which penalties attach thereto, unless and to the extent that: (i) the same shall be contested in good faith and by appropriate proceedings, or (ii) failure to do so would not have a Material Adverse Effect.

(j) Indebtedness and Contractual and Other Obligations – Pay all of its Financial Indebtedness as they fall due and perform all contractual obligations relating to such Financial Indebtedness promptly and in accordance with their terms, including, without limitation, its obligations under the First Tranche Bonds and any of the Terms and Conditions, unless and to the extent that: (i) the unpaid debt does not exceed Ten Million U.S. Dollars (US\$10,000,000.00) or the relevant Currency Equivalent, or (ii) the same shall be contested in good faith and by appropriate proceedings, or (iii) that the non-payment or late payment of such Financial Indebtedness will not have a Material Adverse Effect; provided, that with respect to items (ii) and (iii), written notice shall have been given by the Issuer to the Trustee regarding the nature of such contested or unpaid Financial Indebtedness within five (5) Business Days from the date such Financial Indebtedness became due.

(k) Additional Agreements – Promptly execute and deliver to the First Tranche Bondholders such additional agreements as the First Tranche Bondholders may reasonably require from time to time to perfect and confirm unto the First Tranche Bondholders all of the First Tranche Bondholders' rights, powers and remedies hereunder.

(l) Pro-Rata and *Pari Passu* Treatment – Except with respect to any prepayment under the Terms and Conditions, ensure that each First Tranche Bondholder shall at all times share pro rata and shall rank *pari passu* with the other First Tranche Bondholders with respect to any right or remedy set forth in the Trust Indenture or the Terms and Conditions or otherwise granted herein or therein with respect to the Bond or First Tranche Bonds held by such First Tranche Bondholder.

(m) Maintenance of Property – Subject to its right to dispose of assets, keep and maintain all the properties of the Issuer necessary for its business in good working order and condition, and the loss of which would have a Material Adverse Effect, normal wear and tear excepted.

(n) Litigation – In the event that any litigation, arbitration or administrative or other proceeding is commenced against the Issuer which is reasonably likely to be decided against the Issuer and if so adversely decided, would have or be reasonably likely to have a Material Adverse Effect, diligently defend itself in such action or proceeding and not settle any claim against the Issuer without the consent of the Majority Bondholders; provided, that the Majority Bondholders' consent shall not be required where: (i) the settlement of such claim made against the Issuer will not result in a Material Adverse Effect; or (ii) the settlement involves a case filed against the Issuer and, as part of the settlement, any counterclaim filed by the Issuer is offset against the claims against the Issuer or is otherwise withdrawn by the Issuer. Further, the Issuer shall not settle any claim made by the Issuer relating to any litigation, arbitration or administrative or other proceeding commenced by the Issuer which, if adversely decided against the Issuer, would have or be reasonably likely to have a Material Adverse Effect without the consent of the Majority Bondholders (which consent shall not be unreasonably withheld) unless the settlement of such claim will not result in a Material Adverse Effect.

(o) Use of Proceeds – Use the net proceeds of the First Tranche Bonds as disclosed in this Prospectus.

(p) Accounts – Keep in accordance with Applicable Laws such proper books and records of account as are and which may from time to time be required to be kept under Applicable Laws and keep such books and records of account in conformity with PAS/PFRS then in effect.

(q) Compliance with EDC Green Bond Framework – Comply with the EDC Green Bond Framework including (but not limited to) its rules on the use and management of proceeds, its process for project evaluation and selection, as well as reporting requirements.

NEGATIVE COVENANTS

Until redemption or payment in full of the aggregate outstanding principal amount of the First Tranche Bonds, the Issuer hereby covenants and agrees with the Trustee that the Issuer shall not, without the written consent of the Majority Bondholders:

(a) Change in Business – Make or permit any material change in the general nature of its business from that carried on as at the date of the Trust Indenture or authorized in its articles of incorporation and by-laws, including amendments thereto, or engage in any business operation or activity other than that for which it is presently authorized by Applicable Law.

(b) Amendment of Articles of Incorporation and By-Laws and Quasi-Reorganization – (i) Without prejudice to item (a) above, amend its articles of incorporation, by-laws or other constitutive documents to decrease its authorized capital stock, or otherwise amend any provision which will have a Material Adverse Effect; or (ii) re-organize, undertake a quasi-reorganization, or reduce, return or retire its capital, except where such re-organization, quasi-reorganization, or reduction, return or retirement of capital shall not have a Material Adverse Effect.

(c) Sale of All or Substantially All Assets; Merger – (i) Sell, lease, transfer, grant or otherwise dispose of, either in a single transaction or in a series of transactions, whether related or not, all or substantially all of its properties and assets or (ii) consolidate or merge with any other corporation unless, as a result of any merger, the Issuer becomes the surviving corporation.

(d) Equity Distribution Restriction – Declare or pay cash dividends to its stockholders or purchase, redeem or retire, or otherwise acquire any of its capital stock or any claims thereto, or make any other capital or asset distribution to its stockholders (other than distribution of stock dividends), or pay any Non-Trade Shareholder Advances forming part of Total Equity (excluding those incurred in the ordinary course of business), including interest accruing thereon (if any), (each of the foregoing a “Restricted Payment”), except that the Issuer may pay Restricted Payments, provided that no Event of Default has occurred and is continuing, and if, after giving effect to such Restricted Payment, the Issuer’s Financial Indebtedness to Total Equity ratio is at most 3.00x; testing to be done using the most recent unaudited unconsolidated financial statements or the most recent audited unconsolidated financial statements, whichever is applicable; provided that on the basis of the latest available financial statements, with respect to Financial Indebtedness to Total Equity ratio, if any Financial Indebtedness (any such Financial Indebtedness being “Refinancing Indebtedness”) is incurred solely for the purpose of repaying or prepaying (as the case may be) any existing Financial Indebtedness on or before its due date (any such Financial Indebtedness being “Refinanced Indebtedness”) and paying any fees or expenses in connection therewith, then such Refinancing Indebtedness will not be included in Financial Indebtedness; provided, further, that if such Refinanced Indebtedness is not irrevocably repaid in full on the earliest of a date within six (6) months following the date that the Refinancing Indebtedness was incurred (such period being “Refinancing Period”), then the principal amount of the Refinancing Indebtedness which is not applied to the repayment of the Refinanced Indebtedness within such Refinancing Period will be included in Financial Indebtedness beginning in the Measurement Period during which the Refinancing Indebtedness was incurred.

The PAS or PFRS to be used for computing the financial ratio shall be the PAS or PFRS applicable as of December 31, 2020. If, as a result of any change or changes in PAS or PFRS, the computation of the above ratio would, solely as a consequence of such change/s in PAS or PFRS, result in a Financial Indebtedness to Total Equity ratio that is higher than the same ratio computed on the basis of PAS or PFRS in effect immediately before such change or changes shall have become effective, then the Issuer and the Trustee, at the instance of the former, shall negotiate in good faith and in an expeditious manner the terms and conditions of an amendment to the computation of such ratio (assisted by the hiring of a third party expert acceptable to the Issuer and the Trustee to assist in the determination of the effect or the change or changes, as the case may be, in PAS or PFRS, which determination shall be final absent

manifest error). For the avoidance of doubt, the prohibition hereunder shall not apply to distributions of capital by the Issuer pursuant to any of its employee stock option plans, employee stock grant plans or other similar incentive plans.

(e) Guarantee – Assume, guarantee, endorse or otherwise become directly or contingently liable (including, without limitation, liable by way of agreement, contingent or otherwise, to purchase, use facilities, provide funds of payment, supply funds to or otherwise invest in the debtor or otherwise assure the debtor against loss) for or in connection with any obligation or Debt of any Person. This prohibition shall not apply to (a) Guarantees extended by the Issuer in the ordinary course of its business, including but not limited to, Guarantees or financial support undertakings in connection with the acquisition transactions (whether through competitive bidding or otherwise), and greenfield projects or expansion projects undertaken by any Subsidiary or Downward Affiliate in which the Issuer has an effective equity ownership of at least 20.0%, (b) guarantees of obligations of Subsidiaries of the Issuer, (c) guarantees of obligations of the employees of the Issuer in connection with their employment, not exceeding Five Million U.S. Dollars (US\$5,000,000) or the relevant Currency Equivalent in the aggregate in any Financial Year, and (d) guarantees of obligations of Downward Affiliates of the Issuer but only up to the proportion in percentage terms of the Issuer's direct or effective ownership in such Downward Affiliate; provided that, in each case, the Issuer is in compliance with all financial covenants set forth in item (h) below on a pro forma basis.

(f) Loans and Advances to Directors, Officers and Stockholders – Extend any loans, advances or subsidies to any of its directors, officers, employees or stockholders other than: (i) loans in the ordinary course of the Issuer's business (such as, but not limited to, loans extended to employees under employee benefit programs that may from time to time be implemented by the Issuer), or (ii) where the same shall not have a Material Adverse Effect.

(g) Capital Expenditures – Make or incur any capital expenditures, if at the time of, or after giving effect to such transaction, an Event of Default would result therefrom.

(h) Incur Financial Indebtedness – Incur Financial Indebtedness (other than (i) accounts payable incurred in the ordinary course of business, (ii) Financial Indebtedness to be incurred under the Bonds, (iii) any Financial Indebtedness created under Permitted Liens, and (iv) any Financial Indebtedness proceeds of which will be used to refinance the existing debt, except if after giving effect to the incurrence of such Financial Indebtedness, the Issuer's Financial Indebtedness to Total Equity ratio does not exceed 3.00x; testing to be done using the most recent unaudited unconsolidated financial statements or the most recent audited unconsolidated financial statements, whichever is applicable; provided that, on the basis of the latest available Financial Statements, with respect to Financial Indebtedness to Total Equity ratio, if any Financial Indebtedness ("Refinancing Indebtedness") is incurred solely for the purpose of repaying or prepaying (as the case may be) any existing Financial Indebtedness on or before its due date ("Refinanced Indebtedness") and paying any fees or expenses in connection therewith, then such Refinancing Indebtedness will not be included in Financial Indebtedness; provided, further, that if such Refinanced Indebtedness is not irrevocably repaid in full on the earliest of a date within six (6) months following the date that the Refinancing Indebtedness was incurred (such period being "Refinancing Period"), then the principal amount of the Refinancing Indebtedness which is not applied to the repayment of the Refinanced Indebtedness within such Refinancing Period will be included in Financial Indebtedness beginning in the Measurement Period during which the Refinancing Indebtedness was incurred.

The PAS or PFRS to be used for computing the financial ratio shall be the PAS or PFRS applicable as of December 31, 2020. If, as a result of any change or changes in PAS or PFRS, the computation of the above ratio would, solely as a consequence of such change/s in PAS or PFRS, result in a Financial Indebtedness to Total Equity ratio that is higher than the same ratio computed on the basis of PAS or PFRS in effect immediately before such change or changes shall have become effective, then the Issuer and the Trustee, at the instance of the former, shall negotiate in good faith and in an expeditious manner the terms and conditions of an amendment to the computation of such ratio (assisted by the hiring of a third party expert acceptable to the Issuer and the Trustee to assist in the determination of the effect of the change or changes, as the case may be, in PAS or PFRS, which determination shall be final absent manifest error).

(i) Loans and Advances to any Person – Extend any loans, advances or subsidies to any Person, except: (i) loans, advances or subsidies in the ordinary course of business and on arm's length commercial terms, (ii) permitted loans, advances or subsidies to the Issuer's directors, officers, employees or stockholders in accordance with item (f) of the Section on Affirmative Covenants in this Prospectus made in the ordinary course of business, (iii) Guarantees or financial support undertaking allowed under item (e) of the Section on Affirmative Covenants in this Prospectus (iv) loans, advances or subsidies to any of the Issuer's Subsidiaries and Downward Affiliates in relation to

transactions undertaken by such Subsidiaries or Downward Affiliates, provided that in any of the foregoing exceptions, the same shall not result in the occurrence of an Event of Default.

(j) Negative Pledge - Directly or indirectly, incur or suffer to exist any Lien upon any of its assets and revenues, present and future, or enter into any loan facility agreement secured by or to be secured by a Lien upon any of its assets and revenues, present and future, unless it has made or will make effective provisions, satisfactory to the Majority Bondholders, in the First Tranche Bondholder's absolute discretion, whereby the Lien thereby created will secure, on an equal first ranking and ratable basis, any and all the obligations of the Issuer hereunder and such other Debt which such Lien purports to secure; provided, that the foregoing restriction shall not apply to the following (the "Permitted Liens"):

(i) Liens over: (i) any non-voting preferred shares held by the Issuer in Bac-Man Geothermal Inc.; and (ii) any shares held by Issuer in First Gen Hydro Power Corporation, EDC Wind Energy Holdings Inc., EDC Wind Energy Holdings 2 Inc., Energy Development (EDC) Chile Holdings SPA, EDC Holdings International Limited, EDC Geothermal Corp., EDC Bright Solar Energy Holdings, Inc. or PT EDC Indonesia;

(ii) Liens arising from any netting or set-off arrangement entered into by the Issuer in the ordinary course of its banking arrangements for the purposes of netting its debit and credit balances or in connection with any hedging transaction entered into in the ordinary course of business and not for speculative purposes;

(iii) Liens arising from any sale, transfer or other disposal of any assets on terms where it is or may be leased to or re-acquired by EDC or any of its related entities, provided that the aggregate amount of all such arrangements outstanding at any time is no greater than Ten Million U.S. Dollars (US\$10,000,000) or the relevant Currency Equivalent;

(iv) Liens arising from any sale, transfer or other disposal of receivables under recourse terms, provided that the aggregate amount of all such arrangements relating to receivables outstanding at any time is no greater than Ten Million U.S. Dollars (US\$10,000,000) or the relevant Currency Equivalent;

(v) Liens over any shares held by the Issuer in any company in which the Issuer has equity ownership in order to secure any Limited Recourse Project Financing or any Subsidiary's or Downward Affiliate's Limited Recourse Project Financing;

(vi) Liens for taxes, assessments or governmental charges or levies which are being contested in good faith;

(vii) Liens arising by operation of law (including, for the avoidance of doubt, any preference or priority under Article 2244, paragraph 14(a) of the Civil Code of the Philippines existing prior to the date of the Trust Indenture) on any property or asset of the Issuer, including, without limitation, amounts owing to a landlord, carrier, warehouseman, mechanic or materialman and any Liens pursuant to workers' compensation, unemployment insurance and other social security laws;

(viii) Liens incurred on cash deposits made in the ordinary course of business to secure (or obtain letters of credit that secure) the performance of tenders, statutory obligations, surety or appeal bonds, bonds for release of attachment, stay of execution or injunction, bids, tenders, leases, government contracts and similar obligations (including, without limitation, cash collaterals or hold-out arrangements to secure the repayment of any letter of credit which may be submitted by the Issuer or any of its Subsidiaries or Downward Affiliates in relation to acquisition transactions (whether through competitive bidding or otherwise) of any power plant and related facilities undertaken or administered by PSALM or any other governmental authority or agency), and greenfield projects or expansion projects undertaken by the Issuer or any company in which the Issuer has an effective equity ownership of at least 20.0%;

(ix) Liens created on the Issuer's shareholdings in Subsidiaries or Affiliates (whether now existing or acquired hereafter) to secure any debt incurred by such Subsidiaries or Affiliates for project financing or to secure any debt the principal amount of which does not exceed Thirty Million U.S. Dollars (US\$30,000,000) or the relevant Currency Equivalent;

(x) Liens created by or resulting from any litigation or legal proceeding which is effectively stayed while the underlying claims are being contested in good faith by appropriate proceedings and with respect to which the Issuer has established adequate reserves on its books in accordance with PAS/PFRS;

(xi) Liens arising from leases or subleases granted to others, easements, zoning restrictions, rights-of-way and similar charges or encumbrances on real property imposed by Applicable Law or arising in the ordinary course of business that are not incurred in connection with the incurrence of a Debt and that do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of the Issuer;

(xii) Liens incidental to the normal conduct of the business of the Issuer or ownership of its properties and which are not incurred in connection with the incurrence of a Debt and which do not in the aggregate materially impair the use of such property in the operation of the business of the Issuer or the value of such property for the purpose of such business;

(xiii) Liens upon tangible personal property (by purchase or otherwise) granted by the Issuer to (i) the vendor, supplier, any of their affiliates or lessor of such property, or (ii) other lenders arranged to secure Debt representing the costs of such property, or incurred to refinance the same principal amount of such purchase money debt outstanding at the time of the refinancing, and not secured by any other asset other than such property;

(xiv) Pre-existing Liens on after-acquired property of the Issuer;

(xv) Liens created with the prior written consent of the Majority Bondholders; and

(xvi) Liens created pursuant to a Refinancing Indebtedness provided that (i) the Issuer repays the Refinanced Indebtedness in full in case of refinancing on Maturity Date or on prepayment date in case of prepayment, and the repayment shall be effected within three (3) Business Days from the earlier of (x) the creation of such Liens or (y) drawdown on the Refinancing Indebtedness; provided further that, no additional Liens, other than pre-existing Liens will be created pursuant to the Refinancing Indebtedness.

(k) Investments – Invest in or acquire:

(i) Any share in or any security issued by any Person, or any interest therein or in the capital of any Person; or

(ii) Directly or indirectly, the business or going concern, or all or substantially all of the properties or assets or business, of any Person or invest in a controlling interest therein,

except where such investment or acquisition will not materially and adversely affect the Issuer's ability to perform its payment obligations under the Trust Indenture and the First Tranche Bonds, and any investment in such Person, when aggregated with any loan extended by the Issuer to such Person pursuant to the exception in item (i)(iv) of the Section on Negative Covenants in this Prospectus does not exceed 60% of the Issuer's Tangible Net Worth.

The restriction under this Section shall not apply to:

(i) Permitted Investments; and

(ii) Any investments in Subsidiaries or affiliates,

provided that such investment in (i) or (ii) will not have a Material Adverse Effect.

(l) Arm's Length Transactions – Subject to the provisions of the Section in Negative Covenants in this Prospectus on Guarantee (paragraph (e)), Loans and Advances to Directors, Officers and Stockholders (paragraph (f)), and Loans and Advances to any Person (specifically, paragraphs (i)(iii) and (i)(iv)), enter into any transaction or agreement between the Issuer, on one hand, and its shareholders or affiliate of the Issuer or its shareholders on the other hand, except on an arm's length commercial basis or in the ordinary course of business; provided, that the foregoing restriction shall not apply to (i) any advances or investments in Subsidiaries or Downward Affiliates, of which 20.0% or more of whose securities, or other ownership interest having voting power to elect the board of directors or other person or body performing similar functions, are directly or indirectly owned by the Issuer; and (ii) any transaction entered into by the Issuer, or a Subsidiary or Downward Affiliate of the Issuer with another Subsidiary or Downward Affiliate of the Issuer that does not or would not reasonably be expected to have a Material

Adverse Effect.

(m) Preferred Debt – Incur or permit to arise any indebtedness which ranks ahead of the First Tranche Bonds merely by virtue of being evidenced by a public instrument as provided by Article 2214, paragraph 14(a) of the Civil Code of the Philippines, as the same may be amended from time to time, except any of the following: (i) notarized indebtedness not exceeding Ten Million U.S. Dollars (US\$10,000,000) or the relevant Currency Equivalent in the aggregate at any time, or (ii) to the extent that the relevant lender or creditor waives the benefit of such preference or priority.

EVENTS OF DEFAULT

The Issuer shall be considered in default under the First Tranche Bonds and the Trust Indenture in case any of the following events (each an “Event of Default”) shall occur and is continuing:

(a) Payment Default

The Issuer fails to pay any of the principal, interest and fees or any other sum payable by the Issuer under the First Tranche Bonds, as and when due and payable at the place and in the currency in which it is expressed to be payable; provided, that such non-payment shall not constitute an Event of Default if it is solely due to an administrative or technical reason not attributable to the fault or negligence of the Issuer affecting the transfer of funds despite timely payment instruction having been given by the Issuer and such payment is received by the Paying Agent within two (2) Business Days from the relevant due date.

(b) Representation Default

Any representation or warranty made or repeated by the Issuer in any of the First Tranche Bonds is incorrect or misleading in any material respect when made or deemed to have been made or repeated, and the same is not cured within a period of thirty (30) days after written notice of such failure given by the Trustee is received by the Issuer.

(c) Other Provisions Default

The Issuer fails to perform or comply with any term, obligation or covenant of the First Tranche Bonds which would materially and adversely affect the ability of the Issuer to meet its obligations under the Trust Indenture and Terms and Conditions and such failure is not remediable or, if remediable (in the reasonable opinion of the Majority Bondholders), shall continue unremedied during the applicable grace period or, in the absence of such grace period, within a period of thirty (30) days after written notice of such failure given by the Trustee is received by the Issuer.

(d) Cross Default and Cross Acceleration

The Issuer fails to pay or defaults in the payment of any installment of the principal or interest relative to any Financial Indebtedness, or fails to comply with or to perform, any other obligation, or commits a breach or violation of any of the terms, conditions or stipulations, which non-compliance, breach or violation shall result in the acceleration of payment of any Financial Indebtedness of the Issuer under any agreement, contract or document with the First Tranche Bondholder or any Person, whether executed prior to or after the date hereof or under which the Issuer has agreed to act as guarantor, surety or accommodation party in the same amount or more, which, under the terms of such agreement, contract, document, guaranty or suretyship, including any agreement similar or analogous thereto, shall constitute a default thereunder after allowing for all applicable grace periods; provided, that no Event of Default shall occur under this paragraph unless the aggregate amount involved in the occurrence of one or more of the above events or breaches is at least Thirty Million U.S. Dollars (USD30,000,000) or the relevant Currency Equivalent.

(e) Cancellation or Modification of License

Any Governmental Approval now or hereafter necessary to enable the Issuer to comply with its obligations under the First Tranche Bonds or required for the conduct of its business and operations shall be (i) withdrawn, withheld, revoked, cancelled or otherwise terminated in a manner which, in the reasonable opinion of the First Tranche Bondholders, would materially and adversely affect the ability of the Issuer to comply with such obligations

or would materially and adversely affect the financial condition or operations of the Issuer taken as a whole, or (ii) modified in a manner which, in the reasonable opinion of the First Tranche Bondholders, would have the same adverse effect as a withdrawal, revocation, cancellation or termination of such Governmental Approval and would materially and adversely affect the ability of the Issuer to comply with its obligations under the Bond or would materially and adversely affect the operations of the Issuer taken as a whole, and such Governmental Approval is not reinstated within sixty (60) Business Days of having been so withdrawn, revoked, terminated or cancelled or, in the case of such Governmental Approval being withheld, the same is not issued within sixty (60) Business Days from the time that a material and adverse effect on the ability of the Issuer to comply with its obligations under the First Tranche Bonds or on the financial condition or operations of the Issuer, taken as a whole, is caused by the absence of such Governmental Approval or, in the case of a modification described in item (ii) of this Section, such Governmental Approval is not further modified as to effect a reinstatement thereof, within sixty (60) Business Days of having been so modified.

(f) Inability to Pay Debts; Bankruptcy Default

The Issuer becomes insolvent or unable to pay its Debts when due or commits or suffers any act of bankruptcy, which term shall include: (i) the filing of a petition, by or against the Issuer, in any bankruptcy, insolvency, administration, suspension of payment, rehabilitation, reorganization, winding-up, dissolution, moratorium or liquidation proceeding of the Issuer, or any other proceeding analogous in purpose and effect, unless for such petition filed against the Issuer, it is contested in good faith by the Issuer in appropriate proceedings or otherwise dismissed by the relevant court within sixty (60) days from the filing of such petition; (ii) the making of a general assignment by the Issuer for the benefit of its creditors; (iii) the admission in writing by the Issuer, through its President, Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, of its general inability to pay its Debts; (iv) the entry of any order of judgment of any competent court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding-up or liquidation of the Issuer, unless withdrawn or revoked by the appropriate court, tribunal or administrative agency or body within sixty (60) days from entry of such order of judgment; (v) the lawful appointment of a receiver or trustee to take possession of a substantial portion of the properties of the Issuer, unless contested in good faith by the Issuer in appropriate proceedings; or (vi) the taking of any corporate action by the Issuer to authorize any of the foregoing, unless withdrawn or rescinded within sixty (60) days from the taking of such action.

(g) Expropriation

Any act or deed or judicial or administrative proceedings in the nature of an expropriation, confiscation, nationalization, acquisition, seizure, sequestration or condemnation of or with respect to all or a material part of the business and operations of the Issuer, or all or substantially all of the property or assets of the Issuer, shall be undertaken or instituted by any Governmental Authority, unless such act, deed or proceeding is otherwise contested in good faith by the Issuer in an appropriate proceeding.

(h) Judgment Default

A final and executory judgment, decree or order for the payment of money, damages, fine or penalty or its equivalent shall be rendered against the Issuer which, together with all other judgments against the Issuer then outstanding and unsatisfied, may in the reasonable opinion of the Majority Bondholders (which opinion shall be exercised in good faith, fairly and equitably) materially and adversely affect the ability of the Issuer to comply with its obligations under the First Tranche Bonds, and (i) the Issuer has failed to demonstrate to the reasonable satisfaction of the Majority Bondholders within thirty (30) days of the judgment, decree or order being entered that it is reasonably certain that the judgment, decree or order will be satisfied, discharged or stayed within thirty (30) days of the judgment, decree or order being entered, or (ii) the said final judgment, decree or order is not paid, discharged, stayed or fully bonded within thirty (30) days after the date when payment of such judgment, decree or order is due.

(i) Attachment

An attachment or garnishment of or levy upon any of the properties of the Issuer is made which materially and adversely affects the ability of the Issuer to pay its obligations under the First Tranche Bonds and is not discharged or stayed within thirty (30) days (or such longer period as the Issuer satisfies the Majority Bondholders is appropriate under the circumstances) of having been so imposed.

(j) Contest

The Issuer (acting through its President, Chief Executive Officer, Chief Operating Officer or Chief Financial Officer) shall contest in writing the validity or enforceability of the First Tranche Bonds or shall deny in writing the general liability of the Issuer under the First Tranche Bonds.

Consequences of Default

(a) Declaration by the Majority Bondholders

If any one or more of the Events of Default shall have occurred and be continuing, the Trustee upon the written direction of the Majority Bondholders, by notice in writing delivered to the Issuer, or the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare all amounts due, including the principal of the First Tranche Bonds, all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, anything contained in the Trust Indenture or in the First Tranche Bonds to the contrary notwithstanding.

(b) Notice from the Trustee

At any time after any Event of Default shall have occurred, the Trustee may:

(i) By notice in writing to the Issuer, the Paying Agent and the Registrar, require the Paying Agent and the Registrar to:

(x) Act thereafter as agents of the First Tranche Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Indenture in relation to the First Tranche Bonds and available to the Trustee for such purpose) and thereafter to hold all evidence of all bonds and all sums, documents and records held by them in respect of the First Tranche Bonds on behalf of the Trustee; and/or

(y) Deliver all Bond Certificates and all sums, documents and records held by them in respect of the First Tranche Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any law or regulation.

(ii) By notice in writing to the Issuer require the Issuer to make all subsequent payments in respect of the First Tranche Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn, proviso (x) above and item (a) of the Section on Affirmative Covenants in this Prospectus shall cease to have effect.

(c) Penalty Interest

In case any amount payable by the Issuer under the First Tranche Bonds, whether for principal, interest, fees due to Trustee or Registrar or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty interest on the defaulted amount(s) at the rate of 2.0% p.a. (the "Penalty Interest") computed on a monthly basis over and above and in addition to the Interest Rate computed on the actual number of days from and including the date on which the said amount/s became due until full payment thereof on a year of 360 days.

(d) Payment During an Event of Default

The Issuer covenants that upon the occurrence and due declaration of any Event of Default, the Issuer shall pay to the First Tranche Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding First Tranche Bonds with interest at the rate borne by the First Tranche Bonds on the overdue principal and with Penalty Interest as described above, and in addition thereto and subject to Section 2.4 of

the Trust Indenture, the Issuer shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the actual, documented, and reasonable cost and expenses of collection, enforcing payment of principal and/or interest on the First Tranche Bonds, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder. Notwithstanding any contrary provision, any such costs incurred by the Trustee shall not require the prior approval of the Issuer.

(e) Application of Payments

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Indenture and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first*, to the payment to the Trustee, the Paying Agent and the Registrar, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without negligence or bad faith; *second*, to the payment of the interest in default, in the order of the maturity of such interest with Penalty Interest; *third*, to the payment of the whole amount then due and unpaid upon the First Tranche Bonds for principal, and interest, with Penalty Interest; and *fourth*, the remainder, if any shall be paid to the Issuer, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

(f) Remedies

All remedies conferred by the Trust Indenture to the Trustee and the First Tranche Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the First Tranche Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Indenture, subject to the Section below on "*Ability to File Suit*".

No delay or omission by the Trustee or the First Tranche Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Indenture to the Trustee or the First Tranche Bondholders may be exercised from time to time and as often as may be necessary or expedient.

(g) Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

(h) Ability to File Suit

No First Tranche Bondholder shall have any right by virtue of or by availing of any provision of the Trust Indenture to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such First Tranche Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the First Tranche Bondholders to take up matters related to their rights and interests under the First Tranche Bonds; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee for 60 days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the First Tranche Bondholders, it being understood and intended, and being expressly covenanted by every First Tranche Bondholder with every other First Tranche Bondholder and the Trustee, that no one or more First Tranche Bondholders shall have any right in any manner whatsoever by virtue of or by availing of any provision of the Trust Indenture to affect, disturb or prejudice the rights of the holders of any other such First Tranche Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all the First Tranche Bondholders.

(i) Waiver or Revocation of Default by the First Tranche Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the First Tranche Bondholders to waive any past Default, any of the Events of Default and the consequences of such declaration, upon such terms, conditions and agreement, if any, as they may determine; provided that no Default arising from the following paragraphs on the Section on Default (please refer to page 87 of this Prospectus): paragraph (a) (Payment Default), paragraph (b) (Representation Default), paragraph (d) (Cross Default and Cross Acceleration), paragraph (e) (Cancellation of License), and paragraph (f) (Inability to Pay Debts; Bankruptcy Default), and its consequences, may be waived or revoked; provided further that, no such waiver or revocation shall extend to or shall affect any subsequent Default or shall impair any right arising therefrom.

In case of any such waiver, the Issuer, the Trustee and the First Tranche Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority First Tranche Bondholders shall be conclusive and binding upon all First Tranche Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the First Tranche Bonds.

The Trustee shall, within five (5) Business Days after receipt of the written waiver from the Majority Bondholders or revocation of any default previously declared, give to the First Tranche Bondholders written notice of such waiver, or revocation known to it via publication in a newspaper of general circulation in Metro Manila for two (2) consecutive days as soon as practicable, indicating in the published notice that an Event of Default has occurred and has been waived or a declaration of a default has been revoked by the Majority Bondholders.

SUBSTITUTION

Substitution of the First Tranche Bonds is not contemplated.

TRUSTEE; NOTICES

Notice to the Trustee

All documents required to be submitted to the Trustee pursuant to the Trust Indenture, the Prospectus and all correspondence addressed to the Trustee shall be delivered to:

RIZAL COMMERCIAL BANKING CORPORATION – TRUST INVESTMENTS GROUP

Attention	:	Ryan Roy W. Sinaon Vice President
Address	:	9th Floor, Yuchengco Tower, RCBC Plaza 6819 Ayala Avenue corner Sen. Gil Puyat Avenue Makati City
Telephone	:	(+632) 8894 9000 ext. 1278
Facsimile	:	(+632) 8878-3377
Email Address	:	rwsinaon@rcbc.com

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

Notice to the First Tranche Bondholders

Notices to First Tranche Bondholders shall be sent to their mailing address as set forth in the Registry of Bondholders when required to be made through registered mail, surface mail, electronic mail, in case the First Tranche Bondholder

has provided his email address in the Application to Purchase the First Tranche Bonds or in writing to the Trustee with instruction to send notices by electronic mail, or personal delivery. Except where a specific mode of notification is provided for herein, notices to First Tranche Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; (iv) personal delivery to the address of record in the Registry of Bondholders; (v) electronic mail; or (vi) disclosure through the Online Disclosure System of the PDEX. The Trustee shall rely on the Registry of Bondholders in determining the First Tranche Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication; (iv) on date of delivery, by personal delivery; (v) on date of transmission from the electronic mail server of the Trustee; and (vi) on the date that the disclosure is uploaded on the website of the PDEX, respectively.

A notice to the Trustee is a notice to the First Tranche Bondholders. The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by the Issuer to the SEC or the PDEX on a matter relating to the First Tranche Bonds shall be deemed a notice to the First Tranche Bondholders of said matter on the date of the first publication.

For purposes of transmitting notices or other communications via e-mail or electronic transmission, EDC, the First Tranche Bondholders and the Trustee hereby agree to comply with the terms of the Terms of Electronic Instructions contained in Schedule 2 of the Trust Indenture.

Notwithstanding the foregoing permissible modes of delivery of notice, the following notices must only be made or delivered either by hand or by reputable courier, subject to the same rules in this Section on Notices:

- a. Notice of Occurrence of Default under Subsection 4.1(g) of the Trust Indenture and the Section on "Consequences of Default";
- b. Notice of contested or unpaid Financial Indebtedness under Subsection 4.1(j) of the Trust Indenture;
- c. Notice of Change in Law under the Section on "Change in Law or Circumstance";
- d. Notice of termination of the services or resignation of the Trustee under the Section on "Resignation and Change of Trustee"; and
- e. Notice to the claiming of fees or reimbursement due to any Party under the Trust Indenture.

Binding and Conclusive Nature

Except as provided in the Trust Indenture, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Indenture, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all First Tranche Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Paying Agent or the First Tranche Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Indenture.

Duties and Responsibilities of the Trustee

- (a) The Trustee is appointed as trustee for and on behalf of the First Tranche Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Indenture.
- (b) The Trustee shall, in accordance with the Terms and Conditions, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to the Trust Indenture.
- (c) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Indenture and the Terms and Conditions.
- (d) The Trustee, in the performance of its duties, shall exercise such rights and powers vested in it by the Trust Indenture, and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances.

Liability of the Trustee

No provision of the Trust Indenture shall be construed to relieve the Trustee from liability for its own gross negligent action, its own gross negligent failure to act, or its willful misconduct, provided that:

- (i) Prior to the occurrence of an Event of Default or after the curing or the waiver of all Events of Default which may have occurred, in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the opinion expressed in, any certificate or opinion furnished to the Trustee conforming to the requirements of the Trust Indenture;
- (ii) The Trustee shall not be liable for any error of judgment made in good faith by their respective responsible officer or officers, unless it shall be proven that the Trustee was grossly negligent in ascertaining the pertinent facts; and
- (iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by them in good faith in accordance with the direction of the Majority Bondholders relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Trust Indenture.

None of the provisions contained in the Trust Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of their duties or in the exercise of any of their rights or powers if, in the determination of the Trustee, there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to them under the terms of the Trust Indenture.

(c) Ability to Consult Counsel

- (i) The Trustee may consult with reputable counsel in connection with the duties to be performed by the Trustee under the Trust Indenture and any opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by the Trustee hereunder in good faith and in accordance with such opinion; provided that, prior to taking or not taking such action for which opinion of counsel is sought, the Trustee shall inform the Issuer of the relevant opinion of counsel; provided further that, the Trustee shall not be bound by the foregoing condition to inform the Issuer of counsel's opinion if the opinion of counsel which is being sought by the Trustee pertains to, or involves actions to be undertaken due to, an Event of Default or issues pertaining thereto.
- (ii) Notwithstanding any provision of the Trust Indenture authorizing the Trustee conclusively to rely upon any certificate or opinion, the Trustee may, before taking or refraining from taking any action in reliance thereon, require further evidence or make any further investigation as to the facts or matters stated therein which they may in good faith deem reasonable in the circumstances; and the Trustee shall require such further evidence or make such further investigation as may reasonably be requested in writing by the Majority Bondholders.

(d) The Trustee as Owner of the First Tranche Bonds

The Trustee, in its individual or any other capacity, may become a holder of the First Tranche Bonds with the same rights it would have if it were not the Trustee and the Trustee shall otherwise deal with the Issuer in the same manner and to the same extent as though it were not the Trustee hereunder; provided, that such ownership shall not be considered a conflict of interest requiring resignation or change of the Trustee under the section on "Resignation and Change of Trustee" below.

Resignation and Change of Trustee

- (a) The Trustee may at any time resign by giving thirty (30) days' prior written notice to the Issuer and to the First Tranche Bondholders of such resignation.

- (b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within forty-five (45) days after the giving of such notice of resignation, the Majority Bondholders with prior written notice to the Issuer, may appoint a successor trustee. Upon the acceptance of any appointment as trustee hereunder by a successor trustee, such successor trustee shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Trustee, and the resigning Trustee shall be discharged from its duties and obligations hereunder. The resigning Trustee shall cooperate with the successor trustee and the First Tranche Bondholders in all reasonable ways to ensure an orderly turnover of its functions and the records in its custody. Subject to the provisions of Subsection (d) below, such a successor trustee should possess all the qualifications required under pertinent laws.
- (c) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days from there remove the Trustee concerned, and appoint a successor trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor trustee, any bona fide First Tranche Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor trustee. Subject to the provisions of Subsection (e) below, such successor trustee should possess all the qualifications required under pertinent laws; otherwise, the incumbent trustee shall continue to act as such until a successor trustee is duly appointed.
- (d) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Issuer of the required evidence under the provisions on Evidence Supporting the Action of the First Tranche Bondholders in the Terms and Conditions attached to the Trust Indenture.
- (e) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions of this Subsection shall become effective upon the earlier of the: (i) acceptance of appointment by the successor trustee as provided in the Trust Indenture; or (ii) effectivity of the resignation notice sent by the Trustee under Subsection (a) above and Section 20(e)(i) of the Trust Indenture (the "Resignation Effective Date") or the lapse of the thirty (30)-day period from the time the cause for removal under Section 20(e)(iii) arose (the "Removal Effective Date"); provided, however, that after the Resignation Effective Date and, as relevant, until such successor trustee is qualified and appointed (the "Holdover Period"), the resigning or removed Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer provided further that the resigning Trustee shall be entitled to the payment of the fee stipulated in Section 2.2 of the Trust Indenture during the Holdover Period.

Successor Trustee

- (a) Any successor trustee appointed as provided in this Section shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as trustee in the Trust Indenture. The foregoing notwithstanding, on the written request of the Issuer or of the successor trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.
- (b) Upon acceptance of the appointment by a successor trustee, the Issuer shall notify the First Tranche

Bondholders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the First Tranche Bondholders within ten (10) days after the acceptance of appointment by the trustee, the latter shall cause the First Tranche Bondholders to be notified at the expense of the Issuer.

Reports to the First Tranche Bondholders

The Trustee shall submit to the First Tranche Bondholders on or before January 31 of each year from the relevant Issue Date, until full payment of the First Tranche Bonds, a brief report dated December 31 of the immediately preceding year with respect to:

- (i) The funds, if any, physically in the possession of the Trustee held in trust for the First Tranche Bondholders on the date of such report; and
- (ii) Any action taken by the Trustee in the performance of its duties under the Trust Indenture which it has not previously reported and which in its opinion materially affects the First Tranche Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

The Trustee shall submit to the First Tranche Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the First Tranche Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least 10.0% of the aggregate outstanding principal amount of the First Tranche Bonds at such time.

- (g) Merger or Consolidation

Any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be a party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that, such successor trustee shall be eligible under the provisions of the Trust Indenture and the Securities Regulation Code; however, where such successor trustee is not qualified under the pertinent Laws, then the provisions of the section on "Resignation and Change of Trustee" on page 93 of this Prospectus shall apply.

- (h) Reliance

In the performance of its obligations under the Trust Indenture, the Trustee is entitled to rely on the records of the Registrar, but shall exercise such judgment and care under the circumstances then prevailing, that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.

In addition, the Trustee shall not be held liable for any of its act or omission unless (i) such act or omission was committed with fraud, evident bad faith, gross or willful negligence, or (ii) the Trustee failed to exercise the skill, care, prudence and/or diligence required by law and under the circumstances.

Inspection of Documents

The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

1. Trust Indenture Agreement;
2. Registry and Paying Agency Agreement;
3. Articles of Incorporation and By-Laws of the Company; and
4. Registration Statement of the Company with respect to the Bonds.

MEETINGS OF FIRST TRANCHE BONDHOLDERS

A meeting of the First Tranche Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the First Tranche Bondholders of any specified aggregate principal amount

of First Tranche Bonds under any other provisions of the Trust Indenture or under the law and such other matters related to the rights and interests of the First Tranche Bondholders under the First Tranche Bonds.

Notice of Meetings

The Trustee may at any time call a meeting of the First Tranche Bondholders, or the holders of at least 25.0% of the aggregate outstanding principal amount of First Tranche Bonds may direct in writing the Trustee to call a meeting of the First Tranche Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the First Tranche Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered First Tranche Bondholders not earlier than forty five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting.

However, the Trustee shall send notices in respect of any meeting called by EDC to obtain consent of the First Tranche Bondholders to an amendment of the Trust Indenture in the following manner: a notice shall be sent to First Tranche Bondholders detailing the amendments proposed and consents requested by EDC not earlier than sixty (60) days nor later than forty five (45) days prior to the date fixed for the meeting, if the First Tranche Bondholder fails to respond as required by such notice, the Trustee shall send a second notice to such First Tranche Bondholder not later than fifteen (15) days prior to the date fixed for the meeting. Each of such notices shall be published in a newspaper of general circulation as provided in the Trust Indenture. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement.

Failure of the Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its board of directors, or the holders of at least 25.0% of the aggregate outstanding principal amount of the First Tranche Bonds shall have requested the Trustee to call a meeting of the First Tranche Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting within twenty (20) days after receipt of such request, then the Issuer or the First Tranche Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

Quorum

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders shall be necessary to constitute a quorum to do business at any meeting of the First Tranche Bondholders except for any meeting called by EDC solely for the purpose of obtaining the consent of the First Tranche Bondholders to an amendment of the Trust Indenture, where the failure of any First Tranche Bondholder to transmit an objection to such proposal of EDC after at least two (2) notices to such First Tranche Bondholder have been sent by the Trustee, will be considered by the Trustee as an affirmative vote (and such First Tranche Bondholder will be considered present for quorum purposes by the Trustee) for the proposal of EDC.

Procedure for Meetings

- (a) Meetings may be either in person or through teleconference, videoconference or through similar modes of modern communication technology.
- (b) The Trustee shall preside at all the meetings of the First Tranche Bondholders, unless the meeting shall have been called by the Issuer or by the First Tranche Bondholders, in which case the Issuer or the First Tranche Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.
- (c) Any meeting of the First Tranche Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the First Tranche Bonds

represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

Voting Rights

To be entitled to vote at any meeting of the First Tranche Bondholders, a person shall be a registered holder of one (1) or more First Tranche Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. First Tranche Bondholders shall be entitled to one vote for every Ten Thousand Pesos (₱10,000) interest. The only persons who shall be entitled to be present or to speak at any meeting of the First Tranche Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

Voting Requirement

All matters presented for resolution by the First Tranche Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Indenture (please refer to the discussion on "Quorum"). Any resolution of the First Tranche Bondholders which has been duly approved with the required number of votes of the First Tranche Bondholders as herein provided shall be binding upon all the First Tranche Bondholders and the Issuer as if the votes were unanimous. Provided that:

(i) in respect of any matter presented for resolution at any meeting of First Tranche Bondholders that affect the rights and interests of only the holders of the Series A Bonds, a quorum and the affirmative vote of the Majority Series A Bondholders, exclusively, will be required to decide or approve such resolution; and

(ii) in respect of any matter presented for resolution at any meeting of First Tranche Bondholders that affect the rights and interests of only the holders of the Series B Bonds, a quorum and the affirmative vote of the Majority Series B Bondholders, exclusively, will be required to decide or approve such resolution.

Role of the Trustee in Meetings of the First Tranche Bondholders

Notwithstanding any other provisions of the Trust Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the First Tranche Bondholders, in regard to proof of ownership of the First Tranche Bonds, the appointment of proxies by registered holders of the First Tranche Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

Amendments

EDC and the Trustee may amend the Terms and Conditions or the First Tranche Bonds without notice to any First Tranche Bondholder in order to correct an error, clarify a provision or ensure consistency provided that no rights of any First Tranche Bondholder are adversely affected thereby. Otherwise, amendments shall require the prior written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the First Tranche Bonds).

However, without the consent of each First Tranche Bondholder affected thereby, an amendment may not:

- (1) reduce the amount of First Tranche Bondholder that must consent to an amendment or waiver;
- (2) reduce the rate of or extend the time for payment of interest on any Bond;
- (3) reduce the principal of or extend the Maturity Date of, or vary the Early Redemption Date of, any Bond;
- (4) impair the right of any First Tranche Bondholder to receive payment of principal of and interest on such Holder's First Tranche Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such First Tranche Bondholders;
- (5) reduce the amount payable upon the redemption or repurchase of any Bond under the Terms and Conditions attached to the Trust Indenture or change the time at which any Bond may be redeemed;

- (6) make any Bond payable in money other than that stated in the Bond;
- (7) subordinate the First Tranche Bonds to any other obligation of EDC;
- (8) release any security interest that may have been granted in favor of the First Tranche Bondholders;
- (9) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the First Tranche Bondholders; or
- (10) make any change or waiver of this Section on Amendments.

It shall not be necessary for the consent of the First Tranche Bondholders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Section becomes effective, EDC shall send a notice briefly describing such amendment to the First Tranche Bondholders in the manner provided in the Section entitled "Notices".

Evidence Supporting the Action of the First Tranche Bondholders

Wherever in the Trust Indenture it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the First Tranche Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the First Tranche Bondholders in person or by the agent or proxy appointed in writing or (ii) the duly authenticated record of voting in favor thereof at the meeting of the First Tranche Bondholders duly called and held in accordance herewith or (iii) a combination of such instrument and any such record of meeting of the First Tranche Bondholders.

GOVERNING LAW

The Bond Agreements are governed by and are construed in accordance with Philippine law.

Interest of Named Experts

Legal Matters

Certain Philippine legal matters in connection with the Offer have been passed upon for the Company by Quiason Makalintal Barot Torres Ibarra Sison & Damaso, the independent legal counsel of the Company, and for the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners by Picazo Buyco Tan Fider & Santos. The aforesaid counsels have no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the standards of independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

Independent Auditors

The Company's results of operations and financial position have been and will be affected by certain changes to Philippine Financial Reporting Standard ("PFRS").

The financial statements of EDC as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 appearing in this Prospectus have been audited by SyCip, Gorres, Velayo and Co. ("SGV & Co."), independent auditors, as set forth in their report thereon appearing elsewhere herein.

The Company's Audit and Governance Committee reviews and approves the scope of audit work of the independent auditors and the amount of audit fees for a given year. The amount will then be presented for approval by the stockholders in the annual meeting. As regards services rendered by the external auditors other than the audit of financial statements, the scope of, and amount for the same are subject to review and approval by the Audit and Governance Committee.

The aggregate fees billed for each of the last three fiscal years for professional services rendered by the external auditor were ₱21,891,438, ₱15,108,832, and ₱19,392,114 for 2020, 2019 and 2018, respectively.

	Audit fees and Audit- Related Fees	All Other Fees	Total
2020	13,671,980	8,219,458	21,891,438
2019	13,770,745	1,338,087	15,108,832
2018	14,407,996	4,984,118	19,392,114

Fees categorized under "All Other Fees" include trainings, advisory, and transfer pricing services.

There is no arrangement that SGV & Co. shall receive a direct or indirect interest in EDC in connection with the Offer. SGV & Co. have not acted and will not act as promoter, underwriter, voting trustee, officer or employee of the Company in relation to the Offer.

SGV & Co. has acted as the Company's external auditors since 2007. The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co. has no, and will not receive any, direct or indirect interest in the Company or in any securities pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Description of the Company

Business Overview

Energy Development Corporation (the “Company” or “EDC”) was incorporated on, and has been in business since, March 5, 1976. EDC, by itself and through its Subsidiaries (EDC and its Subsidiaries are collectively referred to as the “Group”) are the Philippines’ leading 100% renewable energy producer, possessing interests in geothermal energy, hydro power, wind power and solar power and are primarily engaged in the business of (i) exploring, developing, and operating geothermal energy and other indigenous renewable energy projects in the Philippines, and (ii) utilizing geothermal and other indigenous renewable energy sources for electricity generation. As of December 31, 2020, the Group had consolidated assets of ₱146.3 billion and consolidated equity of ₱63.2 billion.

As of March 31, 2021, the Group has total installed capacity of 1,480 MW composed of (i) 1,186 MW in geothermal, (ii) 150 MW in wind, (iii) 132 MW in hydro, and (iv) 12 MW in solar. For the full year 2020, the Group sold a substantial portion, or 88.8% of its power output through its various take-or-pay power offtake agreements, with the balance sold to the WESM.

The Company is the largest vertically integrated geothermal company globally. It is also the largest producer of geothermal energy in the Philippines.¹² The Philippines, with a total installed geothermal capacity of 1,918 MW, is the third largest geothermal energy producer in the world. The United States, the world’s largest geothermal energy producer, has an installed geothermal capacity of 3,676 MW and Indonesia, the second largest geothermal energy producer, has an installed geothermal capacity of 2,133¹³.

The Group’s geothermal power projects are composed of two principal activities: (i) the production of geothermal steam for use at the Company’s and its Subsidiaries’ geothermal power plants, and (ii) the generation and sale of electricity through those geothermal power plants pursuant to take-or-pay and take-and-pay offtake arrangements. EDC’s electricity sales are supported by medium-term to long-term offtake agreements in various forms. The Company also provides geothermal consultancy and ancillary services to third parties. EDC’s steam sales are backed by long-term offtake agreements with its wholly owned subsidiaries: (i) GRSCs with GCGI; and (ii) SSA with BGI. EDC has three (3) twenty-five (25)-year PPAs with NPC covering EDC’s Unified Leyte and Mindanao Geothermal Power Projects (Mindanao I and Mindanao II). The PPAs for Unified Leyte and Mindanao I are scheduled to expire between 2021 to 2022, while the PPA for Mindanao II will expire in 2024.

The Company’s subsidiaries, namely GCGI, BGI, FG Hydro, and ULGEI, hold offtake agreements in the form of Power Supply Agreements (“PSAs”) with various customers, particularly electric cooperatives and retail electricity suppliers.

BGI holds a RES license effective for a period of five (5) years from February 2017 until February 2022 and has offtake agreements in the form of RSCs with contestable customers.

In June 2020, the ERC approved GCGI’s application for a RES license effective for a period of five (5) years from June 2020 to June 2025.

EDC, GCGI, and FG Hydro sell electricity through ancillary service to the NGCP under ASPA.

Generated electricity in excess of contracted levels is sold to the WESM.

The Company believes that it has become one of the world’s leading geothermal power producers through its expertise in geothermal exploration and development. The Company has expertise spanning the entire geothermal energy value chain, including geothermal energy exploration and development, reservoir engineering and management, engineering design and construction, environmental management and energy research and development. As of March 31, 2021, the Group’s twelve (12) geothermal power plants had a total installed capacity of 1,186 MW.

The Company commenced commercial operations in 1983 with the commissioning of its first steamfield projects in Leyte and Negros islands. The Company holds service contracts with the Department of Energy (“DOE”) corresponding to ten (10) geothermal contract areas. Within these contract areas, the Company operates four (4) geothermal steamfield projects that supply steam to twelve (12) Group-owned geothermal power plants with an

¹² ERC Resolution No. 02 Series of 2020.

¹³ ThinkGeoEnergy Research (2020).

aggregate capacity of 1,186MW. The Group sells 88.8% of its power output through its various offtake agreements, with the balance sold to the Wholesale Electricity Spot Market ("WESM").

As of March 31, 2021, the four (4) contract areas where the Company conducts its commercial operations are:

- *Tongonan, Kananga, Leyte.* The Tongonan steamfield delivers steam to the Tongonan geothermal power plant, owned by the Company's subsidiary Green Core, and the four (4) Company-owned Unified Leyte geothermal power plants.
- *Southern Negros, Valencia, Negros Oriental.* The Southern Negros steamfield delivers steam to the two (2) Green Core-owned Palinpinon geothermal power plants, and one (1) Company-owned Nasulo Geothermal Power plant.
- *Bacon-Manito, Albay and Sorsogon.* The Bac-Man steamfield delivers steam to two (2) geothermal power plants in Albay and Sorsogon, owned by the Company's subsidiary BGI.
- *Mt. Apo, Kidapawan, Cotabato.* The Mt Apo steamfield delivers steam to two (2) Company-owned geothermal power plants in Mt. Apo.

Since July 2014, EDC operates the 49MW Nasulo Geothermal Power Plant located in Southern Negros. Most of its capacity is sold through power supply agreements with distribution utilities and Contestable Customers while the balance of its generation is sold through WESM.

The Group is also into hydro, wind, and solar power and is also pursuing growth opportunities outside the Philippines.

The Company owns a 60.0% equity interest in FG Hydro. FG Hydro owns and operates the 120 MW Pantabangan and the 12 MW Masiway Hydroelectric power plants located in Pantabangan, Nueva Ecija. Pantabangan commenced operations in 1977 and initially consisted of two 50 MW generating units, while Masiway commenced operations in 1981 and consists of one 12 MW generating unit. The rehabilitation of Pantabangan was completed in 2010, which increased the total capacity of Pantabangan-Masiway to 132MW.

The Group holds ten (10) WESCs to develop wind projects in Ilocos Norte and in the Visayas area. One of these WESCs covers the 150 MW wind farm in Burgos, Ilocos Norte operated by the Company's subsidiary, EDC Burgos Wind Power Corporation ("EBWPC"), which commenced full commercial operation in November 2014.

The Group also holds two (2) Solar Energy Service Contracts ("SESCs") located in various areas in Ilocos Norte and Iloilo. One of these two (2) SESC of the Company is for the operation of the 6.82 MW solar project (consisting of Phases 1 and 2) located in Burgos, Ilocos Norte, which started its commercial operation in March 2015 for Phase 1 and March 2016 for Phase 2.

EDC Siklab, a wholly-owned subsidiary of EDC, operates solar rooftop systems in various Gaisano Capital's malls located in the provinces of Iloilo, Aklan, Leyte, Southern Leyte and Sorsogon.

In 2017, EDC Siklab entered into eight (8) Solar Rooftop Lease Agreements ("SRLAs") with HEVA Management Development Corporation ("HEVA"). These SRLAs provide, among others, that EDC Siklab will construct, install, test, commission, operate and maintain solar power facilities in Gaisano Capital's mall in Passi, Ormoc, Sogod, Sorsogon, Tacloban, Kalibo, Oton, Balasan, and HEVA will lease these facilities for a period of twenty five (25) years. In 2018, EDC Siklab's solar rooftop systems in Gaisano Capital's malls in Passi, Kalibo, Oton and Balasan started commercial operations while Gaisano Tacloban Solar Rooftop Project was terminated. To date, all seven (7) sites are in commercial operation.

Beyond the domestic market, the Company is exploring growth opportunities outside the Philippines. The Company has opened offices in Jakarta in Indonesia, Santiago in Chile and Lima in Peru, to facilitate the identification and exploration of new geothermal projects. The Company has and continues to send experts overseas to evaluate its international business prospects except during the period of the COVID-19 pandemic and related travel constraints. In Latin America, the Company has three (3) existing concessions and is currently applying for three (3) more sites. In Indonesia, the Company has already acquired a Preliminary Survey and exploration permit. The Company is also in touch with various government agencies and advisors overseas for various early stage works such as permitting, regulatory consultations, engineering design, environmental studies, and technical evaluation studies, among others.

As of December 31, 2020, the Group had consolidated assets of ₱146.3 billion and consolidated equity of ₱63.2 billion. For the year ended December 31, 2020, the Group had consolidated revenues of ₱37.6 billion and a consolidated net income of ₱11.5 billion

Principal Products or Services and their markets

The Company commercially operates in the four (4) geothermal service contract areas where it is principally involved in the generation and sale of electricity through Company-owned geothermal power plants to NPC, electric cooperatives, privately-owned DUs, large industrial clients, and the NGCP, pursuant to PPAs, WESM, ASPA, and FIT.

EDC's subsidiaries, namely, GCGI, BGI, FG Hydro and ULGEI also hold offtake agreements in the form of PSAs with various customers, particularly DUs and electric cooperatives.

Through its 60% equity interest in FG Hydro, EDC indirectly operates the 132-MW Pantabangan hydroelectric power plant ("PAHEP") /Masiway hydroelectric power plant ("MAHEP") located in Nueva Ecija. The power plants supply electricity into the Luzon grid to service the consumption of its distribution utility clients covered by PSAs.

The Group has evolved into being the country's premier pure renewable energy player, possessing interests in geothermal, hydro, wind, and solar power. For geothermal energy, its expertise spans the entire geothermal value chain, i.e., from geothermal energy exploration and development, reservoir engineering and management, engineering design and construction to environmental management and energy research and development. Its wind energy expertise covers project research and development and wind data assessment. With FG Hydro, the Group has not only acquired expertise in hydropower operation and maintenance, but also improved its capability to sell power on a merchant basis.

The Group also operates the Burgos Solar Project (Phases 1 and 2), which is inside the same concession area as EBWPC wind farm.

The Group has solar rooftop projects in Gaisano La Paz, Kalibo, Oton, Passi, Balasan, Sogod, Ormoc and Sorsogon.

Distribution methods of products or services

For the period ended March 31, 2021, 34.0% or 800.1 GWh of the 2,350.2 GWh sales volume from its electricity business was sold to NPC from Unified Leyte and the Mindanao geothermal power plants. A total of 540.8 GWh sold by the geothermal power plants in Tongonan and Palinpinon was delivered to electric cooperatives and industrial customers in the Visayas region. Bac-Man geothermal power plants sold 374.0 GWh of electricity that was delivered mainly to electric cooperatives, WESM, and Retail Electricity Supply ("RES") customers in the Luzon region.

The 45.8 GWh, 165.0 GWh, and 2.6 GWh of electricity sold by the Nasulo geothermal, Burgos wind power plants, and Burgos solar power plants, respectively, were delivered mainly to WESM, and National Transmission Corporation ("TransCo"). Meanwhile, ULGEI's 88.6 GWh strips of energy was mainly delivered to electric cooperatives and WESM.

Electricity sales of about 220.3 GWh from FG Hydro was sold mainly to WESM, distribution utility, and electric cooperatives in the province of Nueva Ecija.

The 111.8 GWh pertained to revenue from sale of electricity as contingency and dispatchable reserves/ASPA from Palinpinon, Nasulo and FG Hydro.

The electricity generated by the Company's power plants is transmitted to its customers through the high voltage backbone system of the NGCP.

The 1.2 GWh pertained to solar rooftop projects.

For the year ended December 31, 2020, about 41.1% or 3,746.4 GWh of the 9,111.8 GWh sales volume from its electricity business was sold to NPC from Unified Leyte and the Mindanao geothermal power plants. A total of 2,250.3 GWh sold by the geothermal power plants in Tongonan and Palinpinon was delivered to electric cooperatives and industrial customers in the Visayas region. Bac-Man geothermal power plants sold 1,343.6 GWh of electricity that was delivered mainly to electric cooperatives, WESM, and RES customers in the Luzon region.

The 190.1 GWh, 367.0 GWh, and 10.2 GWh of electricity sold by the Nasulo geothermal power plant, Burgos wind power plants, and Burgos solar power plants, respectively, were delivered mainly to WESM, and TransCo. Meanwhile, ULGEI's 362.0 GWh strips of energy was mainly delivered to electric cooperatives and WESM.

Electricity sales of about 405.3 GWh from FG Hydro was sold mainly to WESM, distribution utility, and electric cooperatives in the province of Nueva Ecija.

The 431.3 GWh pertained to revenue from sale of electricity as contingency and dispatchable reserves/ASPA from Palinpinon, Nasulo and FG Hydro.

The electricity generated by the Company's power plants is transmitted to its customers through the high voltage backbone system of the NGCP.

The 5.6 GWh pertained to solar rooftop projects.

New Products or Services

EDC is in various phases of early stage/pre-development activities in some of its concession areas.

In June 2020, EDC's subsidiary, GCGI, secured its license as a RES. This grants GCGI access to Contestable Customers in Luzon and Visayas.

In September 2020, EDC and its subsidiaries registered as member participants in the REM. Once the REM operates, the Company intends to actively engage in trading of RECs and comply with the RPS.

In October 2020, EDC's subsidiary, BGI, secured its GEOP Operating Permit from the Department of Energy. As of writing, the industry awaits the official implementation of the GEOP. Once operational, the Company will be able to commence offering renewable energy to more end-users.

In December 2020, the ERC issued its Resolution No. 12, Series of 2020 expanding the retail competition and open access ("RCOA") coverage to include electricity end-users with average monthly peak demand of at least 500 kilowatts (kW) for the preceding twelve (12) months on a voluntary basis. The implementation started on 26 February 2021.

Bankruptcy, Receivership or Similar Proceedings

There was no bankruptcy, receivership or similar proceedings initiated against the Group during the past three (3) years.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not in the ordinary course of business) over the past three (3) years

On August 7, 2018, the Board of Directors ("BOD") of the Company approved the voluntary delisting (the "Delisting") of its common shares from the Main Board of the PSE, and, in accordance with the PSE's delisting rules and regulations, the conduct of a tender offer (the "Tender Offer") for up to 2,040,006,713 common shares held collectively by all shareholders of the Company other than Red Vulcan, First Gen, Northern Terracotta Power Corp., and PREHC. This represented all remaining EDC common shares that were held by the public, and which equated to approximately 10.9% of its total outstanding common shares. On September 19, 2018, the Company filed the petition for the Delisting with the PSE and on November 14, 2018, the BOD of the PSE granted the petition for voluntary delisting filed by the Company, and accordingly, ordered the delisting of the Company's common shares from the official registry of the PSE (electronic board and ticker) effective on November 29, 2018.

Except as otherwise disclosed in this Prospectus, the Group has not been the subject of any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business over the past three (3) years.

Competition

The government, in implementing the thrust of the EPIRA, has paved the way for a more independent and market-driven Philippine power industry. As such, selling power and consequently the dispatch of power plants depend on the ability to offer competitively priced power supply to the market. The Company has multiple power projects in Luzon, Visayas, and Mindanao.

The WESM operations of Luzon and Visayas Grids are integrated under the IEMOP in the sense that the administration and rules are the same. However, demand and available supply per area vary, which results to

differences in spot clearing price per Grid. Meanwhile, WESM in Mindanao and its integration to the Grid is still an on-going process. Once operational, the excess power supply in Mindanao may be offered to the Island Grids.

Pursuant to the RCOA of the EPIRA, a new electricity buyer group consisting of individual retail customers has emerged. "Retail Competition" means that eligible end-users of electricity (or retail customers) may directly contract for the supply of electricity with authorized suppliers, instead of coursing the same through the franchised distribution facility. "Open Access", on the other hand, means that retail electricity customers and suppliers of electricity may contract with the transmission company and the distribution company for the "wheeling" or delivery of energy/electricity through the transmission or distribution wires. Open Access is thus a means by which Retail Competition is achieved¹⁴.

The RE Law provides for policy mechanisms, such as the RPS and the GEOP, to further promote the development and utilization of renewable energy resources.

Under the RPS, mandated participants such as but not limited to distribution utilities and suppliers of electricity for the contestable market are required to source a portion of their energy requirement from RPS-eligible plants while GEOP gives end-users the opportunity to source 100% of their power supply from renewable energy source.

Pursuant to the RE Law, a Renewable Energy Market ("REM") shall be established where Renewable Energy Certificates corresponding to energy generated from eligible RE facilities can be traded. Mandated participants under the RPS must register in the REM. The Company and its operating subsidiaries intend to participate in the REM.

The successful privatization of NPC assets and NPC-IPP contracts in Luzon and Visayas, coupled with the integration of the two (2) Grids under the WESM, introduced new players and opened competition in the power industry. The largest competitors of the Company are the Aboitiz group, the San Miguel group and Ayala's AC Energy. In terms of generation capacities, the Aboitiz group has a total of 4,973MW in its portfolio¹⁵. Aboitiz Power Corporation is the Company's only competitor in the geothermal energy space, after it successfully bid for the 747 MW Tiwi-Makban geothermal power plant. Philippine Geothermal Production Company operates the Tiwi-Makban geothermal steam field that supplies the Aboitiz geothermal plant. The San Miguel group reportedly has 4,856 MW in its portfolio after selling its 650 MW Limay combined-cycle gas turbine¹⁶. AC Energy has 893MW in its Philippine portfolio¹⁷.

The credit ratings provided by PhilRatings for the recent bond issuances of these competitors indicate that financial strength among them is comparable. Aboitiz Power has a PRS Aaa rating, San Miguel Corporation, the parent company of SMC Power, has a PRS Aaa rating, and Ayala Corporation, the parent company of AC Energy, has a PRS Aaa rating.

Several of these competitors may have greater financial resources and have more extensive operational experience and other capabilities than the Company, giving them the ability to respond to operational, technology-related, financial, and other challenges more quickly than the Company. The Company will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as in the financing for these activities.

The Group believes that it will be able to compete because of its competitively priced power, the reliability of its power plants, its use of clean and renewable fuels, and its expertise and experience in power supply contracting and trading.

Dependence on one or a few major customers and identity of any such major customers

For the period ended March 31, 2021, 26.9% of the Company's electricity revenue are derived from existing long-term PPAs with NPC.

For the year ended December 31, 2020, 35.0% of the Group's electricity revenue are derived from existing long-term PPAs with NPC.

¹⁴ Source: The Energy Report Philippines 2013-2014 Ed, KPMG Global Energy Institute.

¹⁵ Data from Aboitiz Power: www.aboitzpower.com

¹⁶ Data from San Miguel Corporation: www.sanmiguel.com.ph/businesses/new/power-energy/

¹⁷ Data from AC Energy: www.acenergy.com.ph/about/

Government approvals, patent, trademarks, copyright and concessions

The Company secures various government approvals as part of the normal course of its business.

Patent

The Company has four (4) patent registrations with the Intellectual Property Office of the Philippines ("IPO"). These registrations are maintained in accordance with applicable regulations, including through the payment of annual fees required by the IPO commencing on the fifth (5th) year from publication of the patent application.

These inventions are used in the Company's geothermal field and plant operations, specifically in relation to its fluid collection and reinjection system and geothermal wells. Details of the patents are as follows:

INVENTION	Registration No.	Expiration Date
CONTINUOUS ON-LINE STEAM PURITY MONITORING SYSTEM	1-2007-000448	October 31, 2027
DECLOGGING TOOL	1-2013-000385	May 29, 2033
VERSATILE TAPPING MACHINE	1-2013-000387	June 6, 2033
IMPROVED THERMOWELL	1-2013-000386	June 20, 2033

Trademarks

Based on our records, the Group has nineteen (19) trademarks registered with the IPO. These registrations are maintained in accordance with applicable regulations, including through the submission of renewal registrations and Declarations of Actual Use of the trademark to the IPO.

Details of these registered trademarks are as follows:

TRADEMARK	Registration Number	Registered Date	Renewal Date
BAC-MAN ENERGY DEVELOPMENT CORPORATION, BEDC AND DEVICE 	4-2012-501430	December 27, 2012	December 27, 2022
BAC-MAN GEOTHERMAL, INC. 	4-2010-00501269	November 8, 2012	November 8, 2022
BAC-MAN GEOTHERMAL INC., BGI AND DEVICE 	4-2012-501423	June 25, 2015	June 25, 2025

TRADEMARK	Registration Number	Registered Date	Renewal Date
BAC-MAN GEOTHERMAL INCORPORATED & LOGO 	4-2010-501263	May 5, 2011	May 5, 2021
BGI 	4-2010-501272	May 5, 2011	May 5, 2021
ENERGY DEVELOPMENT CORPORATION  AND LOGO	4-2008-010584	February 23, 2009	February 23, 2025
EDC 	4-2008-011967	March 16, 2009	March 16, 2025
ENERGY DEVELOPMENT CORPORATION ENERGY DEVELOPMENT CORPORATION	4-2008-011964	June 15, 2009	June 15, 2025
EDC GEOTHERMAL CORP., EGC AND DEVICE 	4-2012-00501422	December 13, 2012	December 13, 2022
EDC WIND ENERGY HOLDINGS INC., EWEHI AND DEVICE 	4-2012-501441	November 8, 2012	November 8, 2022
EDC BURGOS WIND POWER CORPORATION, EBWPC AND DEVICE 	4-2012-00501431	December 20, 2012	December 20, 2022

TRADEMARK	Registration Number	Registered Date	Renewal Date
GCGI GCGI	4-2010-501265	May 5, 2011	May 5, 2021
GREEN CORE GEOTHERMAL, INC. & LOGO 	4-2010-501264	May 5, 2011	May 5, 2021
GREEN CORE GEOTHERMAL INC., GCGI AND DEVICE 	4-2012-501424	November 8, 2012	November 8, 2022
GREEN CORE GEOTHERMAL, INC. GREEN CORE GEOTHERMAL, INC.	4-2010-501262	May 5, 2011	May 5, 2021
SOUTHERN NEGROS GEOTHERMAL, INC. SNGI AND DEVICE 	4-2012-501426	October 29, 2015	October 29, 2025
UNIFIED LEYTE GEOTHERMAL ENERGY INC., ULGEI AND DEVICE 	4-2012-501427	August 22, 2013	August 22, 2023
HELEN COMMUNITY PARTNERSHIPS PROGRAM LOGO	4-2012-503038	May 9, 2013	May 9, 2023

TRADEMARK	Registration Number	Registered Date	Renewal Date
			
BINHI LOGO 	4-2012-503039	May 9, 2013	May 9, 2023

Copyright

The Company has a registered copyright for the book, BINHI Tree for the Future, which was registered on March 31, 2019. The book chronicles the journey of the BINHI team to search and rescue ninety six (96) threatened native tree species. The book aims to educate people about the importance of the threatened native tree species in the Philippines.

The Company seeks to protect its intellectual property rights by registering its intellectual properties and incorporating adequate safeguards in its agreements with third parties.

As for the other intellectual property rights that the Company needs but does not own, the Company is generally granted a worldwide, royalty-free, perpetual, irrevocable license to exploit any commissioned work, procured item, or incorporated items, including, any and all copyrights, patents, designs, trade secrets, trademarks or other intellectual property rights, that the Company deems appropriate. Contracting parties are likewise required to warrant against infringement of intellectual property rights of any third party.

Concessions

The Company is the holder of five (5) Geothermal Renewable Energy Service Contracts ("GRES-Cs") and the corresponding DOE Certificate of Registration as an RE Developer for the following geothermal projects:

- Tongonan Geothermal Project
- Southern Negros Geothermal Project
- Bacon-Manito Geothermal Project
- Mt. Apo Geothermal Project
- Northern Negros Geothermal Project*

** Renewal under process*

These contract areas are located in Luzon, Leyte, Negros, and Mindanao. The following table provides a summary of Group's geothermal projects, grouped by the contract areas in which they are located:

Contract Area	Expiry of GRESC	Project	Installed Capacity* (in MWe)	Product	Expiration of Offtake Agreement	Minimum take-or-pay Capacity (in GWh/yr)	Plant Owner	Expiry of GOC
Tongonan Geothermal Project	2031	Tongonan	123.0	Steam and Electricity	2031 (GRSC) ¹ 2040 (PSAs)	3,933 ⁶	GCGI ²	2037 ³
		Upper Mahiao	112.079 ⁴	Steam and Electricity	2022 (PPA) ⁵		EDC	
		Malitbog	232.614	Steam and Electricity	2022 (PPA) ⁵		EDC	
		Mahanagdong	198.135	Steam and Electricity	2022 (PPA) ⁵		EDC	
		Optimization	49.5	Steam and Electricity	2022 (PPA) ⁵		EDC	
Southern Negros Geothermal Project	2031	Palinpinon I	112.5	Steam and Electricity	2031 (GRSC) ⁷ 2040 (PSAs)		GCGI ²	2037 ³
		Palinpinon II	60.0 ⁸	Steam and Electricity	2031 (GRSC) ⁷ 2040 (PSAs)		GCGI ²	2037 ³
		Nasulo	49.37	Steam and Electricity	2024 (PSA)		EDC	
Bacon-Manito Geothermal Project	2031	Bac-Man I	120.0 ⁹	Steam and Electricity	2018 (SSA) ¹⁰ 2019 (SSA) ¹²	722.7	BGI ¹¹	2037 ³
		Bac-Man II	20.0	Steam and Electricity	2019 (PSAs)	131.4	BGI ¹¹	2037 ³
Mt. Apo Geothermal Project	2042 ¹³	Mindanao I	54.24	Steam and Electricity	2022 (PPA)	390.0	EDC	2031
		Mindanao II	54.24	Steam and Electricity	2024 (PPA)	398.0	EDC	
Total			1,185.68			5,575.1		

*Based on ERC Certificates of Compliance (COCs) or Provisional Authorities to Operate (PAO) issued by ERC as of 4 February 2021, where "installed nameplate capacity" is defined as "full-load continuous gross capacity of a unit under specified conditions, as calculated from the electric generator nameplate based on the rated power factor x x x" pursuant to ERC Resolution No. 16, Series of 2014.

¹ The GRSC for Tongonan commenced upon take-over of the plants by GCGI.

² On October 23, 2009, the Palinpinon and Tongonan geothermal power plants were turned over to Green Core, which won the PSALM's auction of the said plants on September 2, 2009.

³ Renewable for another 25 years

⁴ Does not include Unit 3 (37.36 MW); unit was offline during ERC's virtual inspection held on 20 August 2020

⁵ Unified Leyte PPA (ULPPA)

⁶ UL PPA Nominated Energy varies from year to year.

⁷ The GRSC for Palinpinon I & Palinpinon II commenced upon take-over of the plants by GCGI.

⁸ Palinpinon-2 includes Sogongon 1, Sogongon 2 and Okoy 5 GPPs. PAO for Sogongon 1 & 2 was issued on 4 November 2020 while PAO for Okoy 5, integrated in Palinpinon-1 GPP PAO, was issued on 4 February 2021; does not include 20-MW Nasuji GPP (on preservation mode)

⁹ Based on Dependable Capacity of 60 MW per unit, as indicated in the Provisional Authority to Operate (PAO) issued by the ERC on 6 October 2020

¹⁰ On June 1, 2018, EDC and BGI entered into an interim agreement for the supply of steam for Bac-Man I Geothermal Power Plants effective from the date of expiration of the SSA until the new SSA takes effect or December 25, 2020, whichever is earlier. On December 24, 2020, the term of such interim agreement were extended for another three (3) years, or until December 25, 2023.

¹¹ On September 3, 2010, the Bac-Man 1 and Bac-Man II geothermal power plants were turned over to BGI, which won the PSALM's auction of the said plants on May 5, 2010.

¹² On April 30, 2019, EDC and BGI entered into an interim agreement for the supply of steam for Bac-Man II Cawayan Unit effective from the date of expiration of the SSA until the new SSA takes effect or December 25, 2020, whichever is earlier. On December 24, 2020, the term of such interim agreement were extended for another three (3) years, or until December 25, 2023.

¹³ Includes a 25-year extension period to GRESC.

On May 8, 2012, EDC, through its subsidiaries GCGI and BGI, secured three (3) Geothermal Operating Contracts ("GOCs"), each with a twenty five (25)-year contract period expiring in 2037 and renewable for another twenty five (25) years, covering the following power plant operations:

- 1) Tongonan Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-038;
- 2) Palinpinon Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-037; and
- 3) Bacon-Manito Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-039.

The Company also holds Geothermal Service Contracts ("GSC") for the following prospect areas:

- Mt. Zion 2 Geothermal Project located in North Cotabato/Davao del Sur (currently in the process of conversion to the new RE contract template per DOE Department Circular No. DC2019-10-0013, twenty five (25)-year contract period expiring in 2040, renewable for another twenty five (25) years); and
- Amacan Geothermal Project located in Compostela Valley (with a five (5)-year pre-development period expiring in 2021, twenty five (25)-year contract period expiring in 2041, renewable for another twenty-five (25) years).

In 2019, the Group recognized allowance for impairment of exploration and evaluation costs incurred for Balingasag amounting to ₱2.5 million.

Following the DOE's approval of the surrender of the energy service contracts for Ampiro, Lakewood and Balingasag, the exploration and evaluation costs incurred for these projects totaling to ₱9.0 million were written off in 2020.

As of March 31, 2021, the Group holds ten (10) Wind Energy Service Contracts ("WESC") with the DOE with a twenty five (25)-year contract period. The WESCs cover the following:

Projects	DOE Certificates of Registration
1) 150 MW wind project in Burgos, Ilocos Norte	WESC 2009-09-004 (expiring in 2034)
2) 84 MW wind project in Pagudpud, Ilocos Norte	WESC 2010-02-040 (expiring in 2035)
3) Burgos 1 wind project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
4) Burgos 2 wind project in Burgos, Ilocos Norte	WESC 2013-12-064 (expiring in 2038)
5) Matnog 1 wind project in Matnog and Magdalena, Sorsogon	WESC 2014-07-075 (expiring in 2039)
6) Matnog 2 wind project in Matnog, Sorsogon	WESC 2014-07-076 (expiring in 2039)
7) Matnog 3 wind project in Matnog, Sorsogon	WESC 2014-07-077 (expiring in 2039)
8) Iloilo 1 wind project in Batad and San Dionisio, Iloilo	WESC 2014-07-078 (expiring in 2039)
9) Burgos 3 Wind Project in Burgos and Pasuquin, Ilocos Norte	WESC 2015-09-085 (expiring in 2040)
10) Burgos 4 Wind Project in Burgos, Ilocos Norte	WESC 2015-09-086 (expiring in 2040)

The following table provides a summary of the Group's wind projects, grouped by the contract areas in which they are located:

Location	Project	Expiration of WESC¹	WESC Owner
Ilocos Norte	Burgos	2034	EBWPC ²
	Pagudpud	2035	EPWPC ³
	Burgos 1	2038	EBBWPC ⁴
	Burgos 2	2038	EPBWPC ⁵
	Burgos 3	2040	EDC
	Burgos 4	2040	EDC
Sorsogon	Matnog 1	2039	EDC

Location	Project	Expiration of WESC ¹	WESC Owner
IloiloProject	Matnog 2	2039	EDC
	Matnog 3	2039	EDC
	Iloilo 1	2039	I1REC ⁶

¹ Renewable for another twenty five (25) years

² EDC Burgos Wind Power Corporation

³ EDC Pagudpud Wind Power Corporation

⁴ EDC Bayog Burgos Wind Power Corporation

⁵ EDC Pagali Burgos Wind Power Corporation

⁶ Iloilo 1 Renewable Energy Corporation

The Group holds two (2) Solar Energy Service Contracts ("SESC") with the DOE with a twenty five (25)-year contract period. The SESCOs cover the following:

Location	Project	DOE Certificate of Registration	Expiration of SESC ¹	Installed Capacity (in MW)	Owner
Burgos, Ilocos Norte	6.82MW Burgos Solar Project	SESC No. 2014-07-088	2039	6.8	EDC
Iloilo, Iloilo City	Gaisano La Paz Solar Rooftop Project	SESC No. 2016-11-352	2042	1.03	ESPC ²

¹ Renewable for another twenty-five (25) years

² SESCO assigned to EDC Siklab Power Corporation (ESPC)

Effect of existing or probable governmental regulations on the business

The Group and its projects are subject to significant regulation under various laws and regulations, including RA No. 9136 or the EPIRA and RA No. 9513 or the RE Law, as well as changes in the regulatory structure and decisions of the Supreme Court on regulatory issues. The regulatory framework of the energy industry has been constantly evolving as regulations continue to develop, be challenged, and/or modified. Any such change could potentially affect aspects of the Company's present and future operations or increase the Company's cost of compliance, which could materially impact its fiscal position.

Environmental laws and regulations, as well as rules of the LGUs, likewise affect the Group's operations from geothermal reservoir production to operation and maintenance of wells and power plants. The coverage includes the generation, transport, storage, and/or disposal of waste materials and hazardous substances. The Group, for example, utilizes industrial lubricants that are classified as hazardous substances under various environmental regulations and improper disposal can lead to fines and penalties in addition to remediation. Thus, the Group observes various guidelines and controls and maintains comprehensive general liability insurance intended to cover liability that may be owed to third parties arising from sudden and accidental discharge of pollutants in the course of its operations. These laws, regulations, and rules also impact on the rehabilitation, repair, or construction of facilities, particularly in cost and time.

The passage of new laws and regulations on safety, health, and environment, the adoption of new government policies, and other legal and regulatory developments in the future, may require additional capital expenditures and operating expenses in order to facilitate compliance with the changes. For instance, RA No. 11058, enacted on August 17, 2018, requires the implementation of a duly-approved safety and health program with a separate pay item for all contracting and subcontracting arrangements and may result to increased costs for occupational safety and health ("OSH") compliance. Laws and regulations may also change following the ratification by the government of the Paris Agreement on Climate Change providing for the reduction of greenhouse gas ("GHG") emissions.

In recent years, the Government has sought to implement measures designed to establish a competitive energy market including the adoption of policies for the transition to the IMO for the WESM as envisioned in the EPIRA. The

objective is to establish a market operator with equitable representation from electric power industry participants. With this in mind, the DOE issued Department Order DO2017-07-0010 creating the Transition Committee for the PEMC to propose plans for the WESM and anticipate future challenges. In January 2018, DOE issued Department Circular DC2018-01-002 to enable the formation of the IMO. On September 26, 2018, the IEMOP took over the operations of the WESM, with PEMC remaining as the governing body.

On market regulations, with regard to wholesale supply, the ERC currently evaluates PSAs between generation companies and distribution utilities/electric cooperatives using a “cost-based” methodology. On the retail supply side, the ERC and the DOE continue to firm up rules and regulations governing the RCOA with the issuance of DOE Department Circulars DC2017-12-0013 and DC2017-12-0014, allowing voluntary participation in the Retail Market of end-users with an average peak demand of at least 750 kW in the preceding twelve (12) months, effective on December 24, 2017. DOE further issued DC2019-07-0011 in July 2019 to designate IEMOP as the IMO and the Central Registration Body for the effective implementation of the RCOA. Meanwhile, the pending action before the Supreme Court contesting the implementation of the mandatory contestability provision under the RCOA, which could affect the direction of the RES business, remains unresolved.

Congress may also pass a law rationalizing the fiscal incentives available under various laws, which may have the effect of reducing the incentives currently enjoyed by the Company. Meanwhile, the implementation of the development mechanisms and incentives provisions of the RE Law, such as the Renewable Portfolio Standards (“RPS”) pursuant to DOE Department Circular DC2017-12-0015 may create opportunities for the Company. Also, in July 2018, DOE issued Department Circular DC2018-07-0019 promulgating the rules and guidelines governing the establishment of the GEOP, which will allow end-users with an average peak demand of at least 100kW to choose RE resources as their source of energy. Likewise, in December 2019 the Department promulgated DOE DC 2019-12-0016 or the rules governing the establishment of the REM in December 2019, which is needed in ensuring the compliance of the mandated participants to the RPS and facilitating the participation of end-users in the GEOP. The Company also anticipates the issuance of additional policy guidelines that will further promote RE development.

Beyond the aforementioned issuances on fiscal incentives and market governance, EDC expects to accelerate the implementation of its RE projects in the pipeline with the enactment of RA No. 11234 or the EVOSS Act and its implementing rules, and the approval of the Omnibus Guidelines Governing the Award and Administration of RE Service Contracts and Registration of RE Developers (DOE DC 2019-10-0013, which took effect in November 2019). Meanwhile, the release of DOE DC 2019-12-0018 or the General Framework Governing the Provision and Utilization of Ancillary Services in the Grid presents an opportunity for the Company to participate in the ancillary service market, which is envisioned to maintain electric power stability and reliability in the country.

The Company closely monitors relevant proposed legislation and regulations and intends to take proper and appropriate measures such as cooperating with relevant regulatory agencies in public consultations.

Cost and effects of compliance with environmental laws

The Group’s geothermal, wind, and solar operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations include but are not limited to the Philippine Clean Air Act (RA No. 8749), Philippine Clean Water Act (RA No. 9275), Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990 (RA No. 6969), Ecological Solid Waste Management Act (RA No. 9003), the DOE’s Renewable Energy Safety Health and Environment Rules and Regulations (“RESHERR”) (2012), and the Department of Labor and Employment’s (“DOLE”) Occupational Safety and Health Standard, as amended. Such legislations address, among other things, air and ambient noise emissions, wastewater discharges, and solid wastes management, as well as the generation, handling, storage, transportation, treatment, and disposal of toxic and hazardous materials and wastes. They also regulate workplace conditions within power plant facilities and employee exposure to hazardous work environments. In particular, the OSHS were formulated to safeguard workers’ social and economic well-being, as well as their physical safety and health. In addition, EDC also complies with other laws and standards, such as the Revised Forestry Code of the Philippines, (Presidential Decree No. 705), the National Integrated and Protected Areas System Act (RA No. 7586), Geothermal Reservation Law (Executive Order No. 223), Wildlife Resources Conservation and Protection Act, Indigenous Peoples Rights Act (RA No. 8371), Climate Change Act (RA No. 9729) and the IFC/World Bank environmental and social safeguards.

The total cost incurred by the Group to comply with environmental laws for 2020 was ₱52.68 million. Overall, EDC and its subsidiaries achieved full compliance with applicable environmental legal and regulatory requirements, resulting in the absence of Notice of Violation and fines/penalties from regulatory agencies.

Development Activities

The Group follows the full cost method of accounting for its exploration costs determined on the basis of each service contract area. Under this method, all exploration costs relating to each service contract are accumulated and deferred under the "Exploration and evaluation assets" account in the consolidated statement of financial position pending the determination of whether the wells have proven reserves. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses.

Project development costs are expensed as incurred until management determines that the project is technically, commercially, and financially viable, at which time, project development costs are capitalized. Project viability generally occurs in tandem with management's determination that a project should be classified as an advanced project, such as when favorable results of a system impact study are received, interconnected agreements are obtained, and project financing is in place.

Amount Spent on Development Activities and its Percentage to Revenue:

	<u>2020</u> <u>(in ₱)</u>	<u>2019</u> <u>(in ₱)</u>	<u>2018</u> <u>(in ₱)</u>
Exploration and Evaluation Assets	4,886,819	33,952,955	16,467,172
Tanawon Project	1,202,516	1,894,588	1,038,037
Solar Projects	-	2,267,588	45,446,560
Total Development Activities ("DA") ¹⁸	6,089,335	38,115,131	62,951,769
Revenue	37,616,779,662	41,868,417,546	37,985,628,450
Percentage of DA to Revenue	0.0%	0.1%	0.2%

History and Ownership

EDC was incorporated in the Philippines and registered with the SEC on March 5, 1976 under the name "PNOC Energy Development Corporation". It began commercial operations with the commissioning of its first steamfield in 1983.

Beginning December 13, 2006, the common shares of EDC were listed and traded in the PSE.

On November 21, 2007, Red Vulcan won the bid for PNOC and PNOC EDC Retirement Fund's remaining interest in PNOC EDC. Red Vulcan is the parent company of EDC, while Lopez, Inc. is the ultimate parent company. Red Vulcan and Lopez, Inc. are both incorporated in the Philippines.

On August 7, 2018, the Board of Directors ("BOD") of the Company approved the voluntary delisting (the "Delisting") of its common shares from the Main Board of the PSE and, in accordance with the PSE's delisting rules and regulations, the conduct of a tender offer (the "Tender Offer") for up to 2,040,006,713 common shares held collectively by all shareholders of the Company other than Red Vulcan, First Gen, Northern Terracotta and PREHC, at a price of ₱7.25 per common share (the "Tender Offer Price").

On September 19, 2018, the Company filed a petition for the Delisting with the PSE. The Tender Offer began on September 24, 2018 and ended on October 22, 2018.

¹⁸ Additions to Exploration & Evaluation assets and Property, Plant & Equipment during the year.

Following the completion of the Tender Offer, a total of 2,009,107,731 common shares, representing approximately 10.72% of the Company's outstanding voting shares were tendered pursuant to the Tender Offer, accepted and thereafter purchased by the Company via a block sale through the facilities of the PSE on November 5, 2018. The shares were purchased at the Tender Offer Price with a total transaction value of ₱14,566.0 million.

On November 14, 2018, the BOD of the PSE granted the petition for voluntary delisting filed by the Company, and accordingly ordered the delisting of the Company's common shares from the official registry of the PSE (electronic board and ticker) effective on November 29, 2018.

As of March 31, 2021, PREHC owns 34.9% of EDC's outstanding voting shares while First Gen, directly and through its Subsidiaries, holds the controlling voting interest with 65.0% ownership of EDC's outstanding voting shares while First Gen, directly and through its Subsidiaries, owns 45.7% effective economic interest in the Company. First Gen directly holds a 0.6% voting and 0.9% economic interest in the Company and indirectly, through its Subsidiaries (namely, Red Vulcan, which owns a 63.9% voting interest and a 44.0% economic interest in EDC and Northern Terracota which owns a 0.6% voting interest and a 0.9% economic interest in EDC), holds the controlling voting interest with 65.0% ownership of EDC's outstanding voting shares.

First Gen is one of the largest Filipino-owned and controlled independent power producers in the Philippines by installed capacity, based on data compiled by the DOE. FPH is the controlling shareholder of First Gen and a member of the Lopez Group, a diversified Philippine conglomerate with interests in power generation, power distribution, multimedia communication, and manufacturing. It also has investments in support industries, such as oil pipeline services, construction and engineering services, as well as property development. As of March 31, 2021, FPH and First Gen had market capitalizations of ₱35.2 billion and ₱108.3 billion, respectively.

PREHC is a wholly-owned subsidiary of Philippines Energy Markets B.V. ("PEMB"), a company organized under the laws of the Netherlands. PEMB is owned and held by a consortium of investors comprising (i) funds managed by Macquarie Infrastructure Management (Asia) Pty Limited, Singapore Branch ("MIMAL"), which is a member of Macquarie Infrastructure and Real Assets ("MIRA"), and (ii) Arran Investment Pte Ltd ("Arran"), which is an affiliate of GIC Pte Ltd. ("GIC").

MIRA is the world's largest infrastructure asset manager with growing portfolios in real estate, agriculture and energy. It has been investing in and managing infrastructure for more than twenty (20) years. Its businesses provide essential services to over 100 million people around the globe daily. MIRA has 6.5GW of renewable energy investments under management globally.

GIC is a leading global investment firm with well over US\$100 billion in assets under management. It has a strong track record of infrastructure investments in the emerging markets, and has a direct portfolio of over 5GW in renewable energy assets globally.

Subsidiaries

The Company and its subsidiaries were separately incorporated and registered with the Philippine SEC, except for its foreign subsidiaries. Below are the Company's voting interests in its subsidiaries:

	March 31, 2021	
	Direct	Indirect
EDC Geothermal Corp. (EGC) ²	100.00	—
Green Core Geothermal Inc. (GCGI)	—	100.00
Bac-Man Geothermal Inc. (BGI)	—	100.00
Unified Leyte Geothermal Energy Inc. (ULGEI)	—	100.00
Southern Negros Geothermal, Inc. (SNGI) ³	—	100.00
Bac-Man Energy Development Corporation (BEDC) ¹	—	100.00
Energy Development (EDC) Corporation Chile Limitada ¹	99.99	0.01
EDC Holdings International Limited (EHIL) ²	100.00	—
EDC Hong Kong Limited (EDC HKL) ²	—	100.00
EDC Hong Kong International		
Investment Limited (EDC HKIIL) ²	—	100.00
EDC Chile Holdings SpA ²	—	100.00
EDC Geotermica SpA ¹ (Chile) ¹	—	100.00
EDC Peru Holdings S.A.C. ²	—	100.00
EDC Geotermica S.A.C. (Peru) ¹	—	100.00

	March 31, 2021	
	Direct	Indirect
Energy Development Corporation Peru S.A.C. ¹	—	100.00¹⁹
EDC Geotérmica Del Sur S.A.C. ¹	—	100.00
EDC Energía Azul S.A.C. ¹	—	100.00
Geotermica Crucero Peru S.A.C. ¹	—	70.00
EDC Energía Perú S.A.C. ¹	—	100.00
Geotermica Tutupaca Norte Peru S.A.C. ¹	—	70.00
EDC Energia Geotérmica S.A.C. ¹	—	100.00
EDC Progreso Geotérmica Perú S.A.C. ¹	—	100.00
Geotermica Loriscota Peru S.A.C. ¹	—	70.00
EDC Energía Renovable Perú S.A.C. ¹	—	100.00
EDC Soluciones Sostenibles Ltd ²	—	100.00
EDC Energia Verde Chile SpA ¹	—	100.00
EDC Energia de la Tierra SpA ¹	—	100.00
EDC Desarrollo Sostenible Ltd ²	—	100.00
EDC Energia Verde Peru S.A. ¹	—	100.00
PT EDC Indonesia ¹	—	95.00
PT EDC Panas Bumi Indonesia ¹	—	95.00
EDC Wind Energy Holdings, Inc. (EWEHI) ²	100.00	—
EDC Burgos Wind Power Corporation (EBWPC)	—	100.00
EDC Pagudpud Wind Power Corporation (EPWPC) ¹	—	100.00
EDC Bayog Burgos Wind Power Corporation (EBBWPC) ¹	—	100.00
EDC Pagali Burgos Wind Power Corporation (EPBWPC) ¹	—	100.00
Iloilo 1 Renewable Energy Corporation (I1REC) ¹	—	100.00
Matnog 1 Renewable Energy Corporation (M1REC) ³	—	100.00
Matnog 2 Renewable Energy Corporation (M2REC) ³	—	100.00
Matnog 3 Renewable Energy Corporation (M3REC) ³	—	100.00
Negros 1 Renewable Energy Corporation (N1REC) ³	—	100.00
EDC Bright Solar Energy Holdings, Inc. (EBSEHI) ²	100.00	—
EDC Siklab Power Corporation (EDC Siklab)	—	100.00
EDC Sinag Power Corporation (EDC Sinag) ¹	—	100.00
EDC Sinag Iloilo Power Corporation (Sinag Iloilo) ³	—	100.00
EDC Siklab Iloilo Power Corporation (Siklab Iloilo) ^{1/3}	—	100.00
EDC Cleansolar Visayas Power Corporation (ECSVPC) ^{1/34}	—	100.00
EDC Wind Energy Holdings 2 Inc. (EWEHI2) ²	100.00	—
Calaca Renewable Energy Corporation (CREC) ³	—	100.00
Burgos 3 Renewable Energy Corporation (BREC3) ³	—	100.00
Burgos 4 Renewable Energy Corporation (BREC4) ³	—	100.00
First Gen Hydro Power Corporation (FG Hydro)	60.00	—

¹Has not started commercial operations as of March 31, 2021.

²Serves as an investment holding company.

³Shortened Corporate life expired in 2021. Undergoing winding up.

⁴Corporate will expire in 2021.

EGC

EGC was incorporated on April 9, 2008 to participate in the bid for a local power plant. The bid was won by and awarded to another local entity. Thereafter, EGC became an investment holding company of its wholly owned subsidiaries, namely GCGI, BGI, ULGEI, SNGI and BEDC. EGC also has a 0.01% stake in EDC Chile Limitada.

Further details on EGC's wholly owned subsidiaries follow:

- GCGI was incorporated on June 22, 2009 with primary activities on power generation, transmission, distribution, and other energy-related businesses. GCGI is currently operating the 172.5-MW Palinpinon and 123.0-MW Tongonan 1 geothermal power plants in Negros Oriental and Leyte, respectively, following its successful acquisition from the Power Sector Assets and Liabilities Management Corporation ("PSALM") in 2009.

On June 8, 2020, the ERC approved GCGI's application for a RES license. The RES license allows GCGI to engage in the supply of electricity to end-users in the contestable market.

- BGI was incorporated on April 7, 2010 primarily to carry on the general business of generating, transmitting, and/or distributing energy. BGI successfully acquired the then 150-MW Bac-Man Geothermal Power Plants ("BMGPP") from PSALM in 2010. Prior to the acquisition of BGI of the BMGPP in May 2010, the Parent Company supplied and sold steam to NPC under the SSA. Details are as follows:

a. Bacon-Manito I

The SSA for the Bac-Man 110-MW geothermal resources entered in November 1988 provides, among others, that NPC shall pay the Parent Company a base price per kilowatt-hour of gross generation, subject to inflation adjustments and based on a guaranteed take-or-pay rate at 75% plant factor. The SSA is for a period of twenty five (25) years, which commenced in May 1993.

On June 1, 2018, the Parent Company and BGI entered into an interim arrangement for the supply of steam for Bac-Man I Geothermal Power Plants effective from the date of expiration of the SSA until the new SSA takes effect or December 25, 2020, whichever is earlier. On December 24, 2020, the term of such interim agreement was extended for another three (3) years, or until December 25, 2023.

b. Bacon-Manito II

Bac-Man II's SSA with NPC was signed in June 1996 for its two (2) 20-MW capacity modular plants - Cawayan and Botong. The terms and conditions under the contract contain, among others, NPC's commitment to pay the Parent Company a base price per kilowatt-hour of gross generation, subject to inflation adjustments and based on a guaranteed take-or-pay rate, commencing from the established commercial operation period, using the following plant factors: 50.0% for the first year, 65.0% for the second year, and 75.0% for the third and subsequent years. The SSA is for a period of twenty five (25) years, which commenced in March 1994 for Cawayan and December 1997 for Botong.

On April 30, 2019, the Parent Company and BGI entered into an interim arrangement for the supply of steam for Bac-Man II's Cawayan Unit effective from the date of expiration of the SSA until the new SSA takes effect or December 25, 2020, whichever is earlier. On December 24, 2020, the term of such interim agreement was extended for another three (3) years, or until December 25, 2023.

Following the commercial operations of the Bac-Man Units 1, 2 and 3 on October 1, 2013, January 28, 2014, and June 3, 2014, respectively, PSALM/NPC, EDC and BGI have agreed to allow EDC to bill BGI directly, on behalf of PSALM/NPC.

On February 14, 2017, the ERC approved BGI's application for a RES license. The RES license allows BGI to engage in the supply of electricity to end-users in the contestable market.

In December 2020, BGI awarded the engineering, procurement and construction ("EPC") contract for the 29-MW Palayan Binary Balance of Plant ("BOP") work package to First Balfour Inc. BGI has also awarded a contract for the

supply of the plant to Turboden S.p.A. and Mitsubishi Power Ltd. for the binary cycle power generation equipment to be installed at Bac-Man geothermal power plant in Manito, Albay. The 29-MW Palayan Binary Plant Project is expected to be completed by the end of 2022.

On December 7, 2020, the Parent Company issued the Notice of Award to First Balfour for the construction of the Fluid Collection and Recycling System ("FCRS") and interconnection works for the Palayan Binary Power Project.

On February 22, 2021, MUFG Bank, Ltd., issued an irrevocable standby letter of credit in favor of Turboden S.P.A (the "Beneficiary") for the supply contract entered by BGI. The final expiration date of the instrument will be on January 23, 2023 and the beneficiary is entitled for an aggregate maximum amount of US\$34.6 million.

- ULGEI was incorporated on June 23, 2010. ULGEI, a wholly owned subsidiary of EDC, had been declared as one (1) of the seven (7) highest ranking bidders for the maximum allowable 40-MW per bidder in the Selection and Appointment of the IPPA for the Strips of Energy of the Unified Leyte Geothermal Power Plants ("ULGPPs"), and thereafter, as the highest ranking bidder to administer the Bulk Energy of the ULGPPs, which is the capacity in excess of the 240-MW allotted for the Strips of Energy. The bidding was conducted by the PSALM on November 7, 2013, one day before Super Typhoon Yolanda made landfall and severely affected the facilities of EDC, the NGCP, and various distribution utilities in Central Visayas. Consequently, ULGEI has written to PSALM that it cannot accept the award of the winning bids as the physical and economic conditions underlying the bidding process and the IPPA Administration Agreements required to be executed pursuant thereto have been dramatically altered by the severe and widespread destruction caused by Super Typhoon Yolanda in the Eastern and Western Visayas regions.

In February 2014, PSALM wrote ULGEI informing it of the following:

1. ULGEI has been selected as the winning bidder for 40-MW Strips of Energy of the ULGPP at the bid rate/price; and
2. PSALM accepts ULGEI's decision not to accept the award as winning bidder for the Bulk Energy of the ULGPP, subject to subsequent determination/evaluation of the forfeiture of ULGEI's Bid Security and ULGEI's qualification to participate further in the rebidding process for said Bulk Energy.

In December 2014, the IPPA Agreement for the Strips of Energy was turned over to ULGEI. This IPPA Administration Agreement will expire in July 2021.

- SNGI and BEDC were incorporated on February 4, 2011 and September 22, 2011, respectively. These companies were incorporated to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On May 9, 2019, the BOD and the stockholders of SNGI approved the amendment of its articles of incorporation to shorten its corporate existence from fifty (50) years to ten (10) years from the date of incorporation. The Amended Articles of Incorporation of SNGI was approved by the Philippine SEC on August 30, 2019.

As of March 31, 2021, the corporate term of SNGI has expired. Further, as of March 31, 2021, BEDC remained non-operating.

EDC Chile Limitada

EDC Chile Limitada is a limited liability company incorporated on February 11, 2010 in Santiago, Chile with the purpose of exploring, evaluating and extracting any mineral or substance to generate geothermal energy. As of March 31, 2020, EDC Chile Limitada remained non-operating.

EHIL and EDC HKL

EHIL was incorporated on August 17, 2011 in British Virgin Islands and serves as an investment holding company of EDC's international subsidiaries. EHIL owns 100% interest in EDC HKL, a company incorporated on November 22, 2011, in Hong Kong. The following entities are the subsidiaries under EDC HKL:

- EDC HKIIL, a wholly-owned subsidiary of EDC HKL, is a company incorporated on November 18, 2016 in the British Virgin Islands.
- EDC Chile Holdings SpA, which was incorporated on January 13, 2012 in Santiago, Chile, is a wholly-owned subsidiary of EDC HKL and is the holding company of EDC Geotermica SpA (Chile), which was also incorporated on January 13, 2012 in Santiago, Chile. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types, and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities, and electric cooperatives.
- EDC Peru Holdings S.A.C., incorporated on January 19, 2012 in Lima, Peru, is a 99.9%-owned subsidiary of EDC HKL. EDC Peru Holdings S.A.C. holds 99.9% stake in EDC Geotermica Peru S.A.C., which was also incorporated on January 19, 2012 in Lima, Peru. EHIL owns the remaining 0.1% stake in EDC Peru Holdings S.A.C. and EDC Geotermica Peru S.A.C. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On July 17, 2012, Energy Development Corporation Peru S.A.C. was incorporated in Lima, Peru as a 70.0%-owned subsidiary of EDC Geotermica Peru S.A.C. Its main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives. On January 3, 2014, Energy Development Corporation Peru S.A.C. became 100% indirectly owned subsidiary by the Parent Company through acquisition of Hot Rock Entities.

- On February 27, 2013, EDC Geotermica Del Sur S.A.C., EDC Energía Azul S.A.C., EDC Energía Perú S.A.C., EDC Energía Geotérmica S.A.C., EDC Progreso Geotérmico Perú S.A.C., EDC Energía Renovable Perú S.A.C., were incorporated in Lima, Peru as 99.9%-owned by EDC HKL and 0.1%-owned by EDC Peru Holdings S.A.C. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On July 5, 2013, three (3) entities were incorporated in Lima, Peru. These entities are Geotermica Crucero Peru S.A.C., as 70.0%-owned by EDC Energia Azul S.A.C; Geotermica Tutupaca Norte Peru S.A.C. as 70.0%-owned by EDC Energia Peru S.A.C.; and Geotermica Loriscota Peru S.A.C., as 70.0%-owned by EDC Progreso Geotermico S.A.C. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

- On January 3, 2014, EDC HKL purchased 100% interest in EDC Soluciones Sostenibles Ltd and EDC Desarrollo Sostenible Ltd located in British Virgin Islands ("BVI") with a total offer price of US\$3.0 million. This effectively gave EDC HKL a 100% indirect interest to acquirees' subsidiaries EDC Energia Verde Chile SpA, EDC Energia de la Tierra SpA and EDC Energia Verde Peru S.A.

In February 2020, the Internal Revenue Services authorized the closure of EDC Energia Verde Chile SpA and EDC Energia de la Tierra SpA.

- On July 9, 2012, PT EDC Indonesia and PT EDC Panas Bumi Indonesia were incorporated in Jakarta Pusat, Indonesia as 95%-owned subsidiaries of EDC HKL.

As of March 31, 2021, all subsidiaries of EDC HKL remained non-operating.

EWEHI

EWEHI is a holding company incorporated on April 15, 2010. The following entities are the wholly owned subsidiaries of EWEHI:

- EBWPC was incorporated on April 13, 2010 to carry on the general business of generating, transmitting, and/or distributing energy. EBWPC operates the 150 MW Burgos Wind Project located in the Municipality of Burgos, Ilocos Norte.
- EPWPC was incorporated on February 29, 2012 to carry on the general business of generating, transmitting, and/or distributing energy. As of March 31, 2021, EPWPC remained non-operating.
- EBBWPC and EPBWPC were both incorporated on May 22, 2014 to carry on the general business of generating, transmitting, and/or distributing energy. As of March 31, 2021, EBBWPC and EPBWPC remained non-operating.
- M1REC, M2REC, M3REC and I1REC were all incorporated on February 9, 2016, while N1REC was incorporated on March 16, 2016 to carry on the general business of generating, transmitting, and/or distributing energy.

On May 9, 2019, the BOD and the stockholders of M1REC, M2REC, M3REC and N1REC approved the amendment of the articles of incorporation of these companies to shorten their corporate existence from fifty (50) years to five (5) years from the date of their incorporation. The Amended Articles of Incorporation of M1REC, M2REC, M3REC and N1REC were approved by the Philippine SEC on August 23, 2019.

As of March 31, 2021, the corporate term of M1REC, M2REC, M3REC and N1REC have expired. Further, as of March 31, 2021, I1REC remained non-operating.

EBSEHI

EBSEHI is a holding company incorporated on May 23, 2014. The following entities are the wholly owned subsidiaries of EBSEHI:

- EDC Siklab was incorporated on May 22, 2014 to carry on the general business of generating, transmitting, and/or distributing energy.
- EDC Sinag was incorporated on November 19, 2014 to carry on the general business of generating, transmitting, and/or distributing energy. As of March 31, 2021, EDC Sinag remained non-operating.
- Sinag Iloilo, Siklab Iloilo and ECSVPC were incorporated on February 4, 2011, September 28, 2011 and June 25, 2014, respectively. These companies were incorporated to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On May 9, 2019, the BOD and the stockholders of Sinag Iloilo, Siklab Iloilo and ECSVPC approved the amendment of the articles of incorporation of these companies to shorten the corporate existence of Sinag Iloilo and Siklab Iloilo from fifty (50) years to ten (10) years from the date of their incorporation and from fifty (50) years to seven (7) years in the case of ECSVPC. The Amended Articles of Incorporation of Sinag Iloilo, Siklab Iloilo and ECSVPC were approved by the Philippine SEC on August 23, 2019, September 10, 2019 and March 12, 2020, respectively.

As of March 31, 2021, the corporate term of Sinag Iloilo has expired. Further, as March 31, 2021, Siklab Iloilo and ECSVPC remained non-operating.

EWEHI2

EWEHI2 is a holding company incorporated on January 5, 2017. EWEHI2 has 100% ownership over CREC, BREC4 and BREC3. CREC and BREC4 were incorporated on January 27, 2017 while BREC3 was incorporated on January 25, 2017, to carry on the general business of generating, transmitting, and/or distributing energy.

On May 9, 2019, the respective BOD and the stockholders of CREC, BREC4 and BREC3 approved the amendment of the articles of incorporation of these companies to shorten their corporate existence from 50 years to four (4) years from the date of their incorporation. The Amended Articles of Incorporation of CREC, BREC4 and BREC3 were approved by the Philippine SEC on August 30, 2019.

As of March 31, 2021, the corporate term of CREC, BREC4 and BREC3 have expired.

FG Hydro

FG Hydro was incorporated on March 13, 2006 with primary activities on power generation, transmission, distribution, and other energy-related businesses. FG Hydro operates the 132-MW PAHEP/MAHEP located in Nueva Ecija, Philippines. FG Hydro buys from and sells electricity to the WESM and to various privately-owned DUs under the PSAs and PSCs, and to NGCP through ancillary services under the ASPA.

Operational Highlights

The Group generated total energy sales of 9,111.8 GWh in 2020, a 2.0% decrease from the 9,300.1 GWh in 2019. Total revenue is ₱37,616.8 million in 2020, a 10.2% or ₱4,251.6 million decrease from the ₱41,868.4 million in 2019.

Revenue from the combined bilateral contracts and WESM sales decreased by 11.3% or ₱4,604.5 million to ₱36,063.2 million in 2020 from ₱40,667.7 million in 2019. Energy sales totaled 8,680.5 GWh in 2020, a 3.1% decrease from the 8,960.1 GWh in 2019.

Revenue from sale of electricity as contingency and dispatchable reserves/ASPA increased by 29.4% or ₱352.9 million to ₱1,553.6 million from ₱1,200.7 million in 2019. The corresponding volume of 431.3 GWh in 2020 was 26.8% higher from the 340.0 GWh in 2019.

Electricity Generation

For the current year, revenue from the 9,111.8 GWh sales volume amounted to ₱37,616.8 million, decreased by ₱4,251.6 million, as compared with the ₱41,868.4 million revenue in 2019. The decrease was due to lower sales volume and lower WESM prices.

33.2% or 3,025.3 GWh was sold by Unified Leyte in 2020 as compared to 3,115.0 GWh in 2019. Revenue for 2020 amounted to ₱10,751.6 million as compared to the ₱11,341.3 million in 2019.

14.7% or 1,343.6 GWh was sold by Bac-Man in 2020 as compared to 1,380.0 GWh in 2019. Revenue for 2020 amounted to ₱4,901.8 million as compared to the ₱6,355.9 million in 2019.

9.9% or 899.0 GWh was sold by Tongonan in 2020, 888.2 GWh in 2019. Revenue for 2020 amounted to ₱3,716.6 million as compared to the ₱4,416.3 million in 2019.

7.9% or 721.0 GWh was sold by Mindanao I and II in 2020 as compared to 729.6 GWh in 2019. Revenue for 2020 amounted to ₱2,399.4 million as compared to the ₱2,496.4 million in 2019.

4.0% or 367.0 GWh was sold by Burgos Wind Project in 2020 as compared to 340.9 GWh in 2019. Revenue for 2020 amounted to ₱4,295.3 million (inclusive of FIT escalation adjustment of ₱1,164.8 million for years 2016-2020 as a result of ERC resolution approving the adjustment to the FIT) as compared to the ₱2,908.2 million in 2019.

4.0% or 362.0 GWh was sold by ULGEI in 2020 as compared to 329.8 GWh in 2019. Revenue for 2020 amounted to ₱1,136.8 million as compared to the ₱1,550.3 million in 2019.

0.1% or 10.2 GWh was sold by Burgos Solar in 2020 as compared to 9.3 GWh in 2019. Revenue for 2020 amounted to ₱124.9 million (inclusive of FIT escalation adjustment of ₱30.1 million for years 2016-2020 as a result of ERC resolution approving the adjustment to the FIT) as compared to the ₱86.8 million in 2019.

0.1% or 5.6 GWh was sold by EDC Siklab Power in 2020, 6.6 GWh in 2019. Revenue for 2020 amounted to ₱33.6 million as compared to the ₱39.4 million in 2019.

Electricity revenue for Palinpinon in 2020 amounted to ₱6,524.2 million from the 1,351.3 GWh sold, lower by ₱1,727.6 million or 20.9%, as compared to the ₱8,251.7 million recognized from the 1,563.6 GWh sold in 2019. Revenue from sale of electricity as contingency and dispatchable reserves/ASPA in Palinpinon amounted to ₱954.3 million (230.9 GWh) in 2020, increased by ₱183.9 million versus ₱770.4 million (182.3 GWh) in 2019.

Electricity revenue from WESM and BCQs recognized for FG Hydro in 2020 amounted to ₱1,644.6 million from the 405.3 GWh sold, lower by ₱411.9 million or 20.0%, as compared to the ₱2,056.5 million recognized from the 338.2 GWh sold in 2019. Revenue from sale of electricity as contingency and dispatchable reserves/ASPA of ₱165.1 million (86.5 GWh) in 2020, increased by ₱86.2 million from the ₱78.8 million (62.2 GWh) in 2019.

Electricity revenue from Nasulo in 2020 amounted to ₱534.6 million from the 190.1 GWh sold, lower by ₱630.3 million or 54.1%, as compared to the ₱1,164.9 million recognized from the 258.7 GWh sold in 2019. Revenue from sale of electricity as contingency and dispatchable reserves/ASPA amounted ₱434.2 million (113.9 GWh) in 2020 increased by ₱82.7 million from the ₱351.5 million (95.5 GWh) in 2019.

Operating Segment Information

The Company's operating segments are determined based on geographical segment, with each segment representing a strategic business location that has similar economic and political conditions, proximity of operations and specific risks associated with operations in a particular area.

The Company's identified operating segments are consistent with the segments reported to the BOD which is the Company's Chief Operating Decision Maker ("CODM").

- a. Leyte Geothermal Facilities - This segment pertains to Leyte Geothermal Production Field and Power Plants.
- b. Negros Island Geothermal Facility - This segment refers to Southern Negros Geothermal Production Field and Power Plants.
- c. Bacon-Manito Geothermal Facility - This segment relates to Bacon-Manito Geothermal Production Field and Power Plants.
- d. Mt. Apo Geothermal Business Facility - This segment refers to Mt. Apo Geothermal Production Field and Power Plants.
- e. Pantabangan/Masiway - This segment relates to Pantabangan-Masiway hydroelectric complex located in Nueva Ecija Province.
- f. Wind Business Facility - This segment pertains to wind project commercially operating in Northern Luzon.

- g. Solar Business Facility - This segment pertains to solar projects commercially operating in Northern Luzon and Visayas.
- h. Others - This refers to other renewable energy projects including Head Office of the Group.

Financial information on the operating segments are summarized as follows:

	GEOTHERMAL				TOTAL GEOTHERMAL	HYDRO Pantabangan /Masiway		WIND	SOLAR	OTHERS	TOTAL
	Leyte	Negros Island	Bacon-Manito	Mt. Apo							
Year ended December 31, 2020											
Segment revenue	₱19,704,228,958	₱12,570,869,356	₱7,212,218,221	₱2,399,353,126	₱41,886,669,661	₱2,068,365,944	₱4,295,301,140	₱158,447,369		₱-	₱48,408,784,114
Intersegment revenue	(4,048,590,989)	(3,861,187,635)	(2,882,225,828)	-	(10,792,004,452)	-	-	-	-	-	(10,792,004,452)
Total segment revenue	15,655,637,969	8,709,681,721	4,329,992,393	2,399,353,126	31,094,665,209	2,068,365,944	4,295,301,140	158,447,369		-	37,616,779,662
% of Total Revenues	41.6%	23.2%	11.5%	6.4%	82.7%	5.5%	11.4%	0.4%		0.0%	100.0%

	GEOTHERMAL				TOTAL GEOTHERMAL	HYDRO Pantabangan /Masiway		WIND	SOLAR	OTHERS	TOTAL
	Leyte	Negros Island	Bacon-Manito	Mt. Apo							
Year ended December 31, 2019											
Segment revenue	₱21,688,884,689	₱14,495,867,682	₱8,942,084,903	₱2,496,425,619	₱47,623,262,893	₱2,391,251,080	₱2,908,214,450	₱126,138,282		₱-	₱53,048,866,705
Intersegment revenue	(4,466,722,637)	(3,779,147,525)	(2,934,578,997)	-	(11,180,449,159)	-	-	-	-	-	(11,180,449,159)
Total segment revenue	17,222,162,052	10,716,720,157	6,007,505,906	2,496,425,619	36,442,813,734	2,391,251,080	2,908,214,450	126,138,282		-	41,868,417,546
% of Total Revenues	41.1%	25.6%	14.3%	6.0%	87.0%	5.7%	7.0%	0.3%		0.0%	100.0%

	GEOTHERMAL				TOTAL GEOTHERMAL	HYDRO Pantabangan /Masiway		WIND	SOLAR	OTHERS	TOTAL
	Leyte	Negros Island	Bacon-Manito	Mt. Apo							
Year ended December 31, 2018											
Segment revenue	₱19,579,422,614	₱12,154,853,857	₱8,245,768,063	₱2,801,791,101	₱42,781,835,635	₱1,864,286,646	₱3,208,827,398	₱116,855,674		₱7,147,452	₱47,978,952,805
Intersegment revenue	(3,418,735,602)	(3,523,948,591)	(3,003,814,712)	-	(9,946,498,905)	(46,825,450)	-	-	-	-	(9,993,324,355)
Total segment revenue	16,160,687,012	8,630,905,266	5,241,953,351	2,801,791,101	32,835,336,730	1,817,461,196	3,208,827,398	116,855,674		7,147,452	37,985,628,450
% of Total Revenues	42.5%	22.7%	13.8%	7.4%	86.4%	4.8%	8.5%	0.3%		0.0%	100.0%

There were no sales or revenues and net income contributed by foreign sales for each of the last three years.

Suppliers

For the period ending March 31, 2021, the top five (5) suppliers/contractors of the Company are First Balfour Inc., Thermaprime Drilling Corporation, Daieren Trading, Turboden S.P.A. and T.A. Global Services Inc.

They provide Civil, Structural, Piping, Mechanical, Drilling, Cementing, Acidizing Services. Fluid Collection and Reinjection System ("FCRS") Maintenance Services, and Power Plant equipment such as Turbine, Generator, Lube Oil System, Heat Exchangers and the like to EDC.

The Company is not dependent on one or a limited number of suppliers for essential raw materials, energy or other items.

Business Prospects

The Company plans to capitalize on the favorable industry dynamics in the Philippines. The country's electricity consumption per capita has sustained a 2.39% Average Annual Growth Rate ("AAGR") increase since 1982²⁰. Despite the lower demand and economic activity in 2020 due to the COVID-19 Pandemic, demand is expected to grow in 2021 as experts forecast GDP growth to be at 6.55% or more. Aggregate demand is expected to reach up to

²⁰ Philippines | Data. The World Bank. Retrieved from <https://data.worldbank.org/country/PH>.

14,501MW in Luzon, 3,427 MW in Visayas, and 3,456MW in Mindanao by 2025²¹. The company's generation assets represent 1.85% (296MW) of the installed capacity in Luzon, 24.42% (825.84MW) in Visayas, and 2.46% (100MW) in Mindanao²².

This and a strong government policy supporting development of geothermal energy, should help support dispatch and further growth of electricity supply from geothermal power in the coming years.

In addition, there is a growing emphasis on the importance of ESG practices, an area where EDC as a pure renewable energy company can capitalize on. EDC is well-positioned to take advantage of this growing trend in sustainable and green investing.

Competitive Strengths

The Company believes that its success and future prospects will benefit from a combination of strengths, including the following:

The Company is the leading geothermal energy company in the Philippines, with significant reserves and expertise spanning the entire geothermal value chain.

The Company is the leading producer of geothermal energy in the Philippines. The Company owns and operates twelve (12) geothermal power plants with a total installed capacity of 1,186MW. The Philippines, with a total installed geothermal capacity of 1,918 MW, is the third largest producer of geothermal energy in the world, next to the United States and Indonesia in terms of geothermal capability, with a total installed geothermal capacity of 3,676 MW and 2,133 MW respectively²³. The Company also has exclusive exploration and development rights over key geothermal reserve areas in the Philippines through long-term contracts with the Government. In addition to being engaged in geothermal exploration, development and power generation, the Company has expertise in reservoir engineering and management, engineering design and construction and environmental management. As a result, the Company benefits from its ability to service all aspects of its own geothermal energy projects. The Company believes that its high level of vertical integration and its extensive experience in all aspects of geothermal energy production place it in a strong position to capture future market share in this industry.

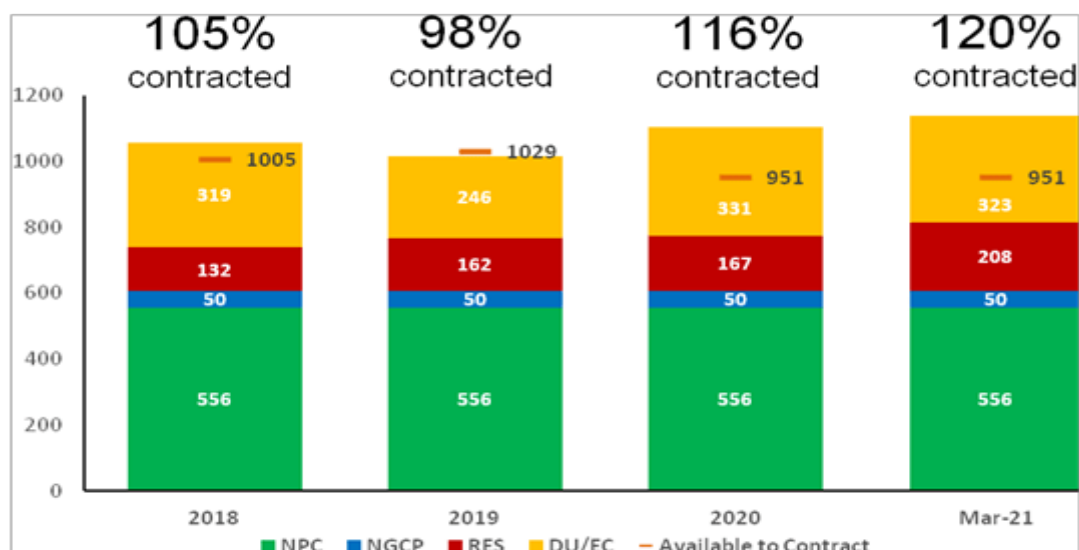
The Company possesses relatively stable contracted cash flows.

A significant portion of the Group's power generation capacity is sold through twenty five (25)-year PPAs for the supply of electricity to NPC, expiring on various dates between 2021 to 2024, and five (5)- to ten (10)-year PSAs for the sale of electricity to highly rated electric cooperatives, distribution utilities and industrial customers. 88.8% of the Group's revenues in 2020 were from contracted electricity sales; only 11.2% of the Group's generation for 2020 was sold to the WESM. The Group's contracted capacity has increased from 1,057MW (105% of total capacity available for contracting) as of end 2018 to 1,104MW (116% of total capacity available for contracting) as of end 2020. As of March 31, 2021, the Group's contracted capacity is 1,137MW (120% of total capacity available for contracting). These contractual relationships are expected to continue to provide the Group with predictable cash flows. In addition, certain offtake agreements contain mechanisms to mitigate various market and business risks. For example, the contracted prices under the PPAs are partially adjusted for inflation and movements in Peso-USD exchange rates.

²¹ DOE 2016-2040 Power Development Plan.

²² ERC Resolution No. 05, Series of 2021.

²³ *Supra*, note 2.



The Company has a strong track record, proven technical expertise, and well-equipped facilities.

The Company has become the leading geothermal energy producer in the Philippines through the successful development, acquisition, and operation of numerous geothermal energy projects. Since 1983, the Company has successfully developed, financed, built and operated several geothermal steamfields in four (4) geothermal contract areas, containing both wet and dry steam, which currently supply steam to twelve geothermal power plants owned and operated by the Company, with aggregate installed capacity of 1,186 MW. The Company employs extensively-trained, highly experienced geoscientists and technicians specializing in the development, application and maintenance of practical technologies for the efficient and sustainable utilization of geothermal energy. In addition, the Company has well-equipped integrated laboratories located in Taytay, Rizal and in each of its project sites in Albay, Leyte, Negros Island and North Cotabato to regularly monitor and manage its wells, FCRSs and the environment in which its plants operate. These laboratories are PNS ISO/IEC 17025²⁴-accredited and DENR-recognized with a scope covering chemical testing of waters, gases and aerosols, and corrosion tests. The organization of each laboratory is composed of experienced and competent chemists and laboratory analysts committed to provide quality laboratory services to customers. All rock samples from exploration areas and drilled wells and scales and corrosion products from the FCRS are analyzed for characterization and temperature predictions at the Company's Petrology Laboratory, also at Taytay, Rizal. The Company believes it has the experience and expertise needed to assess the feasibility of future geothermal energy projects, provide for the efficient operation of geothermal energy facilities and ensure the safe and efficient construction of new geothermal energy projects, given its past initiatives such as in digital transformation (e.g., control systems integration) as well as resiliency improvement efforts. The Company also believes that its strong track record gives it credibility in terms of geothermal project development and implementation, which enhances its ability to negotiate competitive terms for project agreements, consulting services and financing facilities for future projects.

The Company is a low-cost producer of clean, renewable and competitively-priced energy.

Geothermal energy is one of the more cost-competitive sources of power and the cost of generating electrical power from geothermal sources is not tied to the cost of crude oil. The relatively low marginal cost of geothermal power generally supports dispatch for geothermal energy providers as base load power plants in the Philippines. Over the past twenty (20) years there has been a significant increase in the global demand for environmentally friendly

²⁴ PNS ISO/IEC stands for Philippine National Standard International Standards Organization / International Electrotechnical Commission.²⁵The nameplate capacity per unit expressed in 77.700 megavolt amperes ("MVA") is equal to 66.045 MW at a power factor of 0.85.

sources of energy as a number of international conventions that assign emission quotas to countries have come into effect. The Company believes it is at the forefront of this growing global demand for clean and renewable energy. All of the Company's existing geothermal projects produce electricity from resources that are clean, renewable and generally sustainable. Unlike electricity produced from burning fossil fuels, electricity produced from geothermal energy sources is produced without emission of certain harmful pollutants, such as nitrogen oxide, and with far lower emission of other pollutants, such as CO₂. Such clean and renewable characteristics give the Company a competitive advantage over fossil fuel-based electricity generation as the Philippines and other countries increasingly seek to balance environmental concerns with demand for reliable sources of electricity.

The Company has a diversified portfolio of renewable generating assets.

Adding to its portfolio of geothermal energy projects, the Company has diversified its portfolio of renewable generating assets by expanding into the areas of hydroelectric, wind and solar power generation. In late 2008, the Company acquired a 60.0% equity interest in FG Hydro, the owner and operator of two hydroelectric power plants located in Pantabangan, Nueva Ecija, with aggregate installed capacity of 132 MW. The Company's subsidiary, EBWPC also owns and operates the 150 MW wind farm in Burgos, Ilocos Norte, which commenced full commercial operation in November 2014. The Company likewise owns and operates the 6.82 MW solar project (consisting of Phases 1 and 2) located in Burgos, Ilocos Norte which started its commercial operation in March 2015 for Phase 1 and March 2016 for Phase 2. With such a diversified portfolio of renewable generating assets, the Company has now evolved into the country's leading 100% renewable energy producer

The Company has experienced management and technical teams.

The Company has an experienced team of management and technical employees. The Company's senior management has extensive operational and management experience in the power industry and has enjoyed long tenure with the Company. The Company's management team has in-depth knowledge of the Philippine power industry's business and regulatory environment, having developed good relationships with key industry participants such as contractors, offtakers, and regulatory agencies, such as the DOE and the ERC, all of which are important to the Company maintaining successful operations and growing its business. Additionally, the Company has a highly experienced and skilled set of technical employees who have gained their knowledge and expertise both through on-the-job training at the Company's facilities, as well as academic technical qualifications at leading geothermal training programs in the United States, Iceland, and New Zealand.

Business Strategies

The Company plans to enhance its leading market position in the Philippine geothermal energy business by leveraging on its strong technical expertise in geothermal energy exploration, development, and production and by pursuing growth opportunities both locally and internationally. The Company's vision is to be the leading global geothermal energy company and key provider of 24/7 clean and renewable energy, guided by its mission to forge collaborative pathways to a decarbonized and regenerative future. It plans to realize its vision by implementing the following strategies:

Increasing production and sale of power from renewable energy sources, both locally and internationally

The Company plans to expand its geothermal portfolio domestically and internationally, while diversifying its renewable energy portfolio with its hydro, wind and solar power generation capacities.

On the local front, the Company continues to secure areas for prospective geothermal sites and remains focused on leveraging existing assets. The Company plans to continue expanding its power generation capacity by leveraging its existing geothermal power plants with secondary plants that utilize binary cycle technology, particularly in Albay (Palayan Bayan), Mindanao (Mt. Apo), and Leyte (Mahanagdong). These projects are set to commence operations over the next two (2) to three (3) years. The Albay (Palayan Bayan) and Mindanao (Mt. Apo) projects are currently in the most advanced stage of development out of the three (3) projects, as they are both currently entering the critical

stages of project development before commencing operations in 2022. The Company is also developing conventional power plants in other areas such as in Albay (Tanawon).

Likewise, the Company will keep pursuing its exploration and pre-development works on its local greenfield prospects within its existing DOE geothermal service contracts. To date, the Company is eyeing greenfield geothermal projects although these projects are still in the exploration or pre-development phase and are consequently still in the very early stages of Company deliberation or development. A more detailed discussion on these greenfield projects may be found in the Future Projects subsection on page 143.

For other potential geothermal platforms, the Company is actively looking for promising prospective sites held by developers open to partnership. It is also participating actively in the DOE's Open and Competitive Selection Process for RE Service Contracts.

Beyond the domestic market, the Company is exploring growth opportunities outside the Philippines. The Company has opened offices in Jakarta in Indonesia, Santiago in Chile and Lima in Peru to facilitate the identification and exploration of new geothermal projects. The Company has and continues to send experts overseas to evaluate its international business prospects, except during the period of the COVID-19 pandemic and related travel constraints. In Latin America, the Company has entered into non-binding agreements with other geothermal industry players to explore and conduct due diligence in geothermal contract areas. In Indonesia, the Company has already acquired a Preliminary Survey and Exploration permit. The Company is also in touch with various government agencies and advisors overseas for various early stage works such as permitting, regulatory consultations, engineering design, environmental studies, and technical evaluation studies, among others.

Leveraging on its strong technical expertise in geothermal to explore emerging adjacent renewable technologies

The Company plans to leverage its multi-disciplinary expertise in geothermal technology to expand and grow its portfolio as well as generate new sources of revenue. The Company is exploring the direct use application of low enthalpy geothermal wells as potential sources of revenue, as well as hybrid energy systems like geothermal plus solar and geothermal plus storage to maximize generation.

Maintaining a competitive cost structure

The Company plans to maintain and build upon its expertise at efficiently managing its geothermal operations in order to operate in a cost-effective manner and increase margins. The Company has embarked on programs to:

- improve its procurement systems to anticipate requirements, and leverage on bulk and volume purchases;
- decrease costs for extracting steam and increasing fuel supply, as well as prolonging the life of existing sources;
- deploy Enterprise Asset Management to optimize the quality and utilization of assets throughout their life cycles, increase productive uptime and reduce operational costs;
- lower business support and administration costs through optimization of travels, meetings, office space, handling/hauling and mailing, shared services contracts; and,
- simplify and improve business processes through digital and technological transformation to enhance efficiency and make better decisions faster; and instill the mindset and behavior of cost efficiency to ensure sustainability of cost competitiveness.

Developing customer-centric energy solutions

The Company is preparing for the expansion of the coverage of RCOA to customers with lower average peak demand profiles. At present, RCOA allows electricity end-users with an average monthly peak consumption of at least 500 kW over the last twelve (12) months ("Contestable Customers") to select their own energy provider. The threshold is expected to further go down to cover end-users with a monthly average peak consumption of 100 to 499 kW. To contract with a Contestable Customer, a generation company must become a licensed RES. Green Core and BGI, wholly-owned subsidiaries of the Company, are currently licensed RES and are able to serve the Contestable Market. The Company has also engaged its affiliate, First Gen Energy Solutions ("FGES") to market its capacity to the Contestable Market as well as to DUs, and ECs.

In order to respond to a forecasted increase in retail customers, the Company, through FGES is building up its front, middle, and back office by augmenting its workforce. Apart from this, FGES is developing an automated billing system to scale up its capability to process retail power bills.

Embarking on an innovative approach to improving the business model, delivering value through an Agile-enabled organization

The Company has adopted the Agile project management methodology as a way of working. Under Agile, projects are developed iteratively through short cycles of working or “sprints”. The focus is on frequently delivering value with Minimum Viable Products that are continuously improved in contrast to the traditional “Waterfall” approach where requirements are defined at the start, and a product is only available in a usable state towards the end of the process. Because of the short working cycles, feedback is obtained more frequently, and teams are able to make necessary changes to adapt to today’s fast-paced business environment. The Company has invested in formally training several of its employees to be Professional Scrum Masters. To date, 99 employees have become certified in Scrum, an Agile framework. These employees are fielded to lead cross-functional and self-organizing Agile teams. The Company also hired four (4) Agile Coaches to continuously guide and help employees unlock the power of Agile. At present, the Company has 160 Agile teams or “Squads” working on everything from small team initiatives to the Company’s strategic priorities.

Continuing to build strong relationships with its stakeholders while pursuing regenerative growth for both the Company, and the community

The Company is committed to going beyond sustainability by striving for regenerative growth. In contrast to sustainability, which only seeks to do less harm to the planet, regeneration is about elevating all that is touched. This includes Company employees, customers, contractors, suppliers, shareholders, and other stakeholders. Regenerative growth means using a wider lens than just profitability to guide decision-making. The Company has actively participated in the development of local communities where its projects are based. Portions of the Company’s revenues are paid to LGUs to fund community development activities for education, health care, rural electrification, environment, and livelihood projects with farmers associations to reduce poverty levels.

The Company has two (2) major Corporate Social Responsibility projects, BINHI and SIKAT. BINHI is the Company’s flagship environment program which aims to restore denuded forests, preserve and propagate threatened native tree species, and protect biodiversity. The Company collaborates with the academe, NGOs, the DENR, and other private sector partners. On the other hand, through SIKAT, the Company has been providing educational support to scholars from various state universities and colleges since 1993. In addition to SIKAT, the Company has also been supporting two educational foundations, Keitech Educational Foundation, Inc. (“Keitech”) and Mount Apo Foundation, Inc (“MAFI”). Keitech is a technical-vocational training center based in Leyte providing full scholarships and employment placement support after graduation to poor but deserving students. Meanwhile, MAFI has provided academic scholarship grants to deserving youth in Mindanao since its establishment in 1993, with a majority of the scholars coming from Indigenous People (“IP”) communities within the 20km radius of Mt. Apo Natural Park.

In addition to all of the above, the Company plans to continue to strengthen its relationships with key industry participants and regulatory agencies.

Sustaining a values-, purpose-, and behavior-based high-performing culture with highly capable and engaged employees who are equipped to support the Company’s growing portfolio

Employee engagement is a key metric regularly tracked by the upper management of the Company. The Company engages a third party to survey the engagement of its employees. The Company scored 91.0% in its 2019 employee engagement survey following a major reorganization to lessen hierarchies and streamline process hand-offs across functions. The Company’s score in its 2019 Engagement Survey is 3.0% higher than the Global High Performing Company benchmark. In the 2021 employee engagement survey, engagement improved to 95.0% despite the radical changes in the ways of working due to COVID-19. The high employee engagement score is attributed to the increase

in employee communication channels and touch points, which gave higher visibility to leaders and more venues for employee feedback. There were also significant changes in the workplace due to the increase in the usage of technology, and introduction of new tools and platforms that enabled employees to stay connected and productive even while working from home.

The Company utilizes engagement activities not just at the corporate Level, but more so at the site and team levels. Some of the highly popular engagement programs are the Leaders Talk Series, Ask Management Anything, Ask HR Anything, Employees Got Hobbies, EDC Booster Talks, and the Special Interest Development Program. For 2020, the Company had beefed up its online counseling and mental wellness support to employees by adding the service of another provider, MyGolana on top of its existing employee helpline through its outsourced provider, PowerVision EAP. Employees were given the opportunity to do an online well-being assessment and pursue counseling sessions at no cost to the employees.

The Company's employees show their engagement not just during company events and initiatives, but also in their pursuit of learning and growth. The Company's Capability System focuses on differentiating capabilities to support its Regenerative Agenda. The Capability System also provides a roadmap for employees to pursue development of new competencies needed in the future. Leaders and leadership development have played a key role in the Company's employee experience. Through our Leaders Coaching Leaders program, coaching has become a staple activity amongst people managers that allows them to have meaningful conversations with their direct reports, while building the leadership competencies of their peers.

To connect engagement to productivity, the Company's Performance Management System ("PMS") was also updated using an online system. With the online PMS, people managers are able to monitor the accomplishments and milestones of their staff and give feedback through the online feedback system. Aside from being able to assign goals to employees and monitor goals, the online PMS allows for project-based performance to be included in a person's overall assessment. People Managers can use the Feedback functionality to get inputs from Project Team Leads and Agile Scrum Masters on an employee's performance. This enables a more thorough assessment and appreciation of a person's contribution and work.

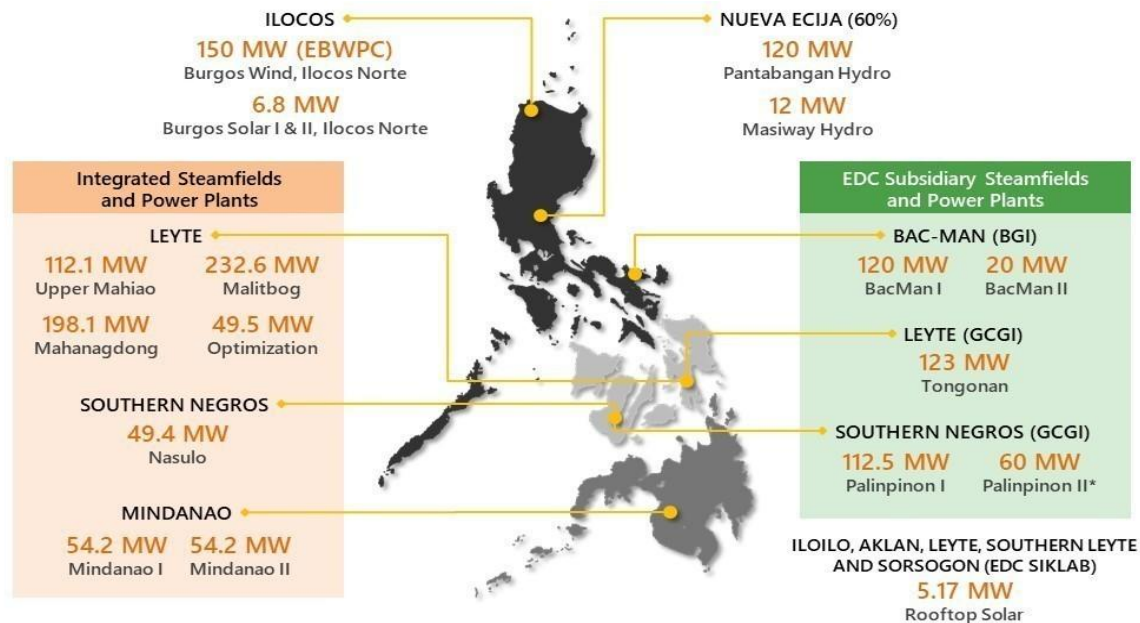
Geothermal Energy

Geothermal energy is a clean, renewable and generally sustainable energy source that, because it does not use combustion in the production of electricity, releases significantly lower levels of emissions, principally steam, than those that result from energy generation based on the burning of fossil fuels. Geothermal energy is derived from the natural heat of the earth when water comes sufficiently close to hot molten rock to heat the water to temperatures of 320° Celsius (608° Fahrenheit) or more. Prospective sites are indicated by dormant volcanoes, hot springs and other geothermal activity. The heated water then ascends toward the surface of the earth where it can be extracted by drilling geothermal wells, if geological conditions are suitable, for commercial production.

The energy necessary to operate a geothermal power plant is typically obtained from several wells that are drilled using technology that is similar to that employed in the oil and gas industry. Geothermal production wells are normally located within approximately one to two miles of the power plant as geothermal fluids cannot be transported economically over longer distances due to heat and pressure losses. As long as the steamfield is properly managed, the geothermal reservoir is a sustainable source of energy. Geothermal energy projects typically have higher capital costs (primarily as a result of the costs attributable to steamfield development) but tend to have significantly lower variable operating costs, principally consisting of maintenance expenditures, than fossil fuel-fired power plants which continue to be subject to ongoing fuel expenses throughout their productive lives. (see section "Philippine Power Industry – Geothermal Energy" on page 225).

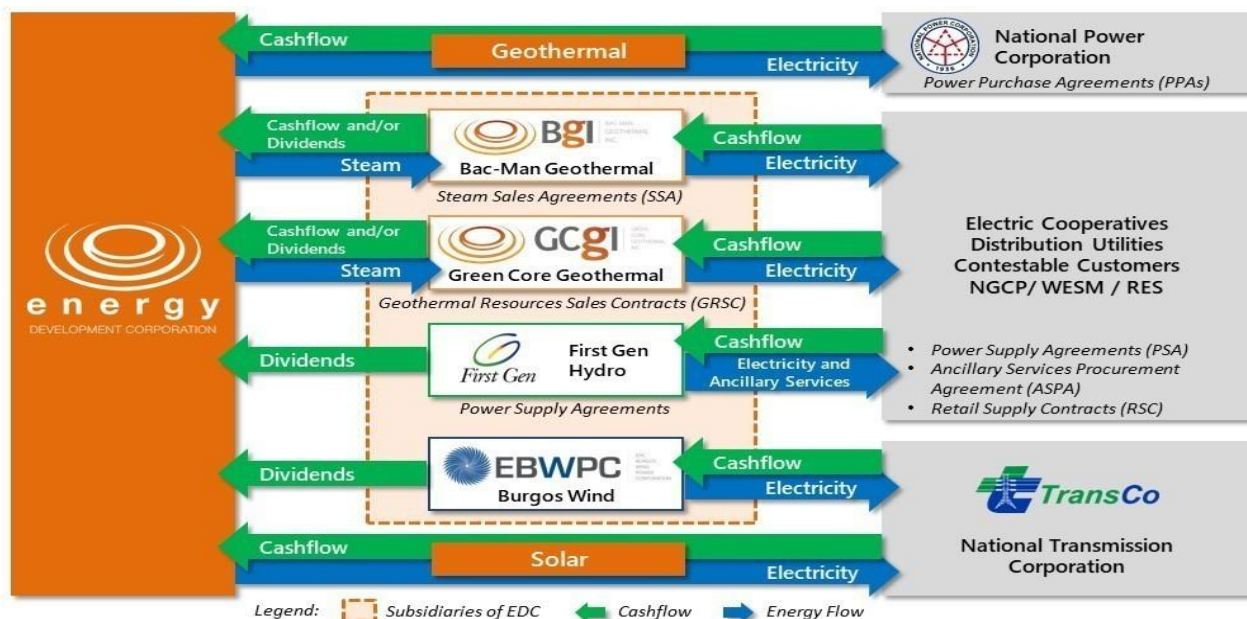
The Company's Power Projects

The following map sets out the locations where the Group conducts its commercial operations. Projects enumerated in the orange box represent projects wherein the Company owns and operates both the geothermal steamfield and power plant. In comparison, projects enumerated in the green box represent projects where the Company owns the steamfields and supplies steam to power plants owned by a Subsidiary of the Company.



Contractual Framework

The Company's power generation operations are primarily based on a contractual framework that allows it to source steam (for itself or for sale to its Subsidiaries) and to generate power for consumption by its various customers. In this regard, the Company's key contracts include: (i) service contracts with the Government, including geothermal renewable energy service contracts, or GRESCs, geothermal operating contracts, or GOCs, geothermal service contracts, or GSCs, wind energy service contracts, or WESCs, and solar energy service contracts, or SESCOs, each of which cover a specific contract area; (ii) twenty five (25) -year PPAs covering the sale of electricity to NPC; (iii) PSAs, covering the sale of electricity to electric cooperatives and distribution utilities; (iv) RSCs covering electricity sales to industrial and commercial users classified as Contestable Customers; (v) SSAs and GRSC covering the sale of steam between the Company and its subsidiaries; (vi) REPA covering rate of the Company's FIT eligible plants; and (vii) ASPA with the NGCP to ensure reliability in the operation of the transmission system. The following chart illustrates the contractual framework for the Company's operation:



The following table provides a summary of the Company's operating geothermal projects, grouped by the contract areas in which they are located:

Contract Area	Expiry of GRESC	Project	Installed Capacity* (in MWe)	Product	Expiration of Offtake Agreement	Minimum take-or-pay Capacity (in GWh/yr)	Plant Owner	Expiry of GOC
Tongonan Geothermal Project	2031	Tongonan	123.0	Steam and Electricity	2031 (GRSC) ¹ 2040 (PSAs)		GCGI ²	2037 ³
		Upper Mahiao	112.079 ⁴	Steam and Electricity	2022 (PPA) ⁵	3,933 ⁶	EDC	
		Malitbog	232.614	Steam and Electricity	2022 (PPA) ⁵		EDC	
		Mahanagdong	198.135	Steam and Electricity	2022 (PPA) ⁵		EDC	
		Optimization	49.5	Steam and Electricity	2022 (PPA) ⁵		EDC	
Southern Negros Geothermal Project	2031	Palinpinon I	112.5	Steam and Electricity	2031 (GRSC) ⁷ 2040 (PSAs)		GCGI ²	2037 ³
		Palinpinon II	60.0 ⁸	Steam and Electricity	2031 (GRSC) ⁷ 2040 (PSAs)		GCGI ²	2037 ³
		Nasulo	49.37	Steam and Electricity	2024 (PSA)		EDC	
Bacon-Manito Geothermal Project	2031	Bac-Man I	120.0 ⁹	Steam and Electricity	2018 (SSA) ¹⁰ 2019 (SSA) ¹²	722.7	BGI ¹¹	2037 ³
		Bac-Man II	20.0	Steam and Electricity	2019 (PSAs)	131.4	BGI ¹¹	2037 ³
Mt. Apo Geothermal Project	2042 ¹³	Mindanao I	54.24	Steam and Electricity	2022 (PPA)	390.0	EDC	2031
		Mindanao II	54.24	Steam and Electricity	2024 (PPA)	398.0	EDC	
Total			1,185.68			5, 575.1		

*Based on ERC Certificates of Compliance ("COCs") or Provisional Authorities to Operate ("PAO") issued by ERC as of February 4, 2021, where "installed nameplate capacity" is defined as "full-load continuous gross capacity of a unit under specified conditions, as calculated from the electric generator nameplate based on the rated power factor x x x" pursuant to ERC Resolution No. 16, Series of 2014.

¹ The GRSC for Tongonan commenced upon take-over of the plants by GCGI.

² On October 23, 2009, the Palinpinon and Tongonan geothermal power plants were turned over to Green Core, which won the PSALM's auction of the said plants on September 2, 2009.

³ Renewable for another 25 years.

⁴ Does not include Unit 3 (37.36 MW); unit was offline during ERC's virtual inspection held on August 20, 2020

⁵ Unified Leyte PPA ("ULPPA").

⁶ UL PPA Nominated Energy varies from year to year.

⁷ The GRSC for Palinpinon I & Palinpinon II commenced upon take-over of the plants by GCGI.

⁸ Palinpinon-2 includes Sogongon 1, Sogongon 2 and Okoy 5 GPPs. PAO for Sogongon 1 & 2 was issued on 4 November 2020 while PAO for Okoy 5,

integrated in Palinpinon-1 GPP PAO, was issued on 4 February 2021; does not include 20-MW Nasuji GPP (on preservation mode)

⁹ Based on Dependable Capacity of 60 MW per unit, as indicated in the PAO issued by the ERC on October 6, 2020

¹⁰ On June 1, 2018, EDC and BGI entered into an interim agreement for the supply of steam for Bac-Man I Geothermal Power Plants effective from the date of expiration of the SSA until the new SSA takes effect or December 25, 2020, whichever is earlier. On December 24, 2020, the term of such interim agreement were extended for another three (3) years, or until December 25, 2023.

¹¹ On September 3, 2010, the Bac-Man 1 and Bac-Man II geothermal power plants were turned over to BGI, which won the PSALM's auction of the said plants on May 5, 2010.

¹² On April 30, 2019, EDC and BGI entered into an interim agreement for the supply of steam for Bac-Man II Cawayan Unit effective from the date of expiration of the SSA until the new SSA takes effect or December 25, 2020, whichever is earlier. On December 24, 2020, the term of such interim agreement were extended for another three (3) years, or until December 25, 2023.

¹³ Includes a twenty five (25)-year extension period to GRESC.

Leyte Island Projects

The Company, at the parent level, owns and operates four (4) geothermal power plants in Leyte, including an optimization plant, with a total installed capacity of 592.3283 MW. The Company's subsidiary, Green Core, owns and operates the 123.0 MW Tongonan power plant. Electricity generated on Unified Leyte is transmitted to Luzon and Cebu through NGCP's 380.0 MW Leyte-Cebu and 400.0 MW Leyte-Luzon interconnection projects. Unified Leyte accounted for 28.6% of the Group's revenues for the year ended December 31, 2020.

Tongonan

Tongonan I Project

The Tongonan I project was commissioned in 1983 and was the first geothermal energy project developed by the Company. It consists of twenty six (26) production wells, nine (9) injection wells and a 13.2-kilometer pipe network. The Tongonan I geothermal project is located at the center of the Greater Tongonan reservoir and supplies steam to Green Core's 123.0 MW Tongonan power plant.

The 123.0 MW Tongonan geothermal power plant was owned by NPC before its purchase by Green Core in October 2009. The power plant originally consists of three (3) 37.5 MW generating units, supplied by Mitsubishi Heavy Industries, Ltd. The Tongonan geothermal power plant is located in Kananga, Leyte. The power plant was commissioned in 1983 and supplies power to electric cooperatives and industrial customers via medium-term and long-term power supply contracts. The three (3) units underwent rehabilitation and upgrade in 2015 to 2017, extending their useful life and increasing the capacity of the three units to 123.0 MW.

The table below summarizes certain operating statistics of the Tongonan plant:

Tongonan Project: Operating Statistics

	Period ended March 31	Years ended December 31		
	2021	2020	2019	2018
Actual Energy Delivered (in GWh)	240.16	937.4	884.52	637.2
Average Generation (in MW)	111.24	105.70	102.79	76.19
Average Plant Capacity Factor (%)	98.57%	85.9%	83.6%	61.9%
Annual nominated energy (in GWh)	957.69	957.85	915.75	647.08
Availability	98.62%	95.7%	98.7%	92.3%
Reliability	100%	96.4%	99.4%	98.7%
Net dependable capacity (in MW)	112.85	112.85	112.85	112.85

Unified Leyte

Upper Mahiao Project

The Upper Mahiao project is located in the Greater Tongonan reservoir. The Upper Mahiao project has a total of twenty nine (29) production wells, ten (10) injection wells and a 29.5-kilometer pipe network.

The 112.079 MW Upper Mahiao geothermal power plant was constructed under a BOT arrangement with Ormat Inc. ("Ormat") and was commissioned in June 1996. Pursuant to the terms of the BOT Contract, the geothermal field for this project was developed by the Company, while the power plant was financed, designed and constructed and operated by Ormat. The power plant was turned over to the Company in June 2006 pursuant to the terms of the applicable BOT Contract.

Malitbog Project

The Malitbog project is located on the Greater Tongonan reservoir. The Malitbog project has a total of thirty two (32) production wells, seventeen (17) injection wells and a 16.3 kilometer pipe network. In addition, the waste brine from the steam of the Malitbog geothermal plant is supplied to the Leyte Optimization plants to generate additional power.

The Malitbog geothermal power plant was constructed on a BOT basis by Magma Power Company. The power plant consists of three (3) 77.5 MW units, supplied by Fuji Electric Co., Ltd., and provides a total installed capacity of 232.614 MW. The power plant was commissioned in July 1996 and it was turned over to the Company in July 2007 pursuant to the terms of the applicable BOT Contract.

Mahanagdong Project

The Mahanagdong project is located in the city of Ormoc, Leyte, on the Mahanagdong reservoir. The Project has a total of thirty two (32) production wells, sixteen (16) injection wells and a 30.3 kilometer pipeline network that conveys geothermal steam to the power plants.

The Mahanagdong geothermal power plants have three (3) generating units of 66.045²⁵ MW each, which were supplied by Toshiba Corporation of Japan, and provide a total installed capacity of 198.135MW. The Mahanagdong geothermal power plants were built under the BOT agreement between the Company and a joint venture between California Energy Company Inc. and CE Philippines Ltd. The power plants were commissioned in July 1997 and it was turned over to the Company in July 2007 pursuant to the terms of the applicable BOT Contract.

Leyte Optimization Project

The Leyte optimization project consists of four (4) geothermal power plants, with an aggregate installed capacity of 49.5 MW, that use the existing geothermal energy resources of all of the Company's existing projects in Leyte. The four (4) optimization plants are situated near the Tongonan I, Malitbog and Mahanagdong power plants. Geothermal fluids are conveyed to the optimization plants either before they are directed to the main power plants (a process referred to as "topping") or after they have been directed to the main power plants (referred to as "bottoming"). This allows the Company to use energy from the geothermal fluids that would otherwise not be used by the main power plant. The optimization plants use equipment supplied by both General Electric Co. and Ormat.

The first three (3) units, constructed with Ormat equipment, add approximately 33.50 MW of power generating capacity. The Ormat units, which started commercial operations in 1997, are used exclusively for the topping cycle. The fourth unit, constructed with General Electric equipment, adds approximately 16 MW of additional power generating capacity. The General Electric unit, which commenced commercial operation in January 1998, is used for the bottoming cycle. All four (4) geothermal power plants associated with the Leyte optimization project were built pursuant to the BOT Contract between the Company and Ormat and were transferred to the Company in September 2007.

The Unified Leyte PPA governs the sale of power from the Upper Mahiao, Malitbog, Mahanagdong geothermal power plants, and the Leyte optimization project. The annual nominated energy from July 25, 2020 through July 25, 2021 is 3,933 GWh. As of December 31, 2020, the adjusted tariff was ₱ 3.5613/kWh.

Below is a summary of operating statistics of the Leyte power plants both on a unified and individual basis for the period ended March 31, 2020 and years ended December 31, 2020, 2019 and 2018.

²⁵The nameplate capacity per unit expressed in 77.700 megavolt amperes ("MVA") is equal to 66.045 MW at a power factor of 0.85.

Unified Leyte Project: Operating Statistics²⁶

	Period ended March 31	Years Ended December 31		
	2021	2020	2019	2018
Actual energy delivered (in GWh)	735.00	3,401	3,455	3,354
Average generation (in MW)	332.81	391.24	397.01	389.15
Average plant capacity factor	59.46%	65.9%	67.1%	65.8%
Annual nominated energy (in GWh) ²⁷	3,933	3,933	3,933	3,933
Upper Mahiao power plant				
Availability	64.79%	81.33%	72.25%	64.64%
Reliability	64.79%	83.08%	72.25%	65.45%
Net dependable capacity (in MW)	116.4	116.0	116.0	116.4
Malitbog power plant				
Availability	89.03%	98.67%	96.59%	99.56%
Reliability	95.19%	99.49%	99.51%	99.90%
Net dependable capacity (in MW)	223.5	223.5	223.5	223.5
Mahanagdong A power plant				
Availability	96.98%	94.53%	92.85%	83.06%
Reliability	96.98%	96.21%	94.66%	89.55%
Net dependable capacity (in MW)	165	165.0	165.0	165.0
Optimization				
Availability	67.12%	89.24%	70.35%	59.5%
Reliability	67.12%	91.24%	73.51%	60.6%
Net dependable capacity (in MW)	48.5	48.5	48.5	46.6

Negros Island Projects

Negros island hosts two (2) geothermal steamfield projects, the Southern Negros Project and the Northern Negros Geothermal Project. The Southern Negros steamfield supplies steam to Palinpinon I, Palinpinon II and the Nasulo plants. The Electrical power generated by the Southern Negros Island projects is transmitted to Panay and Cebu via NGCP's transmission network that has interconnected Negros with the islands since 1990 and 1993, respectively. The Company historically experienced steam generation shortfalls at its Northern Negros steamfield, which led to its decision to eventually redeploy the power plant at Northern Negros to Nasulo in Southern Negros in July 2014. To date, EDC continues to consider options to right size the plant in Northern Negros.

The Company has been exploring and developing geothermal resources in Negros since 1976, pursuant to a GSC with the Government. In October 2009, the GSC was replaced by a GRESC with the Government. In September 2006, the Company entered into two (2) GRSCs with PSALM, as the successor-in-interest to NPC, covering the geothermal facilities at Tongonan I, Palinpinon I and Palinpinon II. The GRSCs took effect in October 2009. The GRSCs terminate in 2031, unless sooner terminated due to non-payment, material breach or other causes identified in the contracts.

The Southern Negros project located in the province of Negros Oriental supply steam to the Palinpinon power plants, which were purchased by Green Core in October 2009. The Palinpinon plants sold a total of 1,582.2 GWh for the billing year 2020²⁸, which accounted for ₱7,478.5million or 19.9% of the Group's revenues for the year 2020.

In addition, the Company currently owns one (1) geothermal power plant in Nasulo with a total installed capacity of 49.37 MW. The powerplant originally came from Northern Negros, which was transferred in July 2014 to Nasulo in Southern Negros, adjacent to its existing Palinpinon power plants.

²⁶ Meter readings are taken on the 25th day of each month.

²⁷ Annual nominated energy per cooperation year. A cooperation year starts on July 25, 10:00 am, every year, and ends on July 25, 10:00 am of the following year.

²⁸ Covered period is December 26, 2019 to December 25, 2020.

Palinpinon I and Palinpinon II

Southern Negros steamfield supplies steam to Green Core's 112.5 MW Palinpinon I geothermal power plant and 60 MW Palinpinon II geothermal power plant.

The Palinpinon I project was the second geothermal project developed by the Company and was commissioned in 1983. The project consists of thirty (30) production wells, seventeen (17) injection wells and a 19.8-kilometer pipe network.

The Palinpinon II project is located in the same reservoir as the Palinpinon I project. The project consists of nineteen (19) production wells, six (6) injection wells and a 16.1-kilometer pipe network.

The 112.5 MW Palinpinon I and 60 MW Palinpinon II geothermal power plants were owned by NPC before their purchase by Green Core in October 2009. The Palinpinon I power plant has three (3) 37.5 MW generating units, supplied by Fuji Electric Co. Ltd. and was commissioned in 1983. The Palinpinon II power plants consist of four (4) separate modular power plants. The first three (3) power plants were commissioned in 1993 and the final plant was commissioned in 1995. The Palinpinon geothermal power plants are located in Valencia, Negros Oriental and supply power to distribution utilities, electric cooperatives and industrial customers via medium-term and long-term power supply contracts.

The table below summarizes certain operating statistics of the Palinpinon power plants:

Palinpinon: Operating Statistics	Period ended March 31	Years Ended December 31		
	2021	2020	2019	2018
Palinpinon I power plant				
Actual energy delivered (in GWh) ²⁹	179.44	793.37	889	885.00
Average generation (in MW)	100.44	88.07	101.48	101.03
Average plant capacity factor	95.12%	78.6%	90.6%	90.2%
Annual nominated energy (in GWh)	847.7	829.60	901	880
Availability	90.59%	85.19%	98.1%	96.6%
Reliability	90.59%	88.0%	98.1%	98.6%
Net dependable capacity (in MW)	105.6	103.08	102.9	103.88
Palinpinon II power plant				
Actual energy delivered (in GWh)	82.19	497.52	455	494
Average generation (in MW)	43.90	56.79	51.94	56.39
Average plant capacity factor	77.02%	94.7%	86.6%	94.0%
Annual nominated energy (in GWh)	507.48	488.68	410	415
Availability	96.57%	99.41%	91.53%	99.6%
Reliability	96.57%	99.41%	99.21%	99.6%
Net dependable capacity (in MW)	57.00	55.78	51.46	55.94

Green Core, the Company subsidiary which owns and operates the Tongonan I, Palinpinon I and Palinpinon II power plants, has PSAs and ASPA with various customers. The table below summarizes the terms of Green Core's existing power supply agreements as of March 31, 2021:

Customer	Demand (KW)	Commencement Date	Expiration Date
Iloilo I Electric Cooperative, Inc. (ILECO I)	18,000	March 26, 2010	December 25, 2040
Aklan Electric Cooperative, Inc. AKELCO	18,000	December 26, 2010	December 25, 2040
Capiz Electric Cooperative, Inc. CAPELCO	15,000	December 26, 2010	December 25, 2040
Iloilo II Electric Cooperative, Inc. (ILECO II)	4,000	December 26, 2010	December 25, 2030
Iloilo III Electric Cooperative, Inc. (ILECO III)	5,500	December 26, 2010	December 25, 2030

²⁹ Actual energy delivered based on power plant meter with +/-5% tolerance

Customer				Demand (KW)	Commencement Date	Expiration Date
III)						
Guimaras Electric Cooperative, Inc. (GUIMELCO)				3,000	December 26, 2010	December 25, 2040
Antique Electric Cooperative, Inc. (ANTECO)				1,000	December 26, 2010	December 25, 2040
Negros Oriental II Electric Cooperative, Inc. (NORECO II)				25,000	December 26, 2010	December 25, 2035
Central Negros Electric Cooperative, Inc. (CENECE)				20,000	December 26, 2010	December 25, 2040
Negros Occidental Electric Cooperative, Inc. (NONECO)				3,000	December 26, 2010	June 25, 2040
Negros Oriental I Electric Cooperative, Inc. (NORECO I)				2,000	December 26, 2010	December 25, 2040
Dumaguete Coconut Mills, Inc. (DUCOM)				1,000	December 26, 2010	December 25, 2040
Visayan Electric Company, Inc. (VECO)				36,500	December 26, 2010	December 25, 2024
Mactan Enerzone Corporation (MEZ)				4,970	December 26, 2010	December 25, 2025
Bohol I Electric Cooperative, Inc. (BOHECO II)				10,000	December 26, 2010	December 25, 2040
Leyte II Electric Cooperative, Inc. (LEYECO II)				16,000	December 26, 2010	December 25, 2040
National Grid Corporation of the Philippines (NGCP)				30,000	September 26, 2017	September 25, 2022
Leyte III Electric Cooperative, Inc. (LEYECO III)				2,500	December 26, 2010	December 25, 2040
Bac-man Geothermal, Inc. Retail Electricity Supplier (BGI RES)				29,150	December 26, 2019	March 25, 2023
Green Core Geothermal, Inc. Retail Electricity Supplier (GCGI RES)				12,400	October 26, 2020	October 25, 2023
Other Retail Electricity Suppliers				4,800	February 26, 2017	March 25, 2023

Nasulo

In July 2014, EDC completed the transfer of the 49.37 MW power plant in Northern Negros to Nasulo in Southern Negros, adjacent to its existing Palinpinon power plants. Since then, EDC operated the 49.374 MW Nasulo Geothermal Power Plant located in Southern Negros. The transferred 49.37MW plant installed in Nasulo utilizes 20 MW output from the Nasulo steamfield and the 20 MW which was previously supplied to Nasuji's 20 MW powerplant that was later put on preservation. Most of Nasulo's capacity is sold through power supply agreements with Contestable Customers and Ancillary Services to NGCP, while the balance of its generation is sold through WESM.

The table below summarizes certain operating statistics of the Nasulo power plants:

Nasulo: Operating Statistics	Period ended March 31	Years Ended December 31		
	2021	2020	2019	2018
Nasulo power plant				
Actual energy delivered (in GWh)	60.08	390	369	393.45
Average generation (in MW)	38.25	44.5	42.12	44.91
Average plant capacity factor	84.80%	97.69%	98.37%	97.58%
Annual nominated energy (in GWh)	391.26	383	343	384.05
Availability	80.3%	99.5%	95.69%	99.34%
Reliability	80.3%	99.5%	99.17%	99.34%
Net dependable capacity (in MW)	45.10	43.72	41.54	43.84

The table below summarizes the terms of EDC's existing power supply agreements as of March 31, 2021:

Customer	Demand (KW)	Commencement Date	Expiration Date
National Grid Corporation of the Philippines (NGCP)	20,000	September 26, 2017	September 25, 2022
First Gen Energy Solutions Retail Electricity Supplier (FGES RES)	4,400	December 26, 2019	February 25, 2023
Other Retail Electricity Suppliers	2,600	November 26, 2014	December 25, 2024

Northern Negros

The Northern Negros Project is a geothermal steam and electrical power project developed outside the boundary of the Mt. Kanlaon Natural Park. The steamfield project has a total of ten production wells, three injection wells, a 24.6-kilometer pipe network, with one 49.374 MW generating unit supplied by Fuji Electric Co., Ltd. The power plant was commissioned in February 2007 and was constructed pursuant to a turnkey contract with Kanematsu Corporation. Its generated electrical power is intended to be transmitted to the Cebu and Panay Islands.

The Company has historically experienced steam generation shortfalls at its Northern Negros steamfield. The power plant at Northern Negros, commissioned in 2007, had an installed capacity of 49.374 MW. While it was operational, the plant had consistently operated at less than its contracted capacity of 15 MW. Due to the low discharge from the steamfield, the Company decided to suspend plant operations to conduct focused studies on the quality of the geothermal resource. Prolonged testing from May 2009 to November 2010 and from April to June 2011 revealed temperatures above the cut-off for commercial power projects, low permeability, and calcification or mineral scaling inside the wellbores – conditions not ideal for power generation. Experts from New Zealand and the US, tapped by the Company to study the concession area, validated the Company's findings. The technical assessment conducted in 2010 established that the Northern Negros geothermal power plant can only be sustainably operated at 5 MW to 10 MW. These findings required the Company to make provisions for the impairment of the project's assets. The Company recognized losses on impairment of property, plant, and equipment of NNGP of ₱4,998.6 million in 2011, ₱3,390 million in 2010, and ₱349.0 million in 2009.

The Company thereafter redeployed the power plant at Northern Negros to Nasulo in Southern Negros in July 2014. It continues to consider options to right size the plant in Northern Negros.

Luzon Island Projects

EDC's projects in Luzon include the Bac-Man geothermal projects located in Albay and Sorsogon Provinces in Southern Luzon. The Company commenced exploration and development in the Bac-Man geothermal reservoir in 1981 under a thirty (30)-year GSC with the Government. The GSC was extended for twenty (20) years and will expire in 2031. On October 23, 2009, the GSC was replaced by a GRESC with the Government. EDC operates the Bac-Man steamfield, which generate steam for sale to BGI pursuant to the interims SSA and its subsequent extension through another interim SSA.

Bac-Man I and Bac-Man II

The Bac-Man geothermal steamfield is located in Albay and Sorsogon and supplies steam to BGI's 110MW Bac-Man I and 40MW Bac-Man II power plants.

The Bac-Man I project was commissioned in 1993. The project consists of twenty four (24) production wells, nine (9) injection wells and a 30.1-kilometer pipe network.

The Bac-Man II project was commissioned in 1994. The project consists of eight (8) production wells, seven (7) injection wells and a 3.9-kilometer pipe network.

The 110MW Bac-Man I power plant and the 40MW Bac-Man II power plants were owned by NPC before their purchase by BGI in September 2010. The Bac-Man I power plant has two (2) generating units, supplied by Ansaldo Energia, SpA. The Bac-Man II power plant has two (2) generating units, manufactured by a consortium of Japanese companies, Kanematsu, Marubeni and Mitsubishi. In 2005, at the time the plants were still owned by the National Power Corporation, the 20MW Cawayan power plant's steam turbine and generator unit were damaged beyond repair

as a result of a catastrophic turbine over-speed leaving only some significant parts of the balance of plant serviceable. The 20MW Botong plant was damaged during Typhoon Milenyo in 2006. The plant was further damaged after a landslide and its cooling tower was destroyed in a fire in May 2009. The plant has since been placed in preservation. The Company conducted studies on possible slope remedial measures at Botong but concluded that the risk of further landslides cannot be mitigated without significant cost. The Company thus decided to instead completely repair and rehabilitate the Botong power equipment and relocate the same to the Cawayan site.

The rehabilitation of the 110MW Bac-Man I and 20MW Cawayan power plants commenced in September 2010. In December 2011, the Company commenced reliability runs for Unit 1 of Bac-Man I but as the machine hit operating speed, problems with the generator-rotor surfaced. Given the same make of the two (2) units of Bac-Man I, the Company decided to have both units repaired at the Stafford, England workshop of Alstom, the units' original equipment manufacturer. But later it was decided to replace all turbine blades with Stork brand of blades. Both Bac-Man I units successfully ran continuously until both units were subjected to a turbine uprating project. Bac-Man I Unit 2 was uprated in September 2014 while Unit 1 uprating was completed in February 2015; the capacity of both units had increased from 55MW to 60MW each at improved efficiency.

As part of the continuing improvement efforts of Bac-Man I and II power plants and Bac-Man steamfield, on April 12, 2013, the Control System Integration ("CSI") Project was initiated. This project came in two (2) aspects, namely, integration of the hardware equipment of Bac-Man and soft skill integration training of Operations personnel. The hardware site started with Bac-Man I power plant and steamfield integration using the Yokogawa Distributed Control Systems, followed by Bac-Man I and II power plant interconnection. Then came the CSI training of personnel (Phase 1), which started in 2014 and was completed in 2016 when the integrated setup of operations was also implemented in September of 2016. The CSI training (Phase 2) was started in 2016 and was completed a year later and this training provided expanded knowledge and skills to Operations personnel to operate either power plants or steamfield safely and effectively.

In 2018, Bac-Man embarked again in another advancement and this time it pioneered the installation of additional external Pi Server and application of PiVision software for remote generation and performance monitoring through laptops or cellphones. The software application has the capability to be customized for the desired data analytics and assessment of the geothermal wells, steamfield, and power plant performance and reliability condition.

PiVision faceplates and its customization were continuously developed by a squad of EDC personnel and its vendor for two (2) years now.

In 2020, Bac-Man started the trial run of the regional control center setup where the Bac-Man II power plant and steamfield are controlled from the Bac-Man I control room, and this came just a month before the COVID-19 lockdown started.

The Company has two (2) SSAs with NPC with respect to the Bac-Man steamfield project. Under the SSAs, NPC shall pay the Company a guaranteed monthly remuneration, subject to adjustment at the end of each billing semester (for Bac-Man II) or billing year (for Bac-Man I) and for additional remuneration for NPC's excess generation for the month. The expiration date of the SSA for Bac-Man I is 2018. The expiration dates of the SSAs for each unit of Bac-Man II are 2019 for the Cawayan unit and 2022 for the Botong unit. EDC and BGI have entered into separate interim arrangements for the supply of steam for Bac-Man I Geothermal Power Plants and Bac-Man II's Cawayan Unit effective from the date of expiration of the respective SSAs until the new SSAs take effect or December 25, 2020, whichever is earlier. On December 24, 2020, the term of such interim agreements was extended for another three (3) years, or until December 25, 2023.

Under the terms of the Bac-Man I SSA, NPC guarantees EDC a minimum energy offtake of 722.7 GWh annually. Under the terms of the Bac-Man II SSA, NPC guarantees EDC a minimum energy offtake of 262.8 GWh annually. The Company and NPC entered into an addendum in February 2007, whereby the Company agreed to credit the minimum energy offtake payments by NPC during the rehabilitation of the Cawayan power plant against the surplus generation billings under the Bac-Man I and Bac-Man II SSAs. When the Bac-Man plants were turned-over to BGI in September 2010, NPC had a credit for 550.1 GWh of stored energy under the Bac-Man II SSA.

The Company's indirect wholly-owned subsidiary, BGI, acquired the Bac-Man I and Bac-Man II geothermal power plants in September 2010 after submitting the highest complying bid in PSALM's auction of the plants. In connection with the purchase, BGI assumed NPC's rights and obligations under the SSAs. However, because the Company now

receives its take-or-pay revenue under these contracts from its subsidiary, any revenue to the Company and its consolidated subsidiaries in respect of the Bac-Man steamfield project is now effectively attributable to sales of power from the Bac-Man I and Bac-Man II plants rather than the related steamfield operations.

The table below summarizes certain operating statistics of the Bac-Man power plant:

Bac-Man: Operating Statistics	Period ended March 31	Years Ended December 31		
	2021	2020	2019	2018
Bac-Man power plant				
Actual energy delivered (in GWh)	257.85	390	369	393.45
Average generation (in MW)	44.43	44.5	42.12	44.91
Average plant capacity factor	89.53%	87.6%	91.2%	93.6%
Annual nominated energy (in GWh)				
Availability	99%	95.7%	93.2%	96.0%
Reliability	99%	96.4%	95.0%	98.4%
Net dependable capacity (in MW)	133.3	133.3	133.3	133.3

BGI has entered into sales contracts with the turnover of the Bac-Man geothermal power plants from NPC. The table below summarizes the terms of BGI's existing power supply agreements as of March 31, 2021:

Customer	Demand (KW)	Commencement Date	Expiration Date
Pampanga II Electric Cooperative, Inc. (PELCO II)	30,000	March 26, 2018	December 25, 2027
Bac-man Geothermal, Inc. Retail Electricity Supplier (BGI RES)	102,555	December 26, 2019	January 25, 2023
First Gen Energy Solutions Retail Electricity Supplier (GCGI RES)	2,773	December 26, 2016	December 25, 2026
Other Retail Electricity Suppliers	24,000	September 26, 2019	February 25, 2023

Mindanao Island Projects

The Company's Mindanao I and II geothermal plants were constructed under BOT arrangements between the Company and a joint venture formed by Marubeni and Oxbow International Power Corporation ("Oxbow"). The joint venture, however, was dissolved in June 2000 when Marubeni bought the shares of Oxbow and formed the Mindanao I Geothermal Partnership and Mindanao II Geothermal Partnership.

Exploration of the Mindanao geothermal production field was commissioned in 1992 pursuant to a GSC with the Government that will expire in 2022. On October 23, 2009, the GSC was replaced by a GRESC with the Government, which has since been renewed and subsequently extended up to 2042.

The Mindanao I and Mindanao II power plants sold a total electricity volume of 721.0 GWh in 2020, accounting for ₱2,399.4 Million or 6.4% of the Group's revenues during such period.

Mindanao I Project

The Mindanao I geothermal project was completed in March 1997. The steamfield project has ten (10) production wells, eight (8) injection wells and a 10.4-kilometer pipe network. The power plant, which has a total installed capacity of 54.24 MW, is being operated by EDC after the expiry of the BOT Contract between the Company and the Mindanao I Geothermal Partnership in June 2009. The power plant has one generating unit supplied by Mitsubishi.

The sale of power from Mindanao I Geothermal Plant is governed by a PPA under which NPC guarantees EDC a minimum electricity offtake of 390.0 GWh annually. As of December 31, 2020, the adjusted tariff rate was ₱3.4062/KWh. A 35% discount is applied to the price of electricity purchased over the annual contracted amount. The Mindanao I PPA will expire in 2022.

The following table summarizes Mindanao I's operating statistics for the period ended March 31, 2021 and years ended December 31, 2020, 2019 and 2018.

Mindanao I: Operating Statistics³⁰	Period ended March 31	Years Ended December 31		
	2021	2020	2019	2018
Actual energy delivered (in GWh)	76.71	393.50	376.47	415.23
Average generation (in MW)	36.30	44.92	42.61	45.12
Average plant capacity factor	70.5%	86.4%	81.9%	86.8%
Minimum energy offtake (in GWh)	390	390	390	390
Availability	86.7%	99.8%	99.6%	99.7%
Reliability	98.6%	99.8%	97.3%	99.6%
Net dependable capacity (in MW)	51.46	51.46	51.46	51.46

Mindanao II Project

The Mindanao II project is a geothermal power project located adjacent to Mindanao I in the Mt. Apo geothermal field in Cotabato, Mindanao and was completed in June 1999. The steamfield project consists of twelve (12) production wells, two (2) injection wells and a 9.8-kilometer pipe network. The power plant, which has an installed capacity of 54.24 MW, is being operated by EDC after the expiry of the BOT Contract between the Company and Mindanao II Geothermal Partnership in June 2009. The power plant at Mindanao II has one (1) generating unit supplied by Mitsubishi.

The sale of power from Mindanao II Geothermal Plant is governed by a PPA under which NPC guarantees EDC a minimum electricity offtake of 398.0GWh annually. As of December 31, 2020, the adjusted tariff rate was ₱ 3.2279 /KWh. A 50% discount is applied to the price of electricity purchased over the annual contracted amount. The Mindanao II PPA will expire in 2024.

The table below summarizes Mindanao I's operating statistics for the period ended March 31, 2021 and years ended December 31, 2020, 2019 and 2018.

Mindanao II: Operating Statistics³¹	Period ended March 31	Years Ended December 31		
	2021	2020	2019	2018
Actual energy delivered (in GWh)	73.53	302.34	357.73	422.08
Average generation (in MW)	35.04	34.37	44.21	46.27
Average plant capacity factor	68.1%	63.6%	81.9%	85.7%
Minimum energy offtake (in GWh) ²	348	398	398	398
Availability	99.95%	99.19%	99.9%	99.0%
Reliability	99.95%	99.19%	99.9%	91.5%
Net dependable capacity (in MW)	51.46	51.46	51.46	51.46

The Company's Steam Reserves

Over the last four (4) decades, the Company has acquired considerable experience managing its geothermal production fields in the Philippines. The Company has been able to formulate immediate and long-term reservoir management strategies for the sustainability of its resources through intensive monitoring and thorough understanding of the field's behavior before and during production. These management strategies are carefully modified during the production stage to suit field behavior and optimize production. Close monitoring of the response of a field has been a key parameter implemented by the Company in formulating these strategies.

³⁰ Meter readings are taken on the 25th day of each month. Minimum energy offtake is for the period beginning on December 25 of each year, at 12:00 pm, and ending on December 25, 12:00 pm, of the following year.

³¹ Meter readings are taken on the 25th day of each month. Minimum energy offtake is for the period beginning on December 25 of each year, at 12:00 pm, and ending on December 25, 12:00 pm, of the following year.

The Company relies on its steam reserve estimation in the planning of geothermal development, as any development requires the assurance that the field has sufficient production capacity over the projected life of the field, and reserve estimation also influences the infrastructure and investment requirements of the project. There is no assurance that any current or future estimates of the Company's steam reserves, conducted by either the Company on its own or by any third parties, are or will be precise. These estimates are expressions of judgment based on knowledge, experience, analysis of drilling results, employment of calculation method, and industry practices. Valid estimates made at a given time may significantly change when new geo-scientific, reservoir and drilling information become available and incorporated into new reservoir simulation studies.

In 2021, EDC contracted GeothermEx, Inc. ("GeothermEx") to provide an independent review of its geothermal energy reserves for four (4) geothermal fields - Bac-Man, Mindanao, Leyte and Southern Negros (Palinpinon). In the report, GeothermEx estimated a total mean reserve of 1,651 MWe for the four (4) operating fields for twenty-five (25) years.

GeothermEx's reserve estimation, as well as that of EDC's, implicitly assumes that the available reserves can be recovered by drilling as many make-up and replacement wells as needed, and by adopting an optimum production/injection strategy.

The table below summarizes the estimates of proved reserves of the Company's steamfields as of 2021:

Field	Present Generation Level / Installed Capacity (in MWe)	First Plant Commissioned	GeothermEx Estimate of Total Mean Reserves for 25 years (in MWe)
Bacon-Manito	140.0	1993	380
Mindanao (Mt. Apo)	104.0	1997	413
Leyte	720.4	1983	533*
Southern Negros (Palinpinon)	221.9	1983	325
Total	1,186.3		1,651

*Corresponds to the mean rate at which the remaining energy in the field can be recovered over a period of twenty-five (25) years. Currently, the mean reserves estimate for Leyte is 533 MWe which is equivalent to 13,325 MW-year (533x25). This implies that a higher recovery rate is possible over a shorter period of time (e.g., For Leyte - 740 MWe over eighteen (18) years (13,325/740). The mean reserves is expected to be sufficient compared to its installed capacity for the remaining term of the GRESC.

Wind and Solar Energy

EBWPC, a subsidiary of the Company, developed an 87MW wind farm in Burgos and the WESC for the project was assigned to EBWPC in February 2011. EBWPC submitted a Declaration of Commerciality ("DOC") for the project last August 2011 and the same has been approved by the DOE last April 2013. As it has been studied that there is potential for a bigger wind farm in EBWPC's contract area, EBWPC submitted a DOC covering the Burgos Wind Expansion Project. The expansion project thereafter added an additional 63MW of wind power, bringing the total installed capacity to 150MW. The project covers approximately 600 hectares across three (3) barangays: Saoit, Poblacion, and Nagsurot in the municipality of Burgos, Ilocos Norte. The wind farm consists of 50 V90-3.0 MW turbines supplied by Vestas Wind Systems, the world's largest wind turbine manufacturer. The 115kV transmission line constructed spans 42 kilometers and connects the wind farm from the Burgos substation to the Laoag substation of the NGCP. The Company has an existing Interconnection Agreement with the NGCP for the project. The DOE's confirmation of the expansion project's commerciality was secured last December 2013, and the project started commercial operations last November 2014. It was granted a FIT COC by the ERC that entitles it to the applicable FIT rates, subject to adjustments as may be approved by the ERC, for the entire duration of the FIT eligibility period.

Burgos Wind: Operating statistics

	Period Ended March 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Net generation (in GWh)	153.07	366.97	340.94	376.06
Capacity factor (%)	47.24	27.48	26.65	28.83

EDC also operates the 6.82MW Burgos Solar Project (Phases 1 and 2). This solar farm is co-located with the Burgos Wind Project in Ilocos Norte. It was also granted a FIT COC by the ERC that entitles it to the applicable FIT rates, subject to adjustments as may be approved by the ERC, for the entire duration of the FIT eligibility period.

Burgos Solar - Phase 1: Operating statistics

	Period Ended March 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Net generation (in GWh)	1.69	6.24	5.80	6.08
Capacity factor (%)	18.85	17.34	16.68	17.27

Burgos Solar - Phase 2: Operating statistics

	Period Ended March 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Net generation (in GWh)	1.03	3.94	3.50	3.72
Capacity factor (%)	17.88	17.10	15.73	16.6

In 2017, EDC Siklab, a wholly-owned subsidiary of EDC, entered into eight (8) Solar Rooftop Lease Agreements ("SRLAs") and one (1) Power Purchase Agreement ("PPA") with HEVA. These SRLAs provide, among others, that EDC Siklab will construct, install, test, commission, operate and maintain solar power facilities in Gaisano Capital's malls in Passi, Ormoc, Sogod, Sorsogon, Kalibo, Oton, Balasan, and Tacloban (terminated) and HEVA will lease these facilities for a period of twenty-five (25) years. Similarly, the Power Purchase Agreement allows the delivery and purchase of energy in Gaisano Capital's mall in La Paz, Iloilo. All facilities are in commercial operation, except for the facility in Tacloban whose SRLA was terminated.

First Gen Hydro Power Corporation ("FG Hydro")

In October and November 2008, the Company acquired a total of 60.0% interest in FG Hydro from First Gen. FG Hydro operates the Pantabangan hydroelectric power plant and the Masiway hydroelectric power plant, both located in Nueva Ecija, Philippines, and initially had a combined capacity of 112 MW. After rehabilitation on 2010, both plants have a total installed capacity of 132 MW. FG Hydro sells electricity to WESM, to various customers under power supply agreements, or PSAs and to the NGCP as ancillary services.

The Pantabangan hydroelectric power plant, or PAHEP, with an installed capacity of 120 MW (post-rehabilitation), is located at the top of the Pantabangan dam and consists of two generators, each capable of generating full load power of 60 MW (post-rehabilitation) at 90.0% power factor. Each generator is coupled to a vertical shaft Francis turbine that converts kinetic energy of the water from the dam to 70,000 mechanical horsepower.

Pantabangan

The electric output of PAHEP is delivered to the Luzon Grid through a 13.8kV/230kV Ring Bus Switchyard, composed of two (2) 64 MVA transformers, switching and protective equipments. FG Hydro sold a total electricity volume of 491.8GWh for the year ended December 31, 2020 accounting for ₱1,809.7 Million or 4.8% of the Group's revenues during such period.

The table below sets forth certain operating statistics of the Pantabangan Hydroelectric power plant for the period ended March 31, 2021 and years ended December 31, 2020, 2019 and 2018.

Pantabangan plant: Operating statistics

	Period Ended March 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Gross generation ³² (in GWh)	141.0	256.34	346.83	275.61
Capacity factor (%)	54.39%	24.32%	32.99%	26.22%
Equivalent availability factor (%)	99.40%	89.46%	90.97%	84.80%
Forced outage rate (%)	0.00%	0.09%	0.24%	0.01%
Water released (in MCM)	786	1,592	1,896	1,637

Masiway

The Masiway hydroelectric power plant ("MAHEP"), with an installed capacity of 12 MW, is located 7 kilometers downstream of PAHEP. It uses a 16,800 HP Kaplan turbine to convert the energy of the low head but high flow release of water from the Masiway re-regulating dam to a directly coupled generator that is capable of generating 12 MW of electric power at 90% plant factor. The power output of MAHEP is delivered to the Grid through a switchyard mainly composed of a 13.33 MVA transformer, switching and protective equipment all owned by FG Hydro.

The table below sets forth certain operating statistics of MAHEP for the period ended March 31, 2021 and years ended December 31, 2020, 2019 and 2018.

Masiway plant: Operating statistics

	Period Ended March 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Gross generation (in GWh)	20.84	39.60	47.01	45.17
Capacity factor (%)	80.57%	37.57%	44.72%	42.97%
Equivalent availability factor (%)	100%	89.80%	87.05%	90.18%
Forced outage rate (%)	0.00%	0.05%	0.06%	0.00%
Water released (in MCM)	571	1,099	1,272	1,267

For both hydroelectric power plants, all power components, including penstocks, generators, power houses, turbines and transformers are owned, maintained and operated by FG Hydro. FG Hydro generates electricity using water released from the Pantabangan reservoir. The National Irrigation Administration ("NIA") dictates the amount of water to be released from the Pantabangan reservoir based on irrigation diversion requirements, and thus, water release is at its high during the dry seasons and at its low during the wet seasons. The NIA operates and maintains the non-power components, which include watershed, spillway, intake structure and Pantabangan and Masiway reservoirs.

The Pantabangan plant was refurbished in 2009 and 2010. The refurbishment and upgrade of its Unit 1 was completed in December 2009 while Unit 2 was completed in December 2010. The refurbishment and upgrade of both units resulted in an increase in the generating capacity of each unit by 10MW from 50MW to 60MW.

Power Supply Contracts and NGCP Agreements

The table below lists FG Hydro's power supply contracts and NGCP agreements as of March 31, 2021:

Customer	Expiry Date	Other Developments
Edong Cold Storage and Ice Plant ("ECOSIP")	December 25, 2020	Upon expiration of the contract, ECSIP requested FG Hydro to continue the supply of electricity while waiting for the DOE's approval of the application for renewal of their status as Directly Connected

³² Excludes ancillary services

Customer	Expiry Date	Other Developments
		Customer ("DCC"). In response, FG Hydro agreed to source the customers' electricity requirements from the WESM at the applicable WESM rates pending the resolution of the customer's application with the DOE. Thereafter, parties may execute and agree for a new contract.
Pantabangan Municipal Electric System ("PAMES")	December 25, 2008	Upon expiration of the contract, NIA-UPRIIS requested FG Hydro to continue the supply of electricity while waiting for the DOE's approval of the application for renewal of their status as DCC. In response, FG Hydro agreed to source the customers' electricity requirements from the WESM at the applicable WESM rates pending the resolution of the customer's application with the DOE. Thereafter, parties may execute and agree for a new contract.
Manila Electric Company ("Meralco")	December 25, 2024	FG Hydro signed a PSA with Meralco on September 16, 2019 for the supply of 100MW of mid-merit capacity. On January 8, 2021, FG Hydro received the order of the ERC dated November 26, 2020 granting the interim relief authorizing Meralco and FG Hydro to implement their PSA, subject to the same conditions as those provided in the ERC's orders dated December 10, 2019 and November 11, 2020, until revoked or until the issuance of a final decision by the ERC.
ASPA with NGCP	March 25, 2023	On April 10, 2017, FG Hydro and NGCP entered into a new ASPA with a term of five years. The ERC granted provisional authority for the new ASPA on March 9, 2018 and implementation commenced in April 2018.

FG Hydro entered into Power Supply General Framework Agreements ("PSGFAs") with FGES, BGI, EDC, ULGEI and GCGI for the supply of electricity to various customers under several contracts. The PSGFAs have a term of ten (10) years beginning February 1, 2016 for FGES, BGI, EDC and ULGEI, and beginning March 1, 2017 for GCGI. Under these contracts, FG Hydro shall generate and deliver the contracted energy on a monthly basis.

Future Projects

Geothermal Projects

EDC intends to develop integrated steam and electricity projects. The following are brief descriptions of the geothermal projects that the Company is currently considering or in the process of developing. There is no assurance that the projects when completed will perform in the manner expected.

Palayan Bayan Binary Project

PBBP is the biggest local project in the pipeline, with a capacity of up to 28.9 MW and a capital investment of at least ₱6.0 Billion.

PBBP will utilize the existing resource of the reinjected brine located adjacent to its existing geothermal operating plant in Manito, Albay. The PBBP is an approximately 28.9 MW power plant development located about 150 m southwest of the Palayan Bayan Power Plant in the Bac-Man Geothermal Production Field. The power plant component of the PBBP totaling approximately ₱5.0 Billion will be mainly developed and operated by BGI, a wholly-

owned subsidiary, through equity contribution and/or advances by EDC, while the steamfield component of approximately ₱1.0 Billion will be spent by EDC mainly for pipeline assets.

The PBBP will introduce a technology called the Organic Rankine Cycle ("ORC") Process. This process uses the heat from the brine to produce electricity by heating up a motive fluid (e.g. iso-pentane, n-butene, n-pentane) with heat exchangers (e.g. vaporizers and pre-heaters) to drive the turbines. This technology will allow the tapping of a resource (brine) that would otherwise be unutilized in a conventional geothermal power plant. As a renewable energy project, the PBBP has minimal impact to the environment since there will be neither emission to the air or discharge of geothermal brine to the surface water from power plant operations. The binary technology utilizes heat energy from geothermal brine to vaporize the motive fluid within the heat exchangers in a closed-loop system.

The construction of the PBBP is expected to be completed within two (2) years after the acquisition of all the required permits and completion of the detailed engineering design. The project life is estimated at about twenty-five (25) years.

Bac-Man 3

The Bac-Man 3 or the Tanawon Geothermal Power Plant Project is an integrated steam field and power plant development in the Tanawon Sector, located in the southern area of the Bac-Man Geothermal Production Field. The project is Phase 2 of the Bacon-Manito Geothermal Project.

Step-out drilling was conducted in Tanawon in 2000. Four (4) deviated wells have been drilled and are currently undergoing tests to check the sustainability. The estimated capacity is currently at 20 MW at the wellhead. The Company estimates that the plant will be commissioned in 2023 and will service the Luzon grid via connection to the Daraga substation.

To date, technical evaluation of bidder proposals is ongoing for the power plant and FCRS and Connection Facility bid. Parallel to the bidding process, permit application or regulatory compliance documents are being prepared for processing. Acquisition of Sorsogon City Council endorsement is on process for the project.

Mahanagdong

The Mahanagdong Geothermal Brine Optimization Plant, located in Barangas Tongonan, Ormoc City, Leyte, is a development in the Tongonan Geothermal Project of the Company. The proposed project will allow the optimization of energy production by utilizing heat from geothermal brine from the existing steam field facilities in Tongonan, through a binary plant technology.

EDC is currently in the planning stages and targets to start construction by the first quarter of 2022. Target completion for the project is by the fourth quarter of 2024.

Mindanao III

Mindanao III is a 3.6 MW binary plant within the Mt Apo concession. Plant construction is scheduled to be completed by 1st quarter of 2022.

Local greenfield geothermal projects

In addition to the projects above, the Company is also looking at other project sites in Luzon, Negros, and Leyte that are covered by its existing geothermal service contracts with the DOE. These projects, however, are still in the exploration or pre-development phase and are in much earlier stages of consideration.

Amacan

The Amacan Geothermal Prospect is located in the Province of Davao de Oro. The project is currently under an extended Force Majeure due to security issues brought about by the presence of insurgents in the Contract Area. There is still noted presence of CPP-NPA Terrorist groups that remain to be a threat to EDC in performing its obligations under the GSC. During this interval, EDC continues various permitting and pre-development works, especially in acquiring long lead time items such as the Certification of Precondition with NCIP and the Environmental Compliance Certification for exploration drilling.

Mt. Zion

Zion 2 Geothermal Power Project is located in the provinces of North Cotabato and Davao Del Sur. The DOE has granted the amendment of the area for the concession and the work program for the project has already adopted the seven (7)-year period giving EDC additional two (2) years for the pre-development period of the project. EDC is working towards fulfilling all requirements to allow its development of the project.

International greenfield geothermal projects

Beyond the domestic market, the Company is exploring growth opportunities outside the Philippines. The Company has opened offices in Jakarta in Indonesia, Santiago in Chile, and Lima in Peru, to facilitate the identification and exploration of new geothermal projects. The Company has and continues to send experts overseas to evaluate its international business prospects, except during the period of the COVID-19 pandemic and related travel constraints. In Latin America, the Company has entered into agreements with other geothermal industry players to explore and conduct due diligence in geothermal contract areas. In Indonesia, the Company has already acquired a Preliminary Survey and Exploration permit. The Company is also in communication with various government agencies and advisors overseas for various early stage works such as permitting, regulatory consultations, engineering design, environmental studies, and technical evaluation studies, among others.

Similar to the local greenfield geothermal projects, these are still in the exploration or pre-development phase and are in early stages of consideration.

Indonesia

The Company, through its subsidiary, PT EDC Indonesia, intends to develop the 110MW Graho Nyabu geothermal project approximately 20km north of the village of Renah Kemumu in the Merangin District of Jambi Province, Sumatra. Having secured the rights to undertake a Preliminary Survey of Graho Nyabu in 2012 and having completed the geoscientific surface studies at its own cost in 2013, PT EDC Indonesia was assigned under a 2018 Ministerial Decree to undertake exploration drilling on behalf of the Minister of Energy.

Chile

EDC is in early stage works for a potential 110 MW geothermal project (Mariposa) in central southern Chile, approximately 100km southeast of Talca City in the Andes mountain range.

EDC has secured a Surface Study Grant from the Geothermal Development Facility Latin America, and has been focusing on various pre-development activities such as permitting, engineering design, and environmental studies, among others.

Peru

EDC is also in early stage works for a potential 100-200 MW Achumani project in the Arequipa region in Southern Peru. The concession area spanning 7,700 hectares is within the Cordillera Occidental Mountain Region.

EDC has been focusing on securing the necessary environmental and other key permits.

EDC has also been conducting early stage activities for its Quello Apacheta concession, located in the Moquegua region in Southern Peru. Its concession area is spread across 12,600 hectares of land, and a potential 100-150 MW development is currently being evaluated.

Hydro Projects

FG Hydro is currently developing a pumped-storage facility designed to increase the capacity of the Pantabangan-Masiway plant by 100 MW. The facility is expected to store and generate electricity by moving water between the Pantabangan reservoir and the Masiway reservoir, which are situated at different elevations. The project is designed to allow full year operations independent of the irrigation demands from the NIA.

Wind and Solar Projects

As of March 31, 2021, the Group holds ten (10) WESCs with the DOE with a twenty-five (25)-year contract period, nine (9) of which are available for development. The Group also has two (2) SESCOs that are operational.

Under the WESC, the Group is obligated to provide the services, technology, equipment and financing for the wind energy operations contemplated by the WESC. The Company assumes the financial risks in case it is determined during the pre-development stage that wind resources in the contract area do not justify commercial development.

Under the DOE's new guidelines, the WESC is effective for a non-extendible period of three (3) years provided that the failure of the Company to accomplish the first annual milestones set forth by the DOE and as indicated in the Work Program shall result in the expiration of the RE Contract. However, the submission of a Declaration of Commerciality at any time during the pre-development stage and the confirmation thereof by the DOE shall supersede the milestone requirement.

Within the pre-development stage of the wind energy operation, the Company is required to undertake exploration, assessment, harnessing, piloting, and other studies of wind resources. Upon submission by the Company and the confirmation by the DOE of a declaration of commerciality within the predevelopment stage, the WESC remains in force for the balance of a period of twenty five (25) years from the effective date and can be renewed for another twenty-five (25) years if the Company has not been in default of any of its material obligations under the WESC.

Employees and Labor Relations

As of March 31, 2021, the Company and its subsidiaries have 1,489 full-time employees, of which 35 are Executives, 1,290 are Managerial, Professional and Technical employees, and 164 are Rank and File employees. In particular, the distribution of employees by sector is as follows:

Sector	Number of Employees
EDC	
Office of the President	14
Facilities O&M	680
Sub-Surface - Geothermal Resources	207
Sub-Surface - Well Services	36
Corporate Support Functions	87
Supply Chain Management	75
Finance	76
HR Management	42
Strategic Initiatives, Legal, and Regulatory Office	20
Technology Office	22
Integrated Planning	18
Business Development, Market Planning & Contracts	17
Strategy & Long Term Planning	12
Transformation Office	16
International Development and Mergers & Acquisition	8
Risk & Insurance Management	7
GCGI	79
BGI	50
EBWPC	23
TOTAL HEADCOUNT	1,489

The distribution of employees by job category is as follows:

Headcount per Job Category				
Sector	Executive	Managerial, Supervisory, Professional and Technical	Rank and File	Total
EDC	35	1,164	138	1,337
GCGI	0	64	15	79
BGI	0	39	11	50
EBWPC	0	23	0	23
Grand Total	35	1,290	164	1,489

Anticipated No. of Employees within the ensuing twelve (12) months			
Sector	Executive, Managerial, Supervisory, Professional and Technical	Rank and File	Total
EDC	25	-	25
GCGI	3	-	3
BGI	-	-	-
EBWPC	-	-	-
Grand Total	28	-	28

Aside from mandated statutory benefits, the Company provides additional benefits such as the grant of personal leaves (that employees may avail for personal reasons such as attending to personal matters), interest-free company loans, educational refund, uniform allowance, and communications allowance. The Company also provides employees with a Group Hospitalization Insurance Plan ("GHIP") and a Group Life Accident Insurance Plan ("GLAIP"). In addition, the Company provides annual vacation leave ("VL") and sick leave ("SL") entitlements to employees upon receiving their regular employment status. Said entitlements start at fifteen (15) days, with increasing number of said entitlements for employees who reach milestones in their service years (beginning at 10 years).

Following the outbreak of the COVID-19 pandemic, the Company provided financial assistance to its employees so that they can purchase personal protective equipment (such as face masks, face shields, alcohol/disinfectants). The Company also implemented the repurposing of existing benefits (like the uniform allowance) so that employees would still be able to utilize them while working from home or under their alternative work arrangements. The Company likewise allowed employees to borrow their office chairs and PC monitors to help them with the ergonomics of working at home.

As of March 31, 2021, 32.17% of the Company's employees are members of any of the Company's thirteen (13) unions.

UNION		TYPE	No. of Employees	CBA Effectivity	CBA Expiration
<i>BAC-MAN</i>					
1	<i>DSM-ADLO</i>	Demokratikong Samahang Manggagawa ng PNOC-BGPF/Association of Democratic Labor Organization	RF	14	01-Jan-17 31-Dec-21
2	<i>BAPTEU</i>	Bac-Man Professional and Technical Employees Union	PT	52	01-Jan-17 31-Dec-21
3	<i>BGI PROTEC</i>	Bac-Man Geothermal Inc. Professional/Technical Employees Coalition	PT	17	09-Dec-15 31-Dec-21

	UNION	TYPE	No. of Employees	CBA Effectivity	CBA Expiration
4	<i>EBSEU</i> EDC-BGPF Supervisory Employees' Union	Sup	21	01-Jan-17	31-Dec-21
5	<i>BGI</i> Bac-Man Geothermal, Inc. Power Plant <i>PPSEU</i> Supervisory Employees Union	Sup	8	01-Jan-17	31-Dec-21
<i>LEYTE</i>					
6	<i>TWU</i> Tongonan Worker's Union	RF	8	01-Jan-17	31-Dec-21
7	<i>LAGPEU</i> Leyte A Geothermal Project Employees' Union	RF	65*	01-Jan-17	31-Dec-21
8	<i>LEGPEU</i> Leyte Geothermal Professional and Technical Employees Union	PT	106*	01-Jan-17	31-Dec-21
<i>MINDANAO</i>					
9	<i>MAWU</i> Mt. Apo Worker's Union/ Association of Labor Unions	RF	18	01-Jan-17	31-Dec-21
10	<i>MAPTEU</i> Mt. Apo Professional Technical Employees' Union	PT	37	01-Jan-17	31-Dec-21
11	<i>MASU</i> Mt. Apo Supervisors' Union	Sup	15	01-Jan-17	31-Dec-21
<i>NEGROS</i>					
12	<i>SNGPF</i> PNOC-EDC SNGP Rank and File Union <i>RF</i>	RF	46	01-Jan-17	31-Dec-21
13	<i>PESSA</i> PNOC EDC Southern Negros Geothermal Project Supervisory Association	SPT	72	01-Jan-17	31-Dec-21
Total Number of Union Members			479		

**includes agency fee paying members*

These unions enter into regular Collective Bargaining Agreements ("CBAs") with the Company as regards number of working hours, compensation, employee benefits, and other employee entitlements as provided under Philippine Labor Laws. The harmonious relationship with all the different labor groups was instrumental to the organization in managing the re-organizational changes that the Company underwent.

In the last three (3) years, the Company has not experienced any strikes or work stoppages. The Company continues to have dialogues with its employees and engages and maintains harmonious relationships with the unions.

Legal Proceedings

There are no material pending legal proceedings to which the Group is a party or to which any of its material properties are subject. Nonetheless, the Group is involved in various legal proceedings on matters that are in the ordinary course of business, including those described below. If the Group is not successful in one or more of these proceedings (other than the input value-added tax refund cases), it could be liable for payments and incur damages and costs which could be substantial.

Expropriation Proceedings

Several expropriation proceedings filed by the Republic of the Philippines, through the DOE and PNOC, to acquire lands needed by the Company for the power plants and/or steamfield components of its projects are still pending before various Philippine courts, in particular, with respect to the land requirements of the Leyte Geothermal Production Field, the Southern Negros Geothermal Production Field, Northern Negros Geothermal Project, Bac-Man Geothermal Project, and the Burgos Wind Project.

As of March 31, 2021, there were 301 such cases pending, the aggregate claim for just compensation is more than PHP203.0 million.

Tax Cases

Real Property Taxes

From 2009 to 2019, the Company and its subsidiaries, namely, BGI, GCGI, EBWPC, and EDC Siklab, paid under protest, and applied for the refund, of real property taxes ("RPT"). The protests were filed primarily due to (i) the application of RPT rates that were higher than the preferential RPT rate of 1.5% under Section 15(c) of the RE Law, and/or (ii) non-application of the full 5.0% depreciation allowance on machineries. As of March 31, 2021, these protests have been appealed to, and are still pending with, the respective Local Board of Assessment Appeals ("LBAA") and the Central Board of Assessment Appeals ("CBAA") having jurisdiction over the cities and provinces where these properties are located.

The Company and GCGI also have several appeals pending with the LBAA in relation to assessments or claims for exemption of certain real properties, including machineries and equipment for pollution control or environmental protection, which are exempt from RPT. These proceedings are pending with the LBAA or CBAA as of March 31, 2021.

In 2017, Kidapawan City commenced formal collection proceedings against the Company to collect RPT on the non-power plant assets and the State-owned land where the Mt. Apo Geothermal Project ("MAGP") is located. This prompted the Company to file a Complaint for Injunction with the Regional Trial Court ("RTC") of Kidapawan City to stop Kidapawan City from pursuing collection measures on the basis that it had no authority to impose RPT on non-power plant assets and State-owned land. The RTC granted the Company a preliminary injunction, and the case is ongoing trial before the RTC.

Franchise Taxes

- 2000-2004, 2006-2007

The Province of Leyte assessed the Company an aggregate of ₱310.6 million in franchise taxes in respect of the operations from 2000-2004, 2006, and 2007 of its geothermal power plants in the Province. The Company seasonably filed the corresponding appeals before the RTC of Tacloban City, Leyte, for the annulment of the assessments. These cases are docketed as Consolidated Civil Cases No. 2006-07-77, 2006-05-49, 2006-05-48 and 2007-08-03, and 2008-05-537 captioned, "PNOC EDC vs. Province of Leyte, et. al."

On September 15, 2009, the RTC issued an order granting a Preliminary Injunction restraining the Province of Leyte from levying and collecting franchise tax from the Company. The Province of Leyte filed a Petition for Certiorari with the Court of Appeals ("CA") to question the Preliminary Injunction, which Petition was denied on August 3, 2012. The Province of Leyte then filed a Petition for Review on Certiorari with the Supreme Court ("SC"), where the petition remains pending as of March 31, 2021.

In December 2008, the Company received another Consolidated Notice of Assessment and Demand for Payment from the Province of Leyte, demanding from the Company the payment of franchise tax in the amount of ₱443.7 million. This assessment cancelled previous assessments since the new assessment covers the period starting 1998 until 2006. On April 24, 2009, the Company protested the said assessment and, since the Province denied the said protest, the matter is currently under appeal before the RTC of Tacloban City, Leyte, docketed as Civil Case No. 2009-04-46, and captioned "EDC vs. Province of Leyte, et al."

- 2010-2015

On March 22, 2017, GCGI filed a Complaint with the RTC of Tacloban City, Leyte to appeal the inaction of the Provincial Treasurer of Leyte on GCGI's protest letter against the franchise tax assessment for the period 2010 – 2015. The case is still pending with the RTC as of March 31, 2021.

The Company and GCGI believe that they are not liable for franchise taxes on the basis that they are not holders of any legislative franchise, local or national, and a franchise is not required for their operations or business.

Local Business Tax

On December 14, 2018, GCGI filed a protest letter with Pasig City against the assessment of local business taxes for 2013 to 2015 amounting to ₱3,541,483.00. There was no action on the protest letter, prompting GCGI to file an appeal with the RTC of Pasig City on March 14, 2019. As of March 31, 2021, the case is still pending with the RTC of Pasig City.

GCGI believes that it is not liable for the local business tax assessment because (i) the assessment for 2013 has already prescribed, and (ii) the Treasurer of Pasig City erroneously used the Gross Revenue per Audited Financial Statements as the basis for computation of local business taxes when, in fact, it should have used Gross Sales or Receipts.

Input Value-Added Tax

In 2009, the Company filed Petitions for Review with the CTA with respect to its un-acted claim from the Bureau of Internal Revenue ("BIR") for tax credit on input VAT relating to the Company's VAT zero-rated sales for 2007 and 2008. The 2007 and 2008 input VAT claims have been appealed up to the SC where they are still pending as of March 31, 2021. The Company believes that it is entitled to a tax refund or tax credit of its unutilized input taxes attributable to VAT zero-rated sales of renewable energy pursuant to the provisions of the RE Law and the National Internal Revenue Code, as amended.

In 2016, EBWPC filed a Petition for Review with the CTA with respect to the denial by the BIR of its administrative claim for tax refund or tax credit of its input VAT for the 1st and 2nd quarters of 2014 attributable to VAT zero-rated sales. EBWPC believes that it is entitled to a tax refund or tax credit of its unutilized input taxes attributable to VAT zero-rated sales of wind energy pursuant to the provisions of the RE Law and the National Internal Revenue Code, as amended. The case is still pending with the CTA as of March 31, 2021.

Income Tax Assessment

On December 5, 2017, BGI filed Petitions for Review with the CTA to appeal the denial by the BIR of its protest letter against the deficiency income tax assessment for taxable year 2013 in the amount of ₱175,900,963.76. The BIR assessed BGI for deficiency income tax on the ground that it is not entitled to use the 10.0% preferential income tax rate under Section 15(e) of the RE Law since BGI's income tax incentive only commenced on July 1, 2013, or its Start of Commercial Operation. BGI believes that the assessment should be cancelled because it was entitled to avail of the 10% preferential income tax rate in taxable year 2013 pursuant to Rule 5, Section 13(E) of the implementing rules and regulations of the RE Law. The case is still pending with the CTA as of March 31, 2021.

Civil Cases

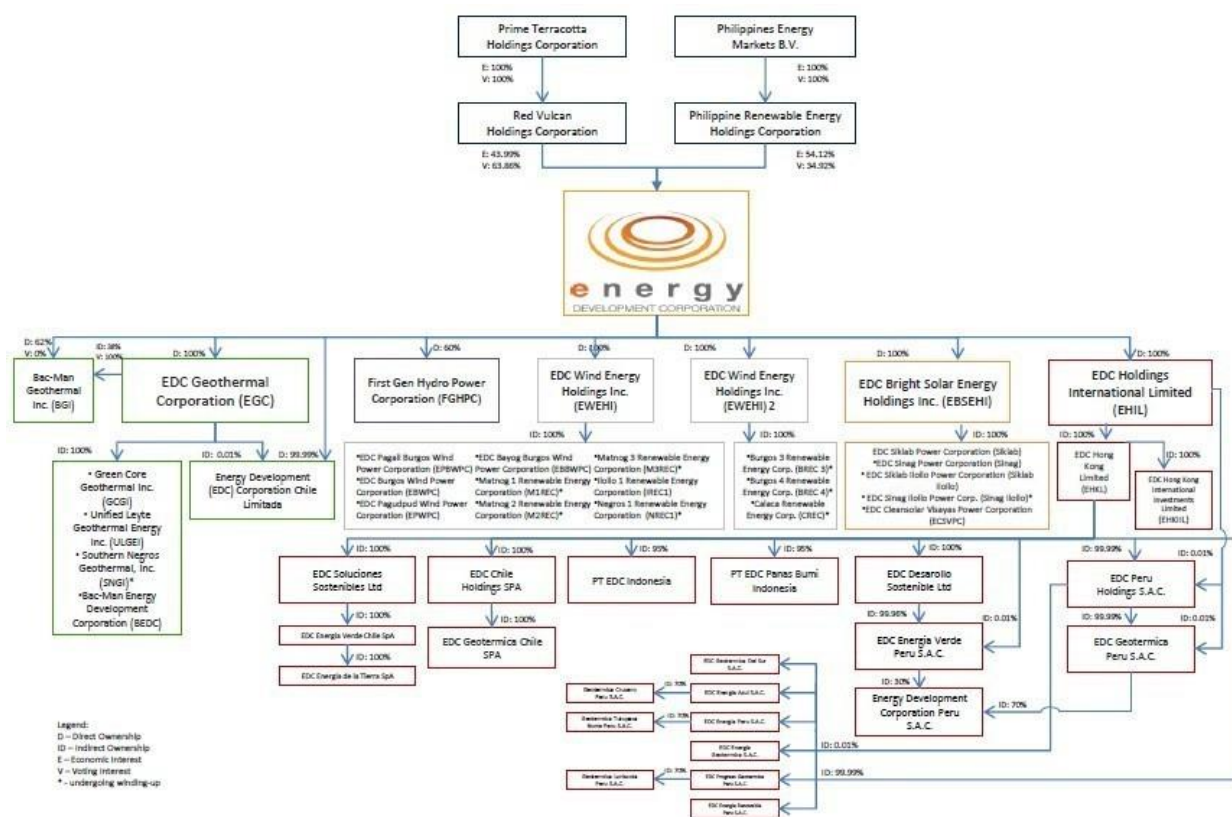
As of March 31, 2021, there are civil cases to which EDC is a party. The Company does not believe that an adverse result from these cases pose a material risk to the Company's operations.

Labor Cases

As of March 31, 2021, there are pending labor cases against the Company, most of which deal with plaintiffs' claims of illegal dismissal and backwages. The Company does not believe that these cases pose a material risk to the Company's operations.

Corporate Structure

The following chart provides an overview of the ownership structure of the Company, its parent, and its Subsidiaries as of March 31, 2021.

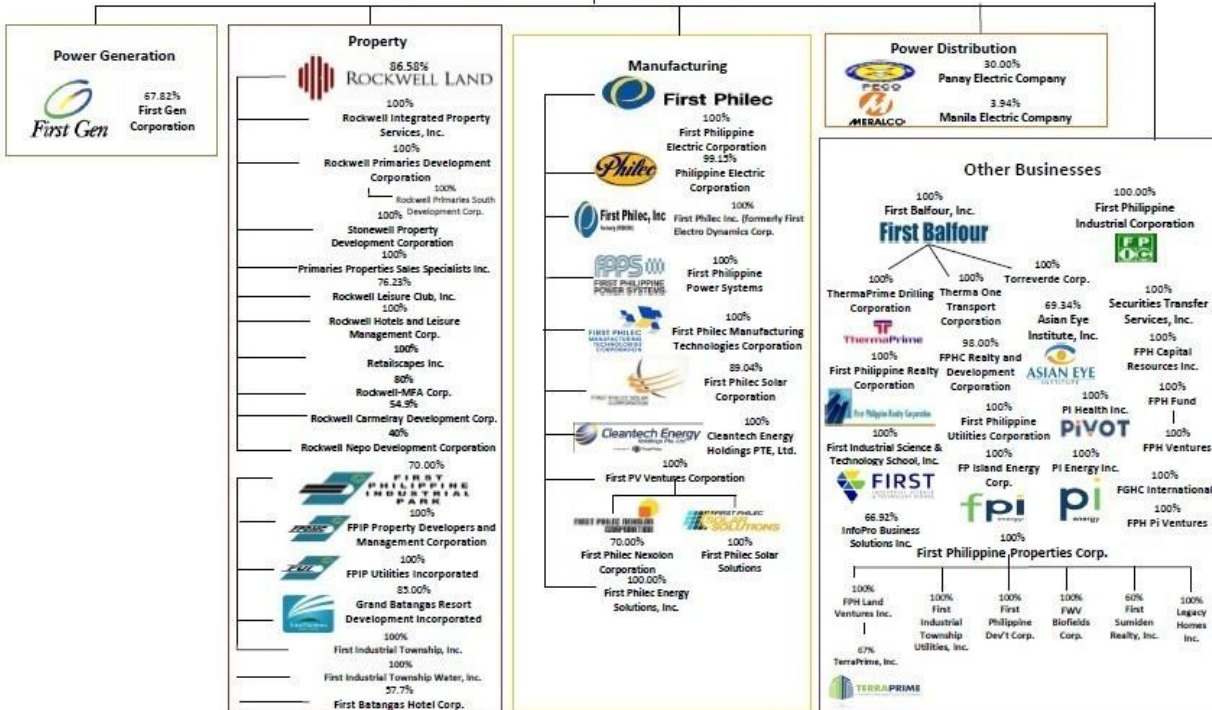


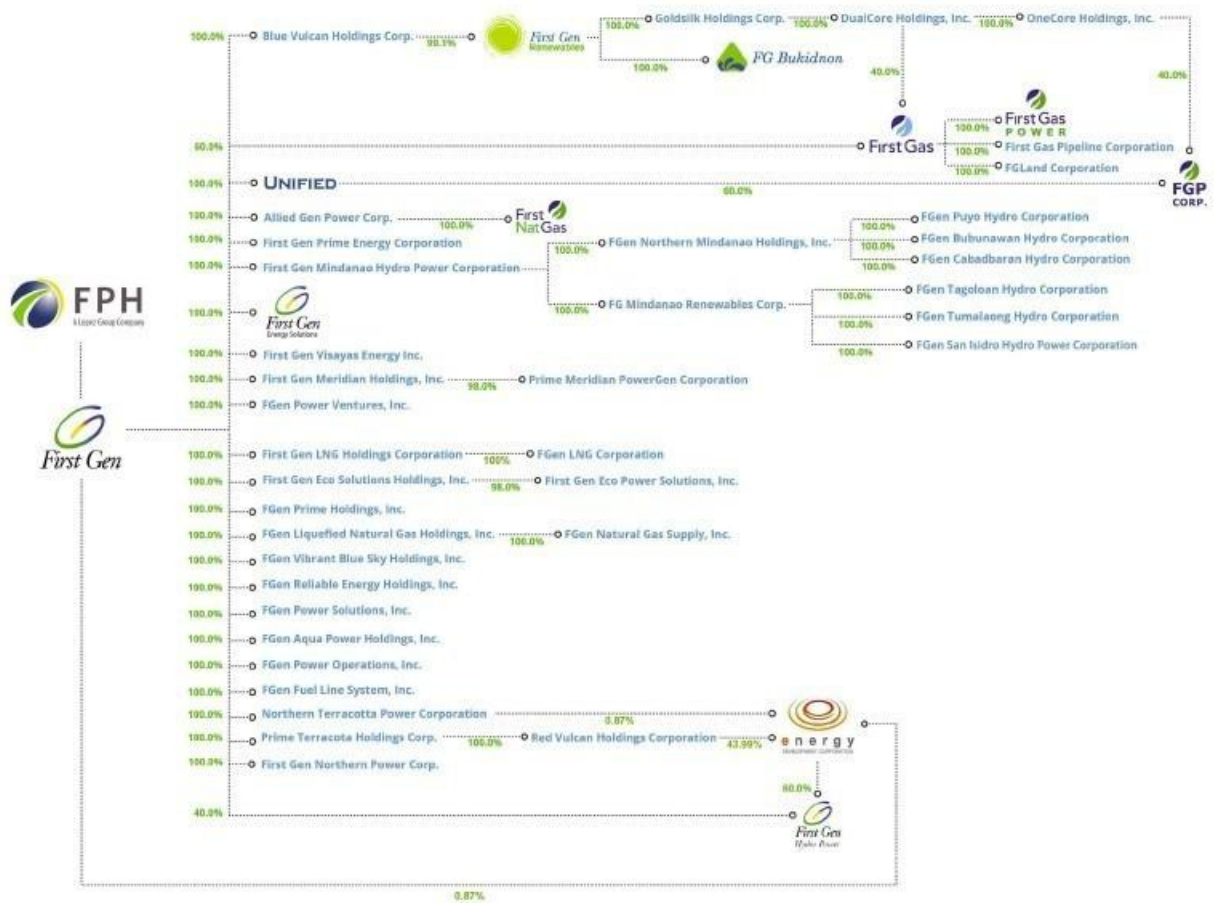


FIRST PHILIPPINE HOLDINGS CORP. AND SUBSIDIARIES
CORPORATE STRUCTURE
March 31, 2021



51.04%
First Philippine Holdings





**LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES
MAP OF RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP
MARCH 31, 2021**

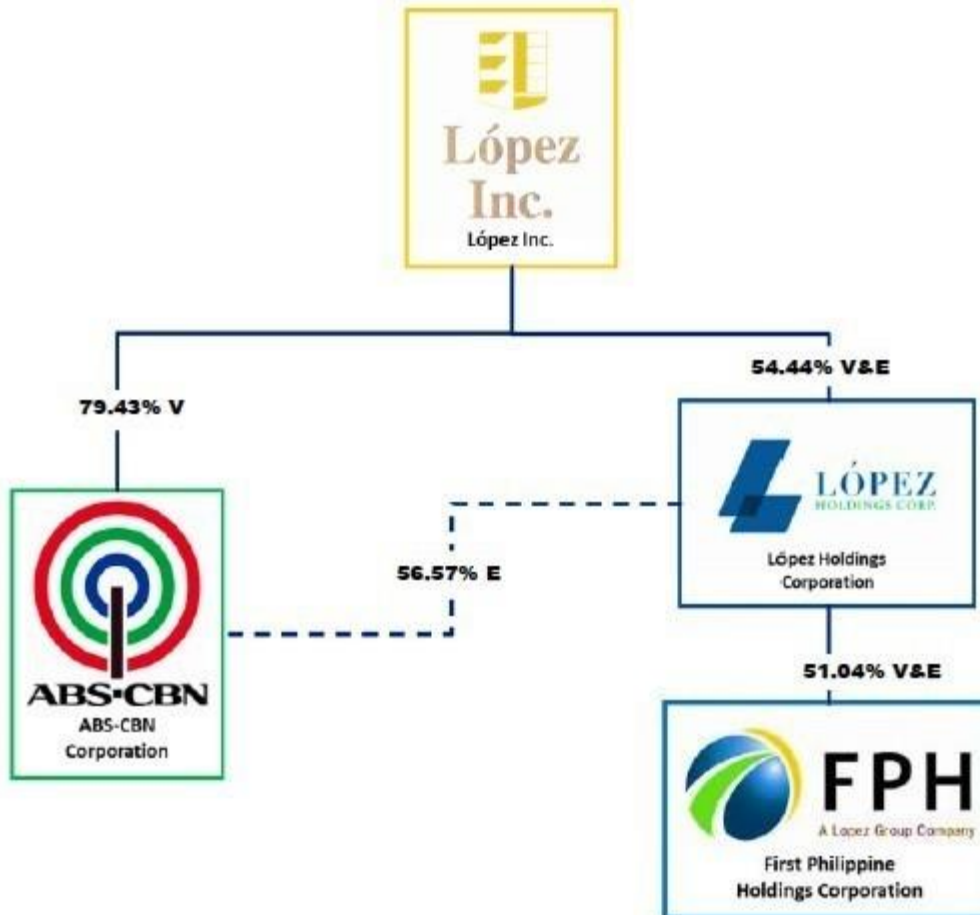
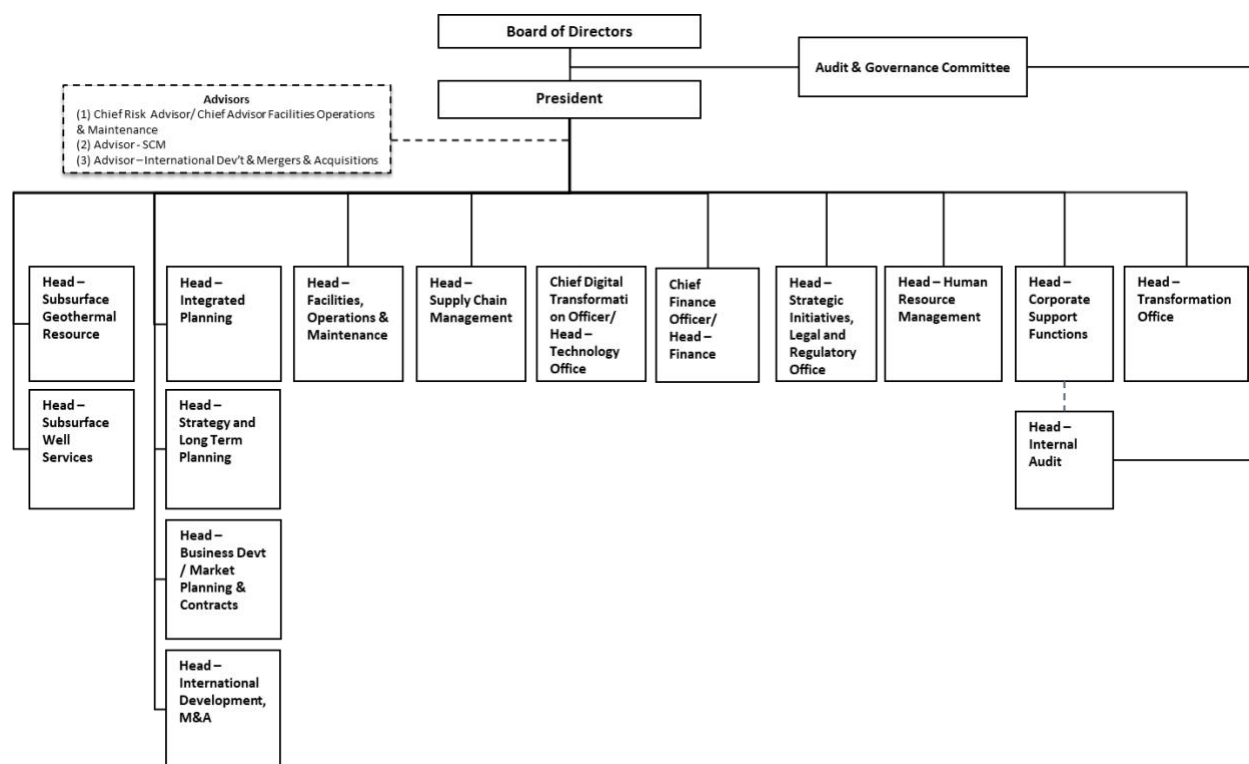


Table of Organization

The following table provides an overview of the Company's table of organization as of March 31, 2021.



Capital Expenditures

2020

The Company's capital expenditures reached ₱6.2 billion in 2020, the bulk of which was comprised of the following expenditures: drilling (₱2.0 billion), geothermal assets' power plant parts maintenance, replacement and upgrades (₱2.7 billion), steamfield assets and resource management (₱0.6 billion) and expansion activities (₱0.3 billion).

2019

The Company's capital expenditures reached ₱5.9 billion in 2019, the bulk of which was comprised of the following expenditures: drilling (₱1.9 billion), geothermal assets' power plant parts maintenance, replacement and upgrades, (₱3.1 billion), steamfield assets and resource management (₱0.2 billion).

2018

The Company's capital expenditures reached ₱3.6 billion in 2018, the bulk of which was comprised of the following expenditures: drilling (₱0.7 billion), geothermal assets' power plant parts maintenance, replacement and upgrades, (₱1.5 billion), and return-to-service spending primarily due to earthquake and Typhoon Urduja (₱1.1 billion).

Description of Debt

The Company has existing loan agreements with local and foreign banks. As of December 2020, the Company's outstanding loan obligations under its various loan agreements amounted to ₱45,066.1 million.

Fixed Rate Corporate Notes (FXCN)

On April 4, 2012, EDC signed a ten (10)-year FXCN facility agreement for the issuance of a ten (10) -year fixed rate corporate notes in the aggregate amount of ₱7.0 billion due in 2022.

Amended FXCN

On April 30, 2015, EDC and the noteholders amended the FXCN loan agreement to reduce the interest rate, as well as to effect other amendments to align with the other loan covenants of EDC.

Under the amended agreement, the Company is subject to the following financial covenants including: (a) a debt incurrence ratio of (i) financial indebtedness to total equity of no more than 70:30; and (ii) a debt service coverage ratio of at least 1.1x, in each case subject to certain exceptions and conditions, and (b) an equity distribution restriction unless the debt service coverage ratio is at least 1.2x, in each case subject to certain exceptions and conditions.

USD300.0 Million Notes

On January 20, 2011, EDC issued ten (10)-year USD300.0 million notes (₱13.350 billion), with a maturity of January 20, 2021. In 2017, the Company made a partial redemption of a total of USD89.0 million (₱4.5254 billion) in nominal amount for USD99.1 million (₱5.040.0 billion), resulting to a loss on extinguishment on the loan amounting to USD10.1 million (₱514.6 million), which includes unamortized transaction cost amounting to ₱21.1 million. On February 11, 2019, EDC issued an invitation to its Note holders to tender the Notes up to an aggregate amount of USD50.0 million for purchase by EDC for cash. On February 20, 2019, EDC accepted valid tender offers of Notes representing an aggregate of USD29.9 million in the nominal amount of the Notes at a purchase price of USD1,057 per USD1,000 principal amount of the Notes. EDC recognized loss on redemption amounting to ₱92.4 million which includes ₱3.8 million worth of transaction cost arising from the valid tender offers. Notes redeemed were cancelled and subsequently de-listed from the SGX-ST in accordance with the procedures thereof.

Under the Trust Deed governing such notes, EDC is subject to certain limitations such as (a) guarantees provided by material subsidiaries; (b) indebtedness unless the ratio of its total debt to total equity would exceed 70:30 on a consolidated basis, with certain exceptions; and (c) restricted payments.

On January 20, 2021, this obligation has been fully settled by the Company.

Loans from the International Finance Corporation (“IFC”)

IFC Loan Agreement and its amendments and restatements

On November 25, 2008, EDC entered into a loan agreement with the IFC for an aggregate amount of ₱4.1 billion or its US dollar equivalent for the purpose of financing the Company’s medium-term capital expenditure program. In January 2009, EDC drew on the loan in Pesos and received proceeds in the amount of ₱4,048.75 million net of a front-end fee paid to IFC. This loan agreement was amended and restated in its entirety in connection with the consummation of the transactions contemplated by the second IFC loan as described below. EDC and IFC executed an Amended and Restated Loan Agreement (“ARLA”) on May 20, 2011. This loan agreement was again amended and restated in its entirety in connection with the consummation of the financing agreement contemplated by the third IFC loan as described below. IFC and the Company executed an ARLA on March 22, 2018.

The ARLA contains restrictions on debt incurrence, unless the debt service coverage ratio is not less than 1.1x and the Debt for Borrowed Money to Equity Ratio is below 70:30 on an unconsolidated basis; and restriction on equity distribution, unless the prospective debt service coverage ratio is not less than 1.2x on an unconsolidated basis, in each case subject to certain conditions and exceptions.

IFC Second Loan Agreement

On May 20, 2011, EDC signed a fifteen (15) year USD75.0 million loan facility with the IFC. The loan was drawn in Peso on September 30, 2011 amounting to ₱3.2625 billion. EDC and IFC executed an ARLA on March 22, 2018.

Under the loan agreement, EDC is subject to the same financial covenants indicated in the ARLA.

IFC Third Loan Agreement

On March 22, 2018, EDC signed a fifteen (15) year USD90.0 million loan facility with IFC to fund its 2018 capital expenditures and other general corporate requirements of its existing geothermal operations. The loan was drawn in Peso on June 22, 2018 amounting to ₱4.804 billion. Under the loan agreement, EDC is subject to the same financial covenants indicated in the ARLA.

Peso Fixed-rate Bonds

In May 2013, EDC issued seven (7) year and ten (10)-year fixed rate peso bonds in the aggregate principal amount of ₱ 7.0 billion. The bonds, which have been listed on the PDEX, are comprised of ₱ 3.0 billion seven (7)-year bonds and ₱ 4.0 billion ten (10)-year bonds due on May 3, 2020 and May 3, 2023, respectively. The net proceeds were used by EDC to partially fund the Burgos wind project located in the municipality of Burgos, Ilocos Norte with estimated project cost of USD300.0 million.

Under the Trust Indenture, EDC is subject to certain financial covenants including a ratio of total liabilities to total equity of no more than 70:30, on an unconsolidated basis of the Company's annual audited unconsolidated financial statements or unaudited unconsolidated interim financial statements, as applicable.

On May 4, 2020, the Parent Company fully settled the ₱ 3.0 billion seven (7)-year bonds.

Term Loans

The Company signed various Term Loans with different financial institutions, as provided below.

Under the various loan agreements, the Company is subject to the following financial covenants: (a) debt incurrence ratio of (i) financial indebtedness to total equity of no more than 2.33x; and (ii) a debt service coverage ratio of either 1.0 or 1.1x, depending on the counterparty, and (b) equity distribution restriction unless the debt service coverage ratio is at least 1.1x or 1.2x, depending on the counterparty, in each case subject to certain exceptions and conditions.

₱291.2 Million Term Loan with Development Bank of the Philippines maturing on December 17, 2030

On December 8, 2015, EDC signed a ₱291.2 million loan maturing on December 17, 2030 with Development Bank of the Philippines. The net proceeds from the loan were used to partially finance the construction of Burgos Solar Phase I Project.

₱1.5 Billion Term Loan with Union Bank of the Philippines maturing on December 5, 2026

On June 24, 2016, EDC secured a ₱1.5 billion loan maturing on December 5, 2026 with Union Bank of the Philippines. The net proceeds from the loan were used to refinance the outstanding ₱3.5 billion fixed rate bonds which matured on December 4, 2016 and to fund other general corporate purposes.

₱ 1.0 Billion Term Loan with Security Bank Corporation maturing on December 5, 2031

On December 1, 2016, EDC secured a ₱1.0 billion loan maturing on December 5, 2031 with Security Bank Corporation. The net proceeds from the loan were used to refinance the outstanding ₱3.5 billion fixed rate bonds which matured on December 4, 2016 and to fund other general corporate purposes.

₱ 2.0 Billion Term Loan with Union Bank of the Philippines maturing on April 12, 2032

On April 5, 2017, EDC secured a ₱2.0 billion loan maturing on April 12, 2032 with UnionBank of the Philippines. The net proceeds from the loan were used to refinance loans.

₱3.0 Billion and ₱1.0 Billion Term Loans with Security Bank Corporation maturing on May 4, 2027 and May 4, 2032

On April 26, 2017, EDC secured ₱3 billion loan and ₱1 billion loan with Security Bank Corporation maturing on May 4, 2027 and May 4, 2032, respectively. The net proceeds from the loan were used to partially refinance the Borrower's outstanding 50.0% balloon maturity of \$175 million transferable syndicated loan facility dated June 11, 2011, to refinance Security Bank Corporation's participation in EDC's USD300 million ten (10)-year bond issuance maturing in 2021, and for general corporate purposes.

₱ 1.0 Billion Term Loan with Bank of the Philippine Islands maturing on June 1, 2027

On May 26, 2017, EDC secured a ₱1 billion loan maturing on June 1, 2027 with Bank of the Philippine Islands. The net proceeds from the loan were used to partially refinance the Borrower's outstanding 50.0% percent balloon maturity of \$175 million transferable syndicated loan facility dated June 11, 2011 and for general corporate purposes.

₱500.0 Million Term Loan with Philippine National Bank maturing on June 1, 2022

On May 26, 2017, EDC secured a ₱500 million loan maturing on June 1, 2022 with Philippine National Bank. The net proceeds from the loan were used to partially refinance the Borrower's outstanding 50% balloon maturity of \$175.0 million transferable syndicated loan facility dated June 11, 2011 and for general corporate purposes.

₱500.0 Million Term Loan with Security Bank Corporation maturing on May 4, 2032

On July 26, 2017, EDC secured a ₱500 million loan with Security Bank Corporation maturing on May 4, 2032.

USD50.0 Million Term Loan with Mizuho Bank Ltd. Manila Branch maturing on March 24, 2022

On March 24, 2020, EDC secured a USD50 million loan with Mizuho Bank Ltd. Manila Branch maturing on March 24, 2022. The net proceeds were used to partially refinance maturing obligations and other general corporate purposes.

₱6.0 Billion Term Loan with Bank of the Philippine Islands maturing on April 15, 2030

On April 2, 2020, EDC secured a ₱6 billion loan with Bank of the Philippine Islands maturing on April 15, 2030. The net proceeds from the loan were used to partially refinance the EDC's maturing ₱3.0 billion fixed rate bonds due on May 3, 2020 and USD300 million notes due on January 20, 2021, and for general corporate purposes.

₱ 11.45 Billion Term Loan with BDO Unibank maturing on September 10, 2030

On August 28, 2020, EDC and BDO Unibank, Inc. executed a loan agreement for a term loan facility of up to ₱11.45 billion, with an availability period until February 28, 2021. The net proceeds from the loan were used to refinance capital expenditure and other general corporate funding requirements. The first tranche of the loan amounting to ₱4.5 billion was drawn on September 10, 2020, while the second tranche amounting to ₱2.0 billion was drawn on February 18, 2021. The Maturity Date of the loans is on September 10, 2030.

This was subsequently amended to extend the availability period to August 28, 2021.

Description of Properties

The Group's principally-owned properties consist of lands, steam wells and power plants. The land improvements, buildings, equipment, owned by the Group, have a net book value of ₱91,022.4 million as of December 31, 2020. The locations and general description of these properties and equipment are described as follows:

Land

The Group is the registered owner of land located in various parts of the Philippines. In December 2018, these lands were valued by CB Richard Ellis Philippines for EDC at around ₱1.4 billion. The Group's landholdings include real estate properties in Bonifacio Global City in Taguig with a total area of 5,794.5 square meters, Baguio City with an area of 2,558 sq.m., and numerous parcels of land used for its geothermal operations in the cities of Ormoc, Bago, and Sorsogon and in the municipalities of Kananga, Leyte; Valencia, Negros Oriental; and Manito, Albay with an aggregate area of more or less 360 hectares.

In Northern Luzon, lots affected by the EDC Burgos Wind Project in the municipalities of Burgos, Bacarra, Pasuquin and Laoag were either leased by the Group or expropriated accordingly and are currently being used for its wind and solar farm area and other facilities. The following table sets out certain information regarding the Group's landholdings as of March 31, 2021:

Location/Project	Parcels of land	Area (hectares)	Under expropriation	Leased	with Title to EDC	Title for consolidation
Fort Bonifacio	1	0.58	—	—	4	0
Baguio	1	0.26	—	—	1	—
Bacon-Manito Geothermal Project	36	24.31	3	—	12	20
Southern Negros Geothermal Project	64	77.93	2	17	—	45
Leyte Geothermal Project	108	205.25	11	9	39	51
Mindanao Geothermal Project	1	3.9	—	—	1	1
Northern Negros Geothermal Project	151	105.16	19	119	11	1
Burgos Wind Project	2,147	815.73	1,640	507	—	—
Met Mast Burgos 2	1	20	—	1	—	—
Pagudpud Wind Project	6	2	—	6	—	—
Burgos 1 Wind Project	1	2.02	—	1	—	—
Matnog 1 Wind Project	1	1	—	1	—	—
Matnog 2 Wind Project	1	1	—	1	—	—
Matnog 3 Wind Project	1	1	—	1	—	—
Total	2,523	1,260.14	1675	663	68	118

To the best of its knowledge, none of the properties owned by the Company is subject to any mortgage, liens or encumbrances. The Burgos Wind Project assets and properties are subject to mortgage under EBWPC's project financing agreements.

EBWPC entered into a limited recourse project financing for its Burgos Wind Project in October 2014. The project's lenders have limited recourse to EDCs assets and rely primarily on EBWPC's cash flows for interest and principal repayment, with the project's assets, rights, and interests held as secondary collateral.

As part of the project financing agreement, EBWPC entered into a mortgage agreement with Philippine National Bank, the onshore collateral agent. The mortgage shall cover all of the assets of EBWPC whether such assets now exist or at any time hereafter come into existence, or are now at any time hereafter acquired, and whether any such later acquisition is by way of addition thereto or substitution of any component part thereof, together with all the rights and interests therein.

The carrying amount of EBWPC's property, plant and equipment covered by the mortgage agreement amounted to ₱13,891.9 million (\$289.3 million) and ₱15,416.3 million (\$304.5 million) as of December 31, 2020 and 2019, respectively.

The total amount mortgaged as security is equivalent to its total assets amounting to ₱17,646.3 million (US\$367.4 million) and ₱ 18,190.8 million (US\$ 359.2 million) as of December 31, 2020 and 2019, respectively.

Leased properties for the Pagudpud, Burgos 1, Matnog 1, Matnog 2, and Matnog 3 Wind Projects have a lease term of five (5) to ten (10) years and are used for the 80-meter meteorological masts erected for gathering wind data over the project site.

Other geothermal sites that have existing lease agreements generally have a mid-term lease and are used for access roads and drilling pads where the need to use the property is immediate, temporary, but renewable. Lease payments are usually paid in full for the whole duration of the contract at the start of the lease term. Transmission line lease agreements are long-term in nature and are always paid in full.

The following table provides details on the Company's leased properties:

Location/Project	Parcels of land	Structures	Duration of lease	Payment Terms	Amount of Lease (in P millions)	Renewal options
Northern Negros Geothermal Project	119	Dedicated point-to-point limited facilities	Long-term	One time	0.27	NA
Southern Negros Geothermal Project	17	Pipelines, Drilling Pads and Access Roads	2 years	Annual	0.30	Renewable
Leyte Geothermal Project	9	Drilling Pads, Parking Area	25 years	One Time	1.37	First option to buy
Bac-Man Geothermal Project	1	Air quality monitoring station	Long-term	One Time	0.032	NA
Burgos Wind Project	263	Wind farm area / Dedicated point-to-point limited facilities	25 years	One Time	93.17	Renewable, with first option to buy
Pagudpud Wind Project	6	80-meter Meteorological Mast	5 years	One Time	0.884	-
Burgos 1 Wind Project	1	80-meter Meteorological Mast	5 years	One Time	0.092	NA
Matnog 1 Wind Project	1	80-meter Meteorological Mast	10 years	One Time	0.211	Renewable
Matnog 2 Wind Project	1	80-meter Meteorological Mast	5 years	One Time	0.105	Renewable
Matnog 3 Wind Project	1	80-meter Meteorological Mast	5 years	One Time	0.079	Renewable
Total	414				96.513	

Acquisition of new properties

EDC and its subsidiaries also intend to construct and acquire various geothermal pipeline materials and power plant equipment in the next twelve (12) months in relation to its upcoming growth projects, as well as maintenance capital expenditures for its existing operations. The more advanced local growth projects expected to undergo construction and development in the next twelve (12) months are summarized below:

- For PBBP with an expected capacity of 28.9MW and a capital investment of at least ₱ 6.0 Billion, an NTP was issued in December 2020 with a target Commercial Operations Date ("COD") of 4Q 2022.
- For the Mindanao III Binary Project with an expected capacity of 3.6MW, an NTP was issued in February 2021 with target completion by 1Q 2022.
- For Bac-Man 3, with an expected capacity of ~20MW, NTP is targeted to be issued by 4Q 2021 with COD of 4Q 2023.
- FG Hydro is currently developing a pumped-storage facility designed to increase the capacity of the Pantabangan-Masiway plant by 100 MW.

A more detailed discussion of these projects may be found in the Future Projects subsection on page 143.

Aside from this First Tranche bond issuance of approximately Three Billion Pesos (₱3,000,000,000) to Five Billion Pesos (₱5,000,000,000), the Company is planning to secure additional corporate term loans of approximately Fifteen Billion (₱15,000,000,000) within the year 2021 to fund capital expenditures, debt maturities and other general corporate purposes.

Intellectual Property

The Company has implemented measures to protect its intellectual property rights, including incorporation of adequate safeguard in its agreements with third parties and registration of its intellectual properties.

The Company has four (4) patent registrations with the Intellectual Property Office ("IPO") of the Philippines. These registrations are maintained in accordance with applicable regulations, including the payment of annual fees required by the IPO commencing on the fifth (5th) year from publication of the patent application.

These inventions are used in the Company's geothermal field and plant operations, specifically in relation to its fluid collection and reinjection system and geothermal wells. Details of the patents are as follows:

INVENTION	Registration No.	Expiration Date
CONTINUOUS ON-LINE STEAM PURITY MONITORING SYSTEM	1-2007-000448	October 31, 2027
DECLOGGING TOOL	1-2013-000385	May 29, 2033
VERSATILE TAPPING MACHINE	1-2013-000387	June 6, 2033
IMPROVED THERMOWELL	1-2013-000386	June 20, 2033

As for the other intellectual property rights that the Company needs but does not own, the Company is generally granted a worldwide, royalty-free, perpetual, irrevocable license to exploit any commissioned work, procured item, or incorporated items, including, any and all copyrights, patents, designs, trade secrets, trademarks or other intellectual property rights, that the Company deems appropriate. Contracting parties are likewise required to warrant against infringement of intellectual property rights of any third party.

Trademarks

Based on our records, the Company and its subsidiaries have nineteen (19) registered with the IPO of the Philippines. These registrations are maintained in accordance with applicable regulations, including the submission of renewal registrations and Declarations of Actual Use of the trademark to the IPO.

Details of these registered trademarks are as follows:

TRADEMARK	Registration Number	Registered Date	Renewal Date
BAC-MAN ENERGY DEVELOPMENT CORPORATION, BEDC AND DEVICE 	4-2012-501430	December 27, 2012	December 27, 2022
BAC-MAN GEOTHERMAL, INC. 	4-2010-00501269	November 8, 2012	November 8, 2022
BAC-MAN GEOTHERMAL INC., BGI AND DEVICE 	4-2012-501423	June 25, 2015	June 25, 2025

TRADEMARK	Registration Number	Registered Date	Renewal Date
BAC-MAN GEOTHERMAL INCORPORATED & LOGO 	4-2010-501263	May 5, 2011	May 5, 2021
BGI 	4-2010-501272	May 5, 2011	May 5, 2021
ENERGY DEVELOPMENT CORPORATION  AND LOGO	4-2008-010584	February 23, 2009	February 23, 2025
EDC 	4-2008-011967	March 16, 2009	March 16, 2025
ENERGY DEVELOPMENT CORPORATION ENERGY DEVELOPMENT CORPORATION	4-2008-011964	June 15, 2009	June 15, 2025
EDC GEOTHERMAL CORP., EGC AND DEVICE 	4-2012-00501422	December 13, 2012	December 13, 2022
EDC WIND ENERGY HOLDINGS INC., EWEHI AND DEVICE 	4-2012-501441	November 8, 2012	November 8, 2022
EDC BURGOS WIND POWER CORPORATION, EBWPC AND DEVICE 	4-2012-501431	December 20, 2012	December 20, 2022

TRADEMARK	Registration Number	Registered Date	Renewal Date
GCGI GCGI	4-2010-501265	May 5, 2011	May 5, 2021
GREEN CORE GEOTHERMAL, INC. & LOGO 	4-2010-501264	May 5, 2011	May 5, 2021
GREEN CORE GEOTHERMAL INC., GCGI AND DEVICE 	4-2012-501424	November 8, 2012	November 8, 2022
GREEN CORE GEOTHERMAL, INC. GREEN CORE GEOTHERMAL, INC.	4-2010-501262	May 5, 2011	May 5, 2021
SOUTHERN NEGROS GEOTHERMAL, INC. SNGI AND DEVICE 	4-2012-501426	October 29, 2015	October 29, 2025
UNIFIED LEYTE GEOTHERMAL ENERGY INC., ULGEI AND DEVICE 	4-2012-501427	August 22, 2013	August 22, 2023

TRADEMARK	Registration Number	Registered Date	Renewal Date
HELEN COMMUNITY PARTNERSHIPS PROGRAM LOGO 	4-2012-503038	May 9, 2013	May 9, 2023
BINHI LOGO 	4-2012-503039	May 9, 2013	May 9, 2023

Copyright

The Company also has a registered copyright for the book, BINHI Tree for the Future, which was registered on March 31, 2019. The book chronicles the journey of the BINHI team to search and rescue ninety six (96) threatened native tree species. The book aims to educate people about the importance of the threatened native tree species in the Philippines.

The Company seeks to protect its intellectual property rights by registering its intellectual properties and incorporating adequate safeguard in its agreements with third parties.

Insurance

The Company has been obtaining adequate insurance coverage, to the extent that it is available on commercially reasonable terms, for its above-ground assets in line with industry standards and good business practices. The Company's properties such as power plants, fluid collection and reinjection systems, buildings, land improvements, machinery, and equipment in the various renewable energy projects and power plant operations are presently covered under an industrial all-risks policy that provides indemnity for property damage, including machinery breakdown and loss of revenue resulting from business interruption therefrom, due to perils and causes that are not expressly excluded from the policy, and subject to the limits set out in the policy. The policy expires every 30th of April and is being renewed annually. Note that the industrial all-risks policy does not cover below-ground assets, such as geothermal wells. On the other hand, the industrial all-risks policy for the Burgos Wind Farm covers all the wind turbine generators, substation, and connection assets but only those within the Company's concession area and/or up to 1km from the outermost point of its premises.

The Company also maintains a political violence insurance policy which provides cover for all its assets against acts of terrorism, sabotage, malicious damage, insurrection, revolution or rebellion, mutiny, war or civil war and riot strikes and/or civil commotion including loss of revenue resulting from business interruption therefrom, subject to the exclusions and limits under the policy.

The Company also has in place a commercial general liability policy that covers legal liabilities arising from third party bodily injury and/or property damage, subject to exclusions and limits under the policy.

Aside from the major insurances mentioned above, the Company also maintains several other insurance policies like marine cargo for goods/equipment in transit, equipment floater for mobile equipment, aviation for the Cessna and drones, motor car insurance and a separate industrial risks policy for the non-revenue generating assets. Moreover, the Company has a directors and officers' liability insurance which is procured and maintained through its parent company.

Construction projects of the Company and its subsidiaries are being insured with bespoke insurance programs procured before project mobilization at site. The project coverage would normally include a construction/erection all risks insurance, project related liability insurance and a project cargo insurance.

Management Discussion & Analysis of Financial Condition & Results of Operations

The financial information presented below for the years ended December 31, 2020, December 31, 2019 and December 31, 2018 were derived from the consolidated financial statements of the Company, prepared in accordance with PFRS, and audited by SGV & Co. in accordance with Philippine Standards on Auditing.

For the management discussion and analysis of the consolidated financial performance for the three-month period ended March 31, 2021, kindly refer to the SEC Form 17-Q attached as Annex B.

The following discussion focuses on the results of operations of EDC (or "Parent Company" in this section of the Prospectus) and its subsidiaries, FG Hydro, GCGI, BGI, EBWPC, ULGEI and EDC Siklab.

Financial results for the years ended December 31, 2020, 2019 and 2018

	CONSOLIDATED (AUDITED)		
(Amounts in Million Pesos)	2020	2019	2018
Income Statement Data			
Revenue from sale of electricity	₱37,616.8	₱41,868.4	₱37,985.6
Income before income tax	13,297.6	13,455.4	10,859.6
Foreign exchange gains (losses) - net	240.3	68.9	(518.4)
Net income	11,537.0	12,352.8	9,595.5
Net income attributable to equity holders of the Parent Company	11,494.6	11,931.2	9,403.8
Recurring net income ³³	9,898.7	12,025.4	9,166.9
Recurring net income attributable to equity holders of the parent company	9,852.9	11,605.1	8,976.1

	As at December 31		
(Amounts in Million Pesos)	2020	2019	2018
Balance Sheet Data			
ASSETS			
Total current assets	₱40,799.1	₱29,568.9	₱28,379.3
Property, plant and equipment	91,022.4	90,559.3	90,702.1
Goodwill and intangible assets	3,899.4	4,054.6	4,067.1
Exploration and evaluation assets	1,955.9	3,117.4	3,076.2
Deferred tax assets – net	841.7	866.1	980.6
Financial assets at fair value through other comprehensive income	576.4	517.5	434.1
Derivative assets	-	42.9	175.2
Other non-current assets	7,223.9	6,150.2	8,111.5
Total Assets	₱146,318.8	₱134,876.9	₱135,926.1

³³ Recurring net income is computed as net income less the sum of foreign exchange gains/losses, derivative gains/losses, income from insurance claims, expenses related to calamities and pandemic, FIT escalation for prior years and other one-time income and expenses.

As at December 31			
(Amounts in Million Pesos)	2020	2019	2018
LIABILITIES AND EQUITY			
Total current liabilities	₱31,801.0	₱22,794.1	₱15,014.0
Long-term debts - net of current portion	45,865.9	47,987.2	61,443.3
Long-term lease liability – net of current portion	243.8	279.8	-
Net retirement and other post employment benefits	2,024.2	1,552.8	1,144.5
Derivative liabilities	581.8	259.5	7.4
Deferred tax liabilities, net	-	14.5	244.9
Provision and other long-term liabilities	2,573.1	2,184.0	1,834.7
Total Liabilities	83,089.8	75,071.9	79,688.8
Equity attributable to equity holders of the Parent Company	61,220.9	57,838.9	54,289.3
Non-controlling interest	2,008.1	1,966.1	1,948.0
Total Equity	63,229.0	59,805.0	56,237.3
Total Liabilities and Equity	₱146,318.8	₱134,876.9	₱135,926.1

FINANCIAL HIGHLIGHTS

December 2020 vs. December 2019 Results

- 1) Energy sales volume decreased by 2.0% or by 188.3 GWh to 9,111.8 GWh in 2020 from the 9,300.1 GWh in 2019. Full year 2020 revenue decreased by 10.2% or ₱4,251.6 million to ₱37,616.8 million from ₱41,868.4 million in 2019 due to lower generation and WESM prices.
- 2) The recurring net income in 2020 decreased by 17.7% or ₱2,126.7 million to ₱9,898.7 million from ₱12,025.4 million in 2019. The decrease was mainly attributable to lower recurring revenue (₱4,956.0 million) and higher recurring provision for income tax (₱535.5 million) partly offset by decrease in cash operating expenses (₱3,544.3 million).
- 3) The Group posted a net income of ₱11,537.0 million in 2020, a 6.6% or ₱815.8 million decrease from the ₱12,352.8 million in 2019. The decrease was mainly attributable to lower revenue (₱4,251.6 million) and higher provision for income taxes-net (₱658.0 million) partly offset by combined lower costs of sale of electricity and general and administrative expenses (₱4,131.1 million).

Net income in 2020 represented 30.7% of total revenue as compared to 29.5% in 2019.

Major Transactions for 2020

- Income from insurance claims of ₱1,830.7 million for earthquake, typhoon and others.
- Proceeds from long-term debts of ₱12,933.4 million and payments of long-term debts of ₱7,699.3 million

INCOME STATEMENT

December 2020 vs. December 2019 Results

	HORIZONTAL ANALYSIS Favorable (Unfavorable) Variance				VERTICAL ANALYSIS	
(Amounts in ₱ millions)	Dec. 2020	Dec. 2019	Amount	%	2020	2019
REVENUE						
Sale of electricity	37,616.8	41,868.4	(4,251.6)	-10.2%	100.0%	100.0%
COSTS OF SALE OF ELECTRICITY						
Costs of sale of electricity	(17,418.3)	(19,848.5)	2,430.2	-12.2%	-46.3%	-47.4%
GENERAL AND ADMINISTRATIVE EXPENSES	(5,421.3)	(7,122.2)	1,700.9	-23.9%	-14.4%	-17.0%
FINANCIAL INCOME (EXPENSE)						
Interest income	246.2	564.4	(318.2)	-56.4%	0.7%	1.3%
Interest expense	(3,622.7)	(3,887.9)	265.2	-6.8%	-9.6%	-9.3%
	(3,376.5)	(3,323.5)	(53.0)	1.6%	-9.0%	-7.9%
OTHER INCOME (CHARGES)						
Loss on loan extinguishment	-	(114.7)	114.7	-100.0%	0.0%	-0.3%
Foreign exchange losses – net	240.3	68.9	171.4	248.8%	0.6%	0.2%
Miscellaneous, net	1,656.6	1,927.0	(270.4)	-14.0%	4.4%	4.6%
	1,896.9	1,881.2	15.7	0.8%	5.0%	4.5%
INCOME BEFORE INCOME TAX	13,297.6	13,455.4	(157.8)	-1.2%	35.4%	32.1%
BENEFIT FROM (PROVISION FOR) INCOME TAX						
Current	(1,703.0)	(1,139.4)	(563.6)	49.5%	-4.5%	-2.7%
Deferred	(57.6)	36.8	(94.4)	-256.5%	-0.2%	0.1%
	(1,760.6)	(1,102.6)	(658.0)	-59.7%	-4.7%	-2.6%
NET INCOME	11,537.0	12,352.8	(815.8)	-6.6%	30.7%	29.5%
Net income attributable to:						
Equity holders of the Parent Company	11,494.6	11,931.2	(436.6)	-3.7%	30.6%	28.5%
Non-controlling interest	42.4	421.6	(379.2)	-89.9%	0.1%	1.0%
EBITDA	21,657.6	22,097.6	(440.0)	-2.0%	57.6%	52.8%
RECURRING NET INCOME	9,898.7	12,025.4	(2,126.8)	-17.7%	26.3%	28.7%
Recurring net income attributable to:						
Equity holders of the Parent Company	9,852.9	11,605.1	(1,752.2)	-15.1%	26.2%	27.7%
Non-controlling interest	45.8	420.3	(374.6)	-89.1%	0.1%	1.0%

Revenue

Energy sales volume decreased by 2.0% or by 188.3 GWh to 9,111.8 GWh in 2020 from the 9,300.1 GWh in 2019. Full year 2020 revenue decreased by 10.2% or ₱4,251.6 million to ₱37,616.8 million from ₱41,868.4 million in 2019 primarily due to lower generation and WESM prices.

Costs of Sale of Electricity

Costs of sale of electricity decreased by 12.2% or ₱2,430.2 million to ₱17,418.3 million in 2020 from ₱19,848.5 million in 2019 mainly due to decrease in the following:

- ₱1,759.8 million purchased services and utilities;
- ₱294.9 million personnel costs; and,
- ₱265.0 million repairs and maintenance.

General and Administrative Expenses

General and administrative expenses decreased by 23.9% or ₱1,700.9 million to ₱5,421.3 million in 2020 from ₱7,122.2 million in 2019 mainly due to the following decreases:

- ₱595.1 million provision for impairment of trade and other receivables, and prepaid taxes;
- ₱583.7 million rental, insurance and taxes;
- ₱513.4 million purchased services and utilities; and,
- ₱382.4 million personnel costs.

The above decreases were partly offset by the following increases:

- ₱99.9 million business and related expenses;
- ₱78.8 million parts and supplies issued;
- ₱46.0 million depreciation and amortization; and,
- ₱143.3 million net effect in provision for impairment of parts and supplies inventories (from reversal of ₱63.3 million in 2019 to provision of ₱80.0 million in 2020).

Financial Income (Expense)

Financial expenses-net increased by 1.6% or ₱53.0 million to ₱3,376.5 million in 2020 from ₱3,323.5 million in 2019.

Interest Income

Interest income decreased by 56.4% or ₱318.2 million to ₱246.2 million in 2020 from ₱564.4 million in 2019 mainly due to decrease in total interest earned on cash and cash equivalents, net of final tax.

Interest Expense

Interest expense decreased by 6.8% or ₱265.2 million to ₱3,622.7 million in 2020 from ₱3,887.9 million in 2019 mainly due to interest on long-term debts including amortization of transaction costs.

Other Income (Charges)

Other income in 2020 amounted to ₱1,896.9 million, or a ₱15.7 million increase from ₱1,881.2 million in 2019.

Loss on loan extinguishment

No loss on loan extinguishment for 2020 and ₱114.7 million in 2019.

Foreign exchange gains - net

Net foreign exchange gain amounted to ₱240.3 million in 2020 a 248.8% or ₱171.4 million from ₱68.9 million in 2019. This is largely attributable to appreciation against USD in 2020 compared to 2019.

The comparative foreign exchange rates against the USD were as follows:

	₱:US\$
December 31, 2018	₱52.580
December 31, 2019	50.635
December 31, 2020	48.023

Miscellaneous, net

Miscellaneous income in 2020 amounted to ₱1,656.6 million, ₱270.4 million or 14.0% lower from the ₱1,927.0 million in 2019 mainly due to lower income from insurance claims.

Benefit from (Provision for) Income Tax

Current

The Group's provision for current tax increased by 49.5% or ₱563.6 million to ₱1,703.0 million in 2020 from ₱1,139.4 million in 2019 primarily on account of higher taxable income.

Deferred

Provision for deferred tax amounted to ₱57.6 million in 2020 a ₱94.4 million turnaround from the ₱36.8 million deferred tax benefit in 2019. The movement was related to the movement of foreign exchange rates.

Net Income

As a result, the Group's net income decreased by 6.6% or ₱815.8 million to ₱11,537.0 million in 2020 from ₱12,352.8 million in 2019.

Net income in 2020 represented 30.7% of total revenue as compared to 29.5% in 2019.

The following table shows the Group's reconciliation of EBITDA to the consolidated net income for the years ended December 31, 2020 and 2019.

	2020	2019
EBITDA	₱21,657,601,671	₱22,097,567,352
Add (deduct):		
Depreciation and amortization	(6,547,264,747)	(6,414,869,898)
Interest expense	(3,622,746,689)	(3,887,912,305)
Income from insurance claims	1,830,683,777	2,263,416,199
Provision for income tax	(1,760,633,383)	(1,102,630,031)
Provisions for impairment of trade and other receivables, and prepaid taxes	(253,265,909)	(848,371,753)
Interest income	246,288,135	564,383,055
Foreign exchange gains	240,378,453	68,940,401
Reversal of (provision for) impairment of parts and supplies inventories	(79,960,616)	63,357,171
Impairment of goodwill	(54,165,823)	–
Loss on loan extinguishment	–	(114,648,317)
Miscellaneous income	(119,924,351)	(336,460,407)
Consolidated net income	₱11,536,990,518	₱12,352,771,467

The following table shows the Group's reconciliation of consolidated net income to recurring net income for the years ended December 31, 2020 and 2019.

	2020		2019	
Consolidated Amount in PHP Millions	Total	Attributable to EDC	Total	Attributable to EDC
Net Income per Income Statement	11,537.0	11,494.6	12,352.8	11,931.2
Add (deduct):				
•Non-recurring (income) charges – net ¹⁾	(2,118.1)	(2,121.5)	(684.5)	(683.2)
•Income tax expense on (benefits from) non-recurring income (charges)- net	479.8	479.8	357.1	357.1
Recurring Net Income	9,898.7	9,852.9	12,025.4	11,605.1
¹⁾ Breakdown of non-recurring (income) charges – net				
Foreign exchange loss (gain)	(240.4)	(240.5)	(68.9)	(69.0)
Expenses related to COVID-19 pandemic	393.8	386.0	–	–
Expenses related to earthquake damages	9.7	9.7	32.8	32.8
Expenses related to typhoon damages	106.2	106.2	39.9	39.9
Proceeds from insurance claims	(1,830.7)	(1,830.7)	(2,263.4)	(2,263.4)
Derivative loss (gain)	80.7	84.4	(143.7)	(143.7)
Loss on loan extinguishment	–	–	114.6	114.6

Consolidated Amount in PHP Millions	2020		2019	
	Total	Attributable to EDC	Total	Attributable to EDC
Manpower Reduction Program costs (organizational restructuring)	-	-	554.5	554.5
Provision for uncollectible receivables	-	-	611.6	611.6
Share in net loss (gain) - Joint Venture (Mariposa Project /Enerco)	(10.0)	(10.0)	377.2	377.2
FIT escalation adjustment for prior years' revenues	(704.4)	(704.4)	-	-
Others	77.0	77.8	60.9	62.3
	(2,118.1)	(2,121.5)	(684.5)	(683.2)

December 2019 vs. December 2018 Results

	HORIZONTAL ANALYSIS Favorable (Unfavorable) Variance				VERTICAL ANALYSIS	
(Amounts in ₱ millions)	Dec. 2019	Dec. 2018	Amount	%	2019	2018
REVENUE						
Sale of electricity	41,868.4	37,985.6	3,882.8	10.2%	100.0%	100.0%
COSTS OF SALE OF ELECTRICITY						
Costs of sale of electricity	(19,848.5)	(19,092.8)	(755.7)	4.0%	-47.4%	-50.3%
GENERAL AND ADMINISTRATIVE EXPENSES	(7,122.2)	(6,189.4)	(932.8)	15.1%	-17.0%	-16.3%
FINANCIAL INCOME (EXPENSE)						
Interest income	564.4	529.3	35.1	6.6%	1.3%	1.4%
Interest expense	(3,887.9)	(4,096.0)	208.1	-5.1%	-9.3%	-10.8%
	(3,323.5)	(3,566.7)	243.2	-6.8%	-7.9%	-9.4%
OTHER INCOME (CHARGES)						
Loss on loan extinguishment	(114.7)	-	(114.7)	0.0%	-0.3%	0.0%
Foreign exchange losses – net	68.9	(518.4)	587.3	-113.3%	0.2%	-1.4%
Miscellaneous, net	1,927.0	2,241.3	(314.3)	-14.0%	4.6%	5.9%
	1,881.2	1,722.9	158.3	9.2%	4.5%	4.5%
INCOME BEFORE INCOME TAX	13,455.4	10,859.6	2,595.8	23.9%	32.1%	28.6%
BENEFIT FROM (PROVISION FOR) INCOME TAX						
Current	(1,139.4)	(1,040.4)	(99.0)	9.5%	-2.7%	-2.7%
Deferred	36.8	(223.7)	260.5	-116.5%	0.1%	-0.6%
	(1,102.6)	(1,264.1)	161.5	12.8%	-2.6%	-3.3%
NET INCOME	12,352.8	9,595.5	2,757.3	28.7%	29.5%	25.3%
Net income attributable to:						
Equity holders of the Parent Company	11,931.2	9,403.8	2,527.4	26.9%	28.5%	24.8%
Non-controlling interest	421.6	191.7	229.9	119.9%	1.0%	0.5%
EBITDA	22,097.6	19,271.9	2,825.7	14.7%	52.8%	50.7%
RECURRING NET INCOME	12,025.4	9,166.9	2,858.5	31.2%	28.7%	24.1%
Recurring net income attributable to:						
Equity holders of the Parent Company	11,605.1	8,976.1	2,629.0	29.3%	27.7%	23.6%
Non-controlling interest	420.3	190.8	229.5	120.3%	1.0%	0.5%

Revenue

Energy sales volume increased by 4.0% or by 354.8 GWh to 9,300.1 GWh from the 8,945.3 GWh in 2019 and 2018, respectively. Full year 2019 revenue improved by 10.2% or ₱3,882.8 million to ₱41,868.4 million from ₱37,985.6 million in 2018 primarily due to higher generation.

Costs of Sale of Electricity

Costs of sale of electricity increased by 4.0% or ₱755.7 million to ₱19,848.5 million in 2019 from ₱19,092.8 million in 2018 mainly due to increase in the following:

- ₱697.5 million purchased services and utilities; and,
- ₱344.8 million rental, insurance and taxes.

The above was partly offset by the ₱376.2 million decrease in repairs and maintenance.

General and Administrative Expenses

General and administrative expenses increased by 15.1% or ₱932.8 million to ₱7,122.2 million in 2019 from ₱6,189.4 million in 2018 mainly due to the following increases:

- ₱604.6 million provision for doubtful accounts;
- ₱215.2 million personnel costs;
- ₱192.4 million rental, insurance and taxes; and,
- ₱179.1 million depreciation and amortization.

The above was partly offset by the following decreases:

- ₱162.7 million purchased services and utilities; and,
- ₱160.0 million reversal of impairment of parts and supplies inventories.

Financial Income (Expense)

Financial expenses-net decreased by 6.8% or ₱243.2 million to ₱3,323.5 million in 2019 from ₱3,566.7 million in 2018.

Interest Income

Interest income increased by 6.6% or ₱35.1 million to ₱564.4 million in 2019 from ₱529.3 million in 2018 mainly due to increase in total interest earned on cash and cash equivalents, net of final tax.

Interest Expense

Interest expense decreased by 5.1% or ₱208.1 million to ₱3,887.9 million in 2019 from ₱4,096.0 million in 2018 mainly due to loan prepayments.

Other Income (Charges)

Other income in 2019 amounted to ₱1,881.2 million, or a ₱158.3 million increase from ₱1,722.9 million in 2018.

Loss on loan extinguishment

There was ₱114.7 million loss on loan extinguishment in 2019 and none in 2018.

Foreign exchange gains - net

Net foreign exchange gain amounted to ₱68.9 million in 2019 a 113.3% or ₱587.3 million turnaround from ₱518.4 million foreign exchange loss in 2018. This is largely attributable to ₱ appreciation against USD in 2019 compared to 2018.

The comparative foreign exchange rates against the USD were as follows:

	₱:US\$
December 31, 2017	₱49.90
December 31, 2018	52.580
December 31, 2019	50.635

Miscellaneous, net

Miscellaneous income in 2019 amounted to ₱1,927.0 million, ₱314.3 million or 14.0% lower from the ₱2,241.3 million in 2018. The movement was mainly due to lower income from insurance claims and absence of gain on debt modification in 2019.

Benefit from (Provision for) Income Tax

Current

The Group's provision for current tax increased by 9.5% or ₱99.0 million to ₱1,139.4 million in 2019 from ₱1,040.4 million in 2018 primarily on account of higher taxable income.

Deferred

Deferred tax benefit amounted to ₱36.8 million in 2019 a ₱260.5 million turnaround from the ₱223.7 million deferred tax provision in 2018. The movement was related to the movement of foreign exchange rates.

Net Income

The recurring net income generated in 2019 increased by 31.2% or ₱2,858.5 million to ₱12,025.4 million from ₱9,166.9 million in 2018. The increase was mainly attributable to higher revenue (₱3,882.8 million) and lower net financial expense (₱243.2 million) partly offset by combined increase in recurring cost of sale and general and administrative expenses (₱1,424.3 million).

The Group posted a net income of ₱12,352.8 million in 2019, a 28.7% or ₱2,757.3 million increase from the ₱9,595.5 million in the previous year. The increase was mainly due to higher revenue by ₱3,882.8 million and lower net financial expense by ₱243.2 million partly offset by the combined increase in costs of sale and general and administrative expenses amounting to ₱1,688.5 million.

Net income in 2019 represented 29.5% of total revenue as compared to 25.3% in 2018.

The following table shows the Group's reconciliation of EBITDA to the consolidated net income for the years ended December 31, 2019 and 2018.

	2019	2018
EBITDA	₱22,097,567,352	₱19,271,868,982
Add (deduct):		
Depreciation and amortization	(6,414,869,898)	(6,228,010,349)
Interest expense	(3,887,912,305)	(4,095,983,247)
Income from insurance claims	2,263,416,199	2,306,996,910
Provision for income tax	(1,102,630,031)	(1,264,074,211)
Provisions for impairment of trade and other receivables, and prepaid taxes	(848,371,753)	(243,767,845)
Interest income	564,383,055	529,314,456
Loss on loan extinguishment	(114,648,317)	–
Foreign exchange gains (losses)	68,940,401	(518,411,862)
Reversal of (provision for) impairment of parts and supplies inventories	63,357,171	(96,642,873)
Miscellaneous income	(336,460,407)	(65,741,575)
Consolidated net income	₱12,352,771,467	₱9,595,548,386

The following table shows the Group's reconciliation of consolidated net income to recurring net income for the years ended December 31, 2019 and 2018.

	2019		2018	
Consolidated Amount in PHP Millions	Total	Attributable to EDC	Total	Attributable to EDC
Net Income per Income Statement	12,352.8	11,931.2	9,595.5	9,403.8
Add (deduct):				
•Non-recurring (income) charges – net ¹⁾	(684.5)	(683.2)	(826.3)	(825.4)
•Income tax expense on (benefits from) non-recurring income (charges)- net	357.1	357.1	397.7	397.7
Recurring Net Income	12,025.4	11,605.1	9,166.9	8,976.1
¹⁾ Breakdown of non-recurring (income) charges – net				
Foreign exchange loss (gain)	(68.9)	(69.0)	518.4	518.5
Expenses related to earthquake damages	32.8	32.8	344.4	344.4
Expenses related to typhoon damages	39.9	39.9	640.9	640.9
Proceeds from insurance claims	(2,263.4)	(2,263.4)	(2,307.0)	(2,307.0)
Derivative loss (gain)	(143.7)	(143.7)	65.7	65.7
Loss on loan extinguishment	114.6	114.6	-	-

Consolidated Amount in PHP Millions	2019		2018	
	Total	Attributable to EDC	Total	Attributable to EDC
Manpower Reduction Program costs (organizational restructuring)	554.5	554.5	-	-
Provision for uncollectible receivables	611.6	611.6	-	-
Share in net loss (gain) - Joint Venture (Mariposa Project /Enerco)	377.2	377.2	-	-
IFC loan modification	-	-	(182.6)	(182.6)
Others	60.9	62.3	93.9	94.7
	(684.5)	(683.2)	(826.3)	(825.4)

Major Transactions for 2019

- ₱3,882.8 million higher revenue as compared to 2018;
- ₱1,688.5 million increase in operating expense;
- ₱587.3 million turnaround from foreign exchange losses-net in 2018 (₱518.4 million) to foreign exchange gains-net in 2019 (₱68.9 million);
- ₱314.3 million lower miscellaneous income; and,
- ₱243.2 million lower financial expense.

December 2018 vs. December 2017 Results

	HORIZONTAL ANALYSIS Favorable (Unfavorable) Variance				VERTICAL ANALYSIS	
(Amounts in PHP millions)	Dec. 2018	Dec. 2017	Amount	%	2018	2017
REVENUE						
Sale of electricity	₱37,985.6	₱33,255.2	₱4,730.4	14.2%	100.0%	100.0%
COSTS OF SALE OF ELECTRICITY						
Costs of sale of electricity	(19,092.8)	(15,034.4)	(4,058.4)	27.0%	-50.3%	-45.2%
GENERAL AND ADMINISTRATIVE EXPENSES	(6,189.4)	(5,314.9)	(874.5)	16.5%	-16.3%	-16.0%
FINANCIAL INCOME (EXPENSE)						
Interest income	529.3	274.7	254.6	92.7%	1.4%	0.8%
Interest expense	(4,096.0)	(4,130.6)	34.6	-0.8%	-10.8%	-12.4%
	(3,566.7)	(3,855.9)	289.2	-7.5%	-9.4%	-11.6%
OTHER INCOME (CHARGES)						
Income from insurance claims	2,307.0	643.5	1,663.5	258.5%	6.1%	1.9%
Foreign exchange losses – net	(518.4)	(50.2)	(468.2)	932.7%	-1.4%	-0.2%
Loss on loan extinguishment	-	(514.6)	514.6	-100.0%	0.0%	-1.5%
Miscellaneous, net	(65.7)	(152.3)	86.6	-56.9%	-0.2%	-0.5%
	1,722.9	(73.6)	1,796.5	-2,440.9%	4.5%	-0.2%
INCOME BEFORE INCOME TAX	10,859.6	8,976.4	1,883.2	21.0%	28.6%	27.0%
BENEFIT FROM (PROVISION FOR) INCOME TAX						
Current	(1,040.4)	(935.7)	(104.7)	11.2%	-2.7%	-2.8%
Deferred	(223.7)	(99.2)	(124.5)	125.5%	-0.6%	-0.3%
	(1,264.1)	(1,034.9)	(229.2)	-22.1%	-3.3%	-3.1%
NET INCOME	₱9,595.5	₱7,941.5	₱1,654.0	20.8%	25.3%	23.9%
Net income attributable to:						
Equity holders of the Parent Company	₱9,403.8	₱7,709.5	₱1,694.3	22.0%	24.8%	23.2%
Non-controlling interest	191.7	232.0	(40.3)	-17.4%	0.5%	0.7%
EBITDA	₱19,271.9	₱19,099.2	₱172.7	0.9%	50.7%	57.4%
RECURRING NET INCOME	₱9,166.9	₱9,001.8	₱165.1	1.8%	24.1%	27.1%
Recurring net income attributable to:						
Equity holders of the Parent Company	₱8,976.1	₱8,776.5	₱199.6	2.3%	23.6%	26.4%
Non-controlling interest	190.8	225.3	(34.5)	-15.3%	0.5%	0.7%

Revenue

Energy sales volume increased by 12.5% or by 993.9 GWh to 8,945.3 GWh from the 7,951.4 GWh in 2018 and 2017, respectively. Full year 2018 revenue up by 14.2% or ₱4,730.4 million to ₱37,985.6 million from ₱33,255.2 million in 2017 primarily due to higher generation.

Costs of Sale of Electricity

Costs of sale of electricity increased by 27.0% or ₱4,058.4 million to ₱19,092.8 million in 2018 from ₱15,034.4 million in 2017 mainly due to increase in the following:

- ₱3,221.8 million purchased services and utilities;
- ₱433.5 million rental, insurance and taxes;
- ₱313.5 million depreciation and amortization; and
- ₱162.5 million parts and supplies issued.

General and Administrative Expenses

General and administrative expenses increased by 16.5% or ₱874.5 million to ₱6,189.4 million in 2018 from ₱5,314.9 million in 2017 mainly due to the following increases:

- ₱427.9 million purchased services and utilities;
- ₱248.9 million personnel costs; and
- ₱164.2 million rental, insurance and taxes.

Financial Income (Expense)

Financial expenses-net decreased by 7.5% or ₱289.2 million to ₱3,566.7 million in 2018 from ₱3,855.9 million in 2017.

Interest Income

Interest income increased by 92.7% or ₱254.6 million to ₱529.3 million in 2018 from ₱274.7 million in 2017 due to increase in monthly average investible funds.

Interest Expense

Interest expense decreased by 0.8% or ₱34.6 million to ₱4,096.0 million in 2018 from ₱4,130.6 million in 2017 mainly due to loan prepayments.

Other Income (Charges)

Other income in 2018 amounted to ₱1,722.9 million, or a ₱1,796.5 million turnaround from the other charges of ₱73.6 million in 2017.

Income from insurance claims

₱2,307.0 million insurance claims in 2018, a 258.5% or ₱1,663.5 million increase from ₱643.5 million in 2017.

Loss on loan extinguishment

No loss on loan extinguishment in 2018 while a ₱514.6 million in 2017.

Foreign exchange losses - net

Net foreign exchange losses increased by 932.7% or ₱468.2 million to ₱518.4 million in 2018 from ₱50.2 million in 2017. The increase is largely attributable to further PHP depreciation against USD in 2018 compared to 2017.

The comparative foreign exchange rates against the USD were as follows:

	PHP:US\$
December 31, 2016	₱49.720
December 31, 2017	49.930
December 31, 2018	52.580

Miscellaneous, net

Miscellaneous charges in 2018 amounted to ₱65.7 million, a ₱86.6 million or 56.9% lower from the ₱152.3 million in 2017. The movement was mainly due to gain on debt modification in 2018.

Benefit from (Provision for) Income Tax***Current***

The Group's provision for current tax increased by 11.2% or ₱104.7 million to ₱1,040.4 million in 2018 from ₱935.7 million in 2017 primarily on account of higher taxable income.

Deferred

Provision for deferred tax in increased by ₱124.5 million to ₱223.7 million in 2018 from the ₱99.2 million in 2017. The movement was primarily due to lower recognition of deferred tax asset on unrealized foreign exchange loss on realignment of foreign.

Net Income

As a result, the Group's net income increased by 20.8% or ₱1,654.0 million to ₱9,595.5 million in 2018 from ₱7,941.5 million in 2017.

Net income in 2018 represented 25.3% of total revenue as compared to 23.9% in 2017.

The following table shows the Group's reconciliation of EBITDA to the consolidated net income for the years ended December 31, 2018 and 2017.

	2018	2017
EBITDA	₱19,271,868,983	₱19,099,241,591
Add (deduct):		
Depreciation and amortization	(6,228,010,349)	(5,943,705,408)
Interest expense	(4,095,983,247)	(4,130,616,264)
Income from insurance claims	2,306,996,910	643,463,439
Provision for income tax	(1,264,074,211)	(1,034,874,013)
Loss on loan extinguishment	—	(514,584,725)
Interest income	529,314,456	274,657,761
Foreign exchange losses – net	(518,411,862)	(50,174,076)
Provisions for impairment of trade and other receivables, and prepaid taxes	(243,767,845)	(179,138,858)
Provision for impairment of parts and supplies inventories	(96,642,873)	(70,472,469)
Miscellaneous charges – net	(65,741,575)	(152,299,924)
Consolidated net income	₱9,595,548,387	₱7,941,497,054

The following table shows the Group's reconciliation of EBITDA to the consolidated net income for the years ended December 31, 2018 and 2017.

	2018	2017
EBITDA	₱19,271,868,983	₱19,099,241,591
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Depreciation and amortization	(6,228,010,349)	(5,943,705,408)
Interest expense	(4,095,983,247)	(4,130,616,264)
Income from insurance claims	2,306,996,910	643,463,439
Provision for income tax	(1,264,074,211)	(1,034,874,013)
Loss on loan extinguishment	—	(514,584,725)
Interest income	529,314,456	274,657,761
Foreign exchange losses – net	(518,411,862)	(50,174,076)
Provisions for impairment of trade and other receivables, and prepaid taxes	(243,767,845)	(179,138,858)
Provision for impairment of parts and supplies inventories	(96,642,873)	(70,472,469)
Miscellaneous charges – net	(65,741,575)	(152,299,924)
Consolidated net income	₱9,595,548,387	₱7,941,497,054

The following table shows the Group's reconciliation of consolidated net income to recurring net income for the years ended December 31, 2018 and 2017.

	2018		2017	
Consolidated Amount in PHP Millions	Total	Attributable to EDC	Total	Attributable to EDC
Net Income per Income Statement	9,595.5	9,403.8	7,941.5	7,709.5
Add (deduct):				
•Non-recurring (income) charges – net ¹⁾	(826.3)	(825.4)	1,160.7	1,167.4
•Income tax expense on (benefits from) non-recurring income (charges)- net	397.7	397.7	(100.4)	(100.4)
Recurring Net Income	9,166.9	8,976.1	9,001.8	8,776.5

Consolidated Amount in PHP Millions	2018		2017	
	Total	Attributable to EDC	Total	Attributable to EDC
¹⁾ Breakdown of non-recurring (income) charges – net				
Foreign exchange loss (gain)	518.4	518.5	50.2	50.2
Loss on loan extinguishment	-	-	514.6	514.6
Expenses related to earthquake damages	344.4	344.4	1,114.7	1,114.7
Expenses related to typhoon damages	640.9	640.9	65.5	65.5
Proceeds from insurance claims	(2,307.0)	(2,307.0)	(643.5)	(643.5)
Derivative loss (gain)	65.7	65.7	(1.1)	(1.1)
IFC loan modification	(182.6)	(182.6)	-	-
Others	93.9	94.7	60.3	67.0
	(826.3)	(825.4)	1,160.7	1,167.4

Major Transactions for 2018

- ₱4,730.4 million higher revenue as compared to 2017;
- ₱1,979.3 million reduction in operating expenses;
- ₱1,663.5 million higher insurance proceeds;
- ₱468.2 million higher foreign exchange loss; and
- ₱254.6 million higher interest income.

BALANCE SHEET

December 2020 vs. December 2019 Balances

Horizontal and Vertical Analysis of Material Changes as of December 31, 2020 and 2019

(Amounts In ₱ millions)	Dec. 2020	Dec. 2019	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		2020	2019
			Amount	%		
ASSETS						
Current Assets						
Cash and cash equivalents	21,755.4	14,254.1	7,501.3	52.6%	14.9%	10.6%
Financial asset at fair value through profit or loss	922.8	1,357.2	(434.4)	-32.0%	0.6%	1.0%
Trade and other receivables	6,888.7	8,182.4	(1,293.7)	-15.8%	4.7%	6.1%
Due from related parties	23.5	32.1	(8.6)	-26.8%	0.0%	0.0%
Parts and supplies inventories	5,961.2	4,300.5	1,660.7	38.6%	4.1%	3.2%
Other current assets	5,247.5	1,442.6	3,804.9	263.8%	3.6%	1.1%
Total Current Assets	40,799.1	29,568.9	11,230.2	38.0%	27.9%	21.9%
Noncurrent Assets						
Property, plant and equipment	91,022.4	90,559.3	463.1	0.5%	62.2%	67.1%
Goodwill and intangible assets	3,899.4	4,054.6	(155.2)	-3.8%	2.7%	3.0%
Exploration and evaluation assets	1,955.9	3,117.4	(1,161.5)	-37.3%	1.3%	2.3%
Deferred tax assets – net	841.7	866.1	(24.4)	-2.8%	0.6%	0.6%
Financial assets at fair value through other comprehensive income	576.4	517.5	58.9	11.4%	0.4%	0.4%
Derivative assets	-	42.9	(42.9)	-100.0%	0.0%	0.0%
Other noncurrent assets	7,223.9	6,150.2	1,073.7	17.5%	4.9%	4.6%
Total Noncurrent Assets	105,519.7	105,308.0	211.7	0.2%	72.1%	78.1%
TOTAL ASSETS	146,318.8	134,876.9	11,441.9	8.5%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	16,940.6	14,902.7	2,037.9	13.7%	11.6%	11.0%
Due to related parties	4.8	2.7	2.1	77.8%	0.0%	0.0%
Income tax payable	491.4	70.8	420.6	594.1%	0.3%	0.1%
Current portion of:						
Long-term debts	14,164.4	7,663.2	6,501.2	84.8%	9.7%	5.7%
Lease liability	122.9	133.2	(10.3)	-7.7%	0.1%	0.1%
Derivative liabilities	76.8	21.5	55.3	257.2%	0.1%	0.0%
Total Current Liabilities	31,800.9	22,794.1	9,006.8	39.5%	21.7%	16.9%
Noncurrent Liabilities						
Long-term debts - net of current portion	45,865.9	47,987.2	(2,121.3)	-4.4%	31.3%	35.6%
Long-term lease liability	243.8	279.8	(36.0)	-12.9%	0.2%	0.2%
Net retirement and other post-employment benefits	2,024.3	1,552.8	471.5	30.4%	1.4%	1.2%
Derivative liabilities - net of current portion	581.8	259.5	322.3	124.2%	0.4%	0.2%
Deferred tax liability	-	14.5	(14.5)	-100.0%	0.0%	0.0%
Provisions and other long-term liabilities	2,573.1	2,184.0	389.1	17.8%	1.8%	1.6%
Total Noncurrent Liabilities	51,288.9	52,277.8	(988.9)	-1.9%	35.1%	38.8%
TOTAL LIABILITIES	83,089.8	75,071.9	8,017.9	10.7%	56.8%	55.7%
EQUITY						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.8	93.8	-	0.0%	0.1%	0.1%
Common stock	19,076.3	19,076.3	-	0.0%	13.0%	14.1%
Treasury Stock	(14,679.3)	(14,646.6)	(32.7)	0.2%	-10.0%	-10.9%
Additional paid-in capital	8,715.1	8,715.1	-	0.0%	6.0%	6.5%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-2.5%	-2.7%
Net accumulated unrealized gain on financial assets at fair value through other comprehensive income	220.3	159.4	60.9	38.2%	0.2%	0.1%
Fair value adjustments on hedging transactions	(813.8)	(446.9)	(366.9)	82.1%	-0.6%	-0.3%
Cumulative translation adjustment arising from foreign subsidiaries	379.2	677.2	(298.0)	-44.0%	0.3%	0.5%
Retained earnings						
Unappropriated	28,498.5	21,217.1	7,281.4	34.3%	19.5%	15.7%
Appropriated	23,437.2	26,699.9	(3,262.7)	-12.2%	16.0%	19.8%
Total Equity	61,220.9	57,838.9	3,382.0	5.8%	41.8%	42.9%
Non-controlling interest	2,008.1	1,966.1	42.0	2.1%	1.4%	1.5%
Total Equity	63,229.0	59,805.0	3,424.0	5.7%	43.2%	44.3%
TOTAL LIABILITIES AND EQUITY	146,318.8	134,876.9	11,441.9	8.5%	100.0%	100.0%

The Group's total assets as of December 31, 2020, amounted to ₱146,318.8 million, 8.5% or ₱11,441.9 million higher than the December 31, 2019 year-end level of ₱134,876.9 million. The Group's debt ratio is 0.49:1 as of December 31, 2020, higher than previous year's 0.48:1. The current ratio of 1.28:1 as of December 31, 2020 was lower than 1.30:1 as of December 31, 2019.

Cash and Cash Equivalents

Cash and cash equivalents increased by 52.6% or ₱7,501.3 million to ₱21,755.4 million as of December 31, 2020 from the ₱14,254.1 million December 31, 2019. The increase was primarily attributable to the following:

- ₱18,659.3 million net cash generated from operations;
- ₱5,234.2 million net proceeds from long-term debts (availment, net of transaction cost less payments); and
- ₱1,153.6 million proceeds from redemption of financial assets at FVPL.

The above was offset by the following:

- ₱6,493.2 million payments of dividends;
- ₱6,162.3 million acquisitions of property, plant and equipment;
- ₱3,385.4 million net payments of interest and other financial charges; and
- ₱1,360.0 million increase in other noncurrent assets.

Financial asset at fair value through profit or loss

Financial asset at fair value through profit or loss decreased by 32.0% or ₱434.4 million to ₱922.8 million as of December 31, 2020 from ₱1,357.2 million balance as of December 31, 2019 mainly due to the net withdrawal from Investment Management Agreement account.

Trade and Other Receivables

Trade and other receivables decreased by 15.8% or ₱1,293.7 million to ₱6,888.7 million as of December 31, 2020 from ₱8,182.4 million balance as of December 31, 2019 mainly due to collection of trade receivables from NPC and insurance claims.

Due from related parties

This account decreased by ₱8.6 million to ₱23.5 million as of December 31, 2020 from ₱32.1 million in 2019 mainly from the transactions with First Gen Energy Solutions.

Parts and supplies inventories

This account increased by 38.6% or ₱1,660.7 million to ₱5,961.2 million as of December 31, 2020 from the ₱4,300.5 million as of December 31, 2019 resulting from various materials and supplies purchased during the year.

Derivative Asset

	December 31,		Favorable (Unfavorable) Variance	
	2020	2019	Amount	%
Current	-	-	-	100.0%
Noncurrent	-	42.9	(42.9)	-100.0%
	-	42.9	(42.9)	-100.0%

This account decreased by 100.0% or ₱42.9 million to nil as of December 31, 2020 from ₱42.9 million balance as of December 31, 2019 mainly due to the valuation adjustments for the period.

Other current assets

This account increased by 263.8% or ₱3,804.9 million to ₱5,247.5 million as of December 31, 2020 from ₱1,442.6 million balance as of December 31, 2019 primarily due to short-term investments with more than 90 days term.

Exploration and Evaluation Assets

This account decreased by 37.3% or ₱1,161.5 million to ₱1,955.9 million as of December 31, 2020 from the balance of ₱3,117.4 million as of December 31, 2019 mainly due to reclassification of Mindanao III to property, plant and equipment.

Financial assets at fair value through other comprehensive income

This account increased by 11.4% or ₱58.9 million to ₱576.4 million as of December 31, 2020 from the ₱517.5 million balance as of December 31, 2019 resulting from the changes in fair value of investments.

Other noncurrent assets

This account increased by 17.5% or ₱1,073.7 million to ₱7,223.9 million as of December 31, 2020 from the ₱6,150.2 million balance as of December 31, 2019 primarily due to increases in long-term receivables and prepaid taxes partly offset by lower tax credit certificates.

Trade and other payables

This account increased by 13.7% or ₱2,037.9 million to ₱16,940.6 million as of December 31, 2020 from ₱14,902.7 million as of December 31, 2019 mainly due to increase in trade payables (₱1,806.2 million) and dividends payable (₱800.3 million), partly offset by decrease in other payables (₱552.8 million).

Due to related parties

This account increased by 77.8% or ₱2.1 million to ₱4.8 million as of December 31, 2020 from ₱2.7 million as of December 31, 2019 due to interest-free advances from First Gen Corporation.

Income Tax payable

The increase is due to the recognition of income tax payable for the year.

Long-term debt

	December 31,		(Favorable) Unfavorable Variance	
	2020	2019	Amount	%
Current	14,164.4	7,663.2	6,501.2	84.8%
Noncurrent	45,865.9	47,987.2	(2,121.3)	-4.4%
	60,030.3	55,650.4	4,379.9	7.9%

The increase of long-term debt mainly pertained to additional loans availed in 2020.

Lease liability

	December 31,		(Favorable) Unfavorable Variance	
	2020	2019	Amount	%
Current	122.9	133.2	(10.3)	-7.7%
Noncurrent	243.8	279.8	(36.0)	-12.9%
	366.7	413.0	(46.3)	-11.2%

This pertains to the adoption of PFRS 16, Leases, beginning January 1, 2019. The decrease is mainly pertaining to the regular amortization of lease liability.

Derivative liability

December 31, (Favorable) Unfavorable Variance				
	2020	2019	Amount	%
Current	76.8	21.5	55.3	257.2%
Noncurrent	581.8	259.5	322.3	124.2%
	658.6	281.0	377.6	134.4%

The increase of 134.4% or ₱377.6 million to ₱658.6 million from ₱281.0 million is mainly due to five (5) derivative contracts entered in April 2020.

Net retirement and other post-employment benefits

The 30.4% increase or ₱471.5 million to ₱2,024.3 million as of December 31, 2020 from ₱1,552.8 million as of December 31, 2019 mainly due to retirement expense provision recognized during the period.

Deferred tax liabilities

This account decreased by 100.0% to nil as of December 31, 2020 from ₱14.5 million balance as of December 31, 2019 mainly attributable to offsetting of deferred tax assets.

Provisions and other long-term liabilities

This account increased by 17.8% or ₱389.1 million to ₱2,573.1 million as of December 31, 2020 from ₱2,184.0 million balance as of December 31, 2019 mainly due to increase in provision for rehabilitation costs.

Net accumulated unrealized gain on financial assets at fair value through other comprehensive income

This account increased by 38.2% or ₱60.9 million to ₱220.3 million as of December 31, 2020 from ₱159.4 million balance as of December 31, 2019 mainly due to valuation adjustments.

Fair value adjustments on hedging transactions

The increase of ₱366.9 million is mainly due to the fair value adjustment on hedging transactions.

Cumulative translation adjustment

The decrease of ₱298.0 million decrease in gain is mainly due to the cumulative translation adjustment from international subsidiaries and local subsidiary with USD functional currency.

Retained Earnings

Unappropriated

The increase of 34.3% or ₱7,281.4 million to ₱28,498.5 million as of December 31, 2020 from ₱21,217.1 million as of December 31, 2019 was mainly due to the ₱11,494.6 million net income attributable to the equity holders of the Parent, ₱4.7 million transfer of net accumulated unrealized gain on financial assets at FVOCI to retained earnings, and ₱3,262.7 million net reversal of appropriation of retained earnings, partly reduced by ₱7,293.5 million cash dividends and ₱187.1 million remeasurements of retirement and other post-employment benefits.

Appropriated

The decrease of 12.2% or ₱3,262.7 million to ₱23,437.2 million as of December 31, 2020 from ₱26,699.9 million as of December 31, 2019 was due to the reversal of appropriation of retained earnings.

December 2019 vs. December 2018 Balances

Horizontal and Vertical Analysis of Material Changes as of December 31, 2019 and 2018

(Amounts In ₱ millions)	Dec. 2019	Dec. 2018	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		2019	2018
			Amount	%		
ASSETS						
Current Assets						
Cash and cash equivalents	14,254.1	14,988.5	(734.4)	-4.9%	10.6%	11.0%
Financial asset at fair value through profit or loss	1,357.2	801.6	555.6	69.3%	1.0%	0.6%
Trade and other receivables	8,182.4	6,094.9	2,087.5	34.2%	6.1%	4.5%
Due from related parties	32.1	0.8	31.3	3,912.5%	0.0%	0.0%
Parts and supplies inventories	4,300.5	3,972.8	327.7	8.2%	3.2%	2.9%
Derivative assets	-	8.9	(8.9)	-100.0%	0.0%	0.0%
Other current assets	1,442.6	2,511.8	(1,069.2)	-42.6%	1.1%	1.8%
Total Current Assets	29,568.9	28,379.3	1,189.6	4.2%	21.9%	20.9%
Noncurrent Assets						
Property, plant and equipment	90,559.3	90,702.1	(142.8)	-0.2%	67.1%	66.7%
Goodwill and intangible assets	4,054.6	4,067.1	(12.5)	-0.3%	3.0%	3.0%
Exploration and evaluation assets	3,117.4	3,076.2	41.2	1.3%	2.3%	2.3%
Deferred tax assets – net	866.1	980.6	(114.5)	-11.7%	0.6%	0.7%
Financial assets at fair value through other comprehensive income	517.5	434.1	83.4	19.2%	0.4%	0.3%
Derivative assets	42.9	175.2	(132.3)	-75.5%	0.0%	0.1%
Other noncurrent assets	6,150.2	8,111.5	(1,961.3)	-24.2%	4.6%	6.0%
Total Noncurrent Assets	105,308.0	107,546.8	(2,238.8)	-2.1%	78.1%	79.1%
TOTAL ASSETS	134,876.9	135,926.1	(1,049.2)	-0.8%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	14,902.7	10,526.6	4,376.1	41.6%	11.0%	7.7%
Due to related parties	2.7	34.6	(31.9)	-92.2%	0.0%	0.0%
Income tax payable	70.8	93.4	(22.6)	-24.2%	0.1%	0.1%
Current portion of:						
Long-term debts	7,663.2	4,359.4	3,303.8	75.8%	5.7%	3.2%
Lease liability	133.2	-	133.2	100.0%	0.1%	0.0%
Derivative liabilities	21.5	-	21.5	100.0%	0.0%	0.0%
Total Current Liabilities	22,794.1	15,014.0	7,780.1	51.8%	16.9%	11.0%
Noncurrent Liabilities						
Long-term debts - net of current portion	47,987.2	61,443.3	(13,456.1)	-21.9%	35.6%	45.2%
Long-term lease liability	279.8	-	279.8	100.0%	0.2%	0.0%
Net retirement and other post-employment benefits	1,552.8	1,144.5	408.3	35.7%	1.2%	0.8%
Derivative liabilities - net of current portion	259.5	7.4	252.1	3,406.8%	0.2%	0.0%
Deferred tax liability	14.5	244.9	(230.4)	-94.1%	0.0%	0.2%
Provisions and other long-term liabilities	2,184.0	1,834.7	349.3	19.0%	1.6%	1.3%
Total Noncurrent Liabilities	52,277.8	64,674.8	(12,397.0)	-19.2%	38.8%	47.6%
TOTAL LIABILITIES	75,071.9	79,688.8	(4,616.9)	-5.8%	55.7%	58.6%
EQUITY						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.8	93.8	-	0.0%	0.1%	0.1%
Common stock	19,076.3	19,076.3	-	0.0%	14.1%	14.0%
Treasury Stock	(14,646.6)	(14,639.5)	(7.1)	0.0%	-10.9%	-10.8%
Additional paid-in capital	8,715.1	8,715.1	-	0.0%	6.5%	6.4%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-2.7%	-2.7%
Net accumulated unrealized gain on financial assets at fair value through other comprehensive income	159.4	76.0	83.4	109.7%	0.1%	0.1%
Fair value adjustments on hedging transactions	(446.9)	102.6	(549.5)	-535.6%	-0.3%	0.1%
Cumulative translation adjustment arising from foreign subsidiaries	677.2	815.3	(138.1)	-16.9%	0.5%	0.6%
Retained earnings						
Unappropriated	21,217.1	23,754.3	(2,537.2)	-10.7%	15.7%	17.5%
Appropriated	26,699.9	20,001.8	6,698.1	33.5%	19.8%	14.7%
Non-controlling interest	1,966.1	1,948.0	18.1	0.9%	1.5%	1.4%
Total Equity	59,805.0	56,237.3	3,567.7	6.3%	44.3%	41.4%
TOTAL LIABILITIES AND EQUITY	134,876.9	135,926.1	(1,049.2)	-0.8%	100.0%	100.0%

The Groups total assets as of December 31, 2019, amounted to ₱134,876.9 million, 0.8% or ₱1,049.2 million lower than the December 31, 2018 year-end level of ₱135,926.1 million. The Group's debt ratio is 0.48:1 as of December 31, 2019, lower than previous year's 0.54:1. The current ratio of 1.30:1 as of December 31, 2019 was lower than the current ratio of 1.89:1 as of December 31, 2018.

Financial asset at fair value through profit or loss

Financial asset at fair value through profit or loss increased by 69.3% or ₱555.6 million to ₱1,357.2 million as of December 31, 2019 from ₱801.6 million balance as of December 31, 2018 mainly due to the additional investments of ₱808.3 partly offset by ₱372.5 million redemptions during the period.

Trade and Other Receivables

Trade and other receivables increased by 34.2% or ₱2,087.5 million to ₱8,182.4 million as of December 31, 2019 from ₱6,094.9 million balance as of December 31, 2018 mainly due to higher trade receivables from NPC and other receivables from insurance claims.

Due from related parties

This account increased by ₱31.3 million to ₱32.1 million as of December 31, 2019 from ₱0.8 million in 2018 resulting from the transactions with First Gen Energy Solutions.

Parts and supplies inventories

This account increased by 8.2% or ₱327.7 million to ₱4,300.5 million as of December 31, 2019 from the ₱3,972.8 million as of December 31, 2018 mainly due to purchase of various materials and supplies.

Derivative Asset

	December 31,		Favorable (Unfavorable) Variance	
	2019	2018	Amount	%
Current	-	8.9	(8.9)	-100.0%
Noncurrent	42.9	175.2	(132.3)	-75.5%
	42.9	184.1	(141.2)	-76.7%

This account decreased by 76.7% or ₱141.2 million to ₱42.9 million as of December 31, 2019 from ₱184.1 million balance as of December 31, 2018 mainly due to the valuation adjustments for the period.

Other current assets

This account decreased by 42.6% or ₱1,069.2 million to ₱1,442.6 million as of December 31, 2019 from ₱2,511.8 million balance as of December 31, 2018 primarily due to decrease in debt service reserve account.

Deferred tax assets - net

This account decreased by 11.7% or ₱114.5 million to ₱866.1 million as of December 31, 2019 from the ₱980.6 million balance in December 31, 2018 mainly attributable to the movement of the foreign exchange rate.

Financial assets at fair value through other comprehensive income

This account increased by 19.2% or ₱83.4 million to ₱517.5 million as of December 31, 2019 from the ₱434.1 million balance as of December 31, 2018 resulting from the changes in fair value of investments.

Other noncurrent assets

This account decreased by 24.2% or ₱1,961.3 million to ₱6,150.2 million as of December 31, 2019 from the ₱8,111.5 million balance as of December 31, 2018 primarily due to decrease in prepaid taxes, reclassification of prepaid expense as prepayment for long-term lease to right of use assets and lower tax credit certificates and long-term receivables.

Trade and other payables

This account increased by 41.6% or ₱4,376.1 million to ₱14,902.7 million as of December 31, 2019 from ₱10,526.6 million as of December 31, 2018 mainly due to outstanding dividends payable amounting to ₱4,200.0 million.

Due to related parties

This account decreased by 92.2% or ₱31.9 million to ₱2.7 million as of December 31, 2019 from ₱34.6 million as of December 31, 2018 mainly due to consultancy fee to First Gen Corporation.

Income Tax payable

The decrease in income tax payable is due to the lower income tax expense for the year.

Long-term debt

	December 31,		(Favorable) Unfavorable Variance	
	2019	2018	Amount	%
Current	7,663.2	4,359.4	3,303.8	75.8%
Noncurrent	47,987.2	61,443.3	(13,456.1)	-21.9%
	55,650.4	65,802.7	(10,152.3)	-15.4%

The decrease of long-term debt mainly pertained to payments of term loans and partial redemption of US\$ notes.

Lease liability

	December 31,		(Favorable) Unfavorable Variance	
	2019	2018	Amount	%
Current	133.2	-	133.2	100.0%
Noncurrent	279.8	-	279.8	100.0%
	413.0	-	413.0	100.0%

This pertains to the adoption of PFRS16, Leases, beginning January 1, 2019.

Net retirement and other post-employment benefits

The 35.7% increase or ₱408.3 million to ₱1,552.8 million as of December 31, 2019 from ₱1,144.5 million as of December 31, 2018, was mainly due to lower fair value of plan assets mainly due to higher benefits paid during the year.

Derivative liability

December 31, (Favorable) Unfavorable Variance				
	2019	2018	Amount	%
Current	21.5	-	21.5	100.0%
Noncurrent	259.5	7.4	252.1	3,406.8%
	281.0	7.4	273.6	3,697.3%

The increase of ₱273.6 million to ₱281.0 million from ₱7.4 million is due to hedged accounts.

Deferred tax liabilities

This account decreased by 94.1% or ₱230.4 million to ₱14.5 million as of December 31, 2019 from ₱244.9 million balance as of December 31, 2018 mainly attributable to the movement of the foreign exchange rate.

Provisions and other long-term liabilities

This account increased by 19.0% or ₱349.3 million to ₱2,184.0 million as of December 31, 2019 from ₱1,834.7 million balance as of December 31, 2018 mainly due to increase in provision for rehabilitation and restoration costs.

Net accumulated unrealized gain on financial assets at fair value through other comprehensive income

This account increased by 109.7% or ₱83.4 million to ₱159.4 million as of December 31, 2019 from ₱76.0 million balance as of December 31, 2018 mainly due to valuation adjustments.

Fair value adjustments on hedging transactions

The increase of ₱549.5 million is mainly due to the fair value adjustment on hedging transactions.

Cumulative translation adjustment

The decrease of ₱138.1 million is mainly due to the cumulative translation adjustment of foreign currency denominated subsidiaries.

Retained Earnings

Unappropriated

The decrease of 10.7% or ₱2,537.2 million to ₱21,217.1 million as of December 31, 2019 from ₱23,754.3 million as of December 31, 2018 was mainly due to the ₱11,931.2 million net income attributable to the equity holders of the Parent, partly reduced by ₱269.5 million remeasurement of retirement and other post-employment benefits; ₱7,500.8 million cash dividends and ₱6,698.0 million appropriation of retained earnings.

Appropriated

In December 2018, the BOD of the Group approved a resolution to appropriate ₱20,001.8 million out of the Group's unrestricted retained earnings for its planned loan principal payment for loans maturing in 2020 to 2022. In December 2019, additional ₱6,698.0 million were appropriated for the same purpose. Appropriated retained earnings as of December 31, 2019 amounted to ₱26,699.9 million.

December 2018 vs. December 2017 Balances

Horizontal and Vertical Analysis of Material Changes as of December 31, 2018 and 2017

(Amounts In PHP millions)	Dec. 2018	Dec. 2017	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		2018	2017
			Amount	%		
ASSETS						
Current Assets						
Cash and cash equivalents	14,988.5	11,695.7	3,292.8	28.2%	11.0%	8.5%
Financial asset at fair value through profit or loss	801.6	1,033.5	(231.9)	-22.4%	0.6%	0.8%
Trade and other receivables	6,094.9	7,270.9	(1,176.0)	-16.2%	4.5%	5.3%
Due from related parties	0.8	3.4	(2.6)	-76.5%	0.0%	0.0%
Parts and supplies inventories	3,972.8	3,729.4	243.4	6.5%	2.9%	2.7%
Derivative assets	8.9	114.5	(105.6)	-92.2%	0.0%	0.1%
Other current assets	2,511.8	3,146.0	(634.2)	-20.2%	1.8%	2.3%
Total Current Assets	28,379.3	26,993.4	1,385.9	5.1%	20.9%	19.6%
Noncurrent Assets						
Property, plant and equipment	90,702.1	92,557.8	(1,855.7)	-2.0%	66.7%	67.3%
Goodwill and intangible assets	4,067.1	4,019.4	47.7	1.2%	3.0%	2.9%
Exploration and evaluation assets	3,076.2	3,063.2	13.0	0.4%	2.3%	2.2%
Deferred tax assets – net	980.6	1,037.5	(56.9)	-5.5%	0.7%	0.8%
Financial assets at fair value through other comprehensive income	434.1	-	434.1	100.0%	0.3%	0.0%
Available-for-sale (AFS) investments	-	707.2	(707.2)	-100.0%	0.0%	0.5%
Derivative assets	175.2	51.0	124.2	243.5%	0.1%	0.0%
Other noncurrent assets	8,111.5	9,157.6	(1,046.1)	-11.4%	6.0%	6.7%
Total Noncurrent Assets	107,546.8	110,593.7	(3,046.9)	-2.8%	79.1%	80.4%
TOTAL ASSETS	135,926.1	137,587.1	(1,661.0)	-1.2%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	10,526.6	10,935.2	(408.6)	-3.7%	7.7%	7.9%
Due to related parties	34.6	20.3	14.3	70.4%	0.0%	0.0%
Income tax payable	93.4	51.1	42.3	82.8%	0.1%	0.0%
Current portion of:						
Long-term debts	4,359.4	7,661.0	(3,301.6)	-43.1%	3.2%	5.6%
Derivative liabilities	-	4.5	(4.5)	-100.0%	0.0%	0.0%
Total Current Liabilities	15,014.0	18,672.1	(3,658.1)	-19.6%	11.0%	13.6%
Noncurrent Liabilities						
Long-term debts - net of current portion	61,443.3	57,381.6	4,061.7	7.1%	45.0%	41.7%
Net retirement and other post-employment benefits	1,144.5	885.3	259.2	29.3%	0.8%	0.6%
Derivative liabilities - net of current portion	7.4	80.2	(72.8)	-90.8%	0.0%	0.1%
Deferred tax liability	244.9	66.2	178.7	269.9%	0.2%	0.0%
Provisions and other long-term liabilities	1,834.7	1,905.8	(71.1)	-3.7%	1.3%	1.4%
Total Noncurrent Liabilities	64,674.8	60,319.1	4,355.7	7.2%	47.6%	43.8%
TOTAL LIABILITIES	79,688.8	78,991.2	697.6	0.9%	58.6%	57.4%
EQUITY						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.8	93.8	-	0.0%	0.1%	0.1%
Common stock	19,076.3	18,750.0	326.3	1.7%	14.0%	13.6%
Treasury Stock	(14,639.5)	(73.5)	(14,566.0)	19,817.7%	-10.7%	-0.1%
Common shares in employee trust account	-	(44.3)	44.3	-100.0%	0.0%	0.0%
Additional paid-in capital	8,715.1	6,611.8	2,103.3	31.8%	6.4%	4.8%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-2.7%	-2.7%
Net accumulated unrealized gain on financial assets at fair value through other comprehensive income	76.0	-	76.0	100.0%	0.1%	0.0%
Net accumulated unrealized gain on AFS investments	-	51.1	(51.1)	-100.0%	0.0%	0.0%
Fair value adjustments on hedging transactions	102.6	(22.9)	125.5	-548.0%	0.1%	0.0%
Cumulative translation adjustment arising from foreign subsidiaries	815.3	476.9	338.4	71.0%	0.6%	0.3%
Retained earnings						
Unappropriated	23,754.3	34,621.4	(10,867.1)	-31.4%	17.5%	25.2%
Appropriated	20,001.8	-	20,001.8	100.0%	14.7%	0.0%
Total Equity	56,237.3	58,595.9	(2,358.6)	-4.0%	41.4%	42.6%
TOTAL LIABILITIES AND EQUITY	135,926.1	137,587.1	(1,661.0)	-1.2%	100.0%	100.0%

The Group's total assets as of December 31, 2018, amounted to ₱135,926.3 million, 1.2% or ₱1,660.8 million lower than the December 31, 2017 year-end level of ₱137,587.1 million. The Company's debt ratio is 0.54:1 as of December 31, 2018 higher than previous year's 0.53:1. This year's current ratio of 1.89:1 was higher than previous year's 1.45:1.

Cash and Cash Equivalents

Cash and cash equivalents increased by 28.2% or ₱3,292.8 million to ₱14,988.5 million as of December 31, 2018 from the ₱11,695.7 million December 31, 2017. The increase was primarily attributable to the following:

- ₱21,952.0 million cash generated from operating activities;
- ₱8,388.8 million net proceeds from long-term debt;
- ₱2,365.3 million issuance of common shares;
- ₱834.7 million in other noncurrent assets;
- ₱513.4 million interest received; and
- ₱513.4 million proceeds from disposal of financial asset at FVTPL.

The above was offset by the reduction in the following:

- ₱14,566.0 million acquisitions of treasury stock;
- ₱8,646.6 million payments of long-term debt;
- ₱4,076.5 million acquisitions of property, plant and equipment; and
- ₱3,777.3 million net payments of interest and other financial charges.

Financial asset at fair value through profit or loss

Financial asset at fair value through profit or loss decreased by 22.4% or ₱231.9 million to ₱801.6 million as of December 31, 2018 from ₱1,033.5 million balance as of December 31, 2017 mainly due to disposal of investment management account.

Trade and Other Receivables

Trade and other receivables decreased by 16.2% or ₱1,176.0 million to ₱6,094.9 million as of December 31, 2018 from ₱7,270.9 million balance as of December 31, 2017 mainly due to decrease in receivable from TransCo.

Due from related parties

This account decreased by 76.5% or ₱2.6 million to ₱0.8 million as of December 31, 2018 from ₱3.4 million in 2017 due to settlement in the account of First Gen Energy Solutions.

Parts and supplies inventories

This account increased by 6.5% or ₱243.4 million to ₱3,972.8 million as of December 31, 2018 from the ₱3,729.4 million as of December 31, 2017 mainly due to purchase of various materials and supplies.

Derivative Asset

	December 31,		Favorable (Unfavorable) Variance	
	2018	2017	Amount	%
Current	8.9	114.5	(105.6)	-92.2%
Noncurrent	175.2	51.0	124.2	243.5%
	184.1	165.5	18.6	11.2%

This account increased by 11.2% or ₱18.6 million to ₱184.1 million as of December 31, 2018 from ₱165.5 million balance as of December 31, 2017 mainly due to the valuation adjustments for the period.

Other current assets

This account decreased by 20.2% or ₱634.2 million to ₱2,511.8 million as of December 31, 2018 from ₱3,146.0 million balance as of December 31, 2017 primarily due to decrease in other short term investment.

Deferred tax assets - net

This account decreased by 5.5% or ₱56.9 million to ₱980.6 million as of December 31, 2018 from the ₱1,037.5 million balance in December 31, 2017 primarily due to realized foreign exchange loss from loan prepayments.

Available-for-sale investment

This account decreased by 100.0% or ₱707.2 million to nil as of December 31, 2018 from the ₱707.2 million balance as of December 31, 2017 due to reclassification to financial assets at fair value through other comprehensive income and fair value through profit or loss resulting from the PFRS9 adoption.

Other noncurrent assets

This account decreased by 11.4% or ₱1,046.1 million to ₱8,111.5 million as of December 31, 2018 from the ₱9,157.6 million balance as of December 31, 2017 mainly due to decrease in tax credit certificate and input VAT.

Due to related parties

This account increased by 70.4% or ₱14.3 million to ₱34.6 million as of December 31, 2018 from ₱20.3 million as of December 31, 2017 was mainly attributable to consultancy fee to First Gen Corporation.

Income Tax payable

The increase in income tax payable is due to the higher income tax expense for the year.

Net retirement and other post-retirement benefit

The 29.3% increase or ₱259.2 million to ₱1,144.5 million as of December 31, 2018 from ₱885.3 million as of December 31, 2017 mainly due to retirement expense provision recognized during the period.

Derivative liability

		December 31,		Favorable (Unfavorable) Variance	
	2018	2017	Amount	%	
Current	-	4.5	(4.5)	-100.0%	
Noncurrent	7.4	80.2	(72.8)	-90.8%	
	7.4	84.7	(77.3)	-91.3%	

The decrease of 91.3% or ₱77.3 million to ₱7.4 million from ₱84.7 million is due to maturity of hedged accounts.

Deferred tax liabilities

This account increased by 269.9% or ₱178.7 million to ₱244.9 million as of December 31, 2018 from ₱66.2 million balance as of December 31, 2017 mainly due on unrealized foreign exchange gains.

Treasury stock

This account increased ₱14,566.0 million to ₱14,639.5 million as of December 31, 2018 from ₱73.5 million balance as of December 31, 2017 mainly due to additional purchase of stocks.

Common shares in employee trust account

This account decreased by ₱44.3 million to nil as of December 31, 2018 and ₱44.3 million as of December 31, 2017. The decrease is a result of the delisting.

Additional paid-in capital

This account increased by 31.8% or ₱2,103.3 million to ₱8,715.1 million as of December 31, 2018 and ₱6,611.8 million as of December 31, 2017 due to issuance of shares.

Net accumulated unrealized gain on financial assets at fair value through other comprehensive income

This account posted a ₱76.0 million as of December 31, 2018, nil in December 31, 2017. This is in relation with the new standard classification.

Net accumulated unrealized gain on AFS investments

The 100.0% or ₱51.1 million decrease, nil in 2018, resulted from the new standard classification.

Fair value adjustments on hedging transactions

The increase of ₱125.5 million is mainly due to the fair value adjustments on hedging transactions.

Cumulative translation adjustment

The increase of ₱338.4 million is mainly due to the cumulative translation adjustment of foreign currency denominated subsidiaries.

Retained Earnings

Unappropriated

The decrease of 31.4% or ₱10,867.1 million to ₱23,754.3 million as of December 31, 2018 from ₱34,621.4 million as of December 31, 2017 was mainly due to the ₱9,403.8 million net income attributable to the equity holders of the Parent, partly reduced by ₱167.7 million impact of adoption of Philippine Financial Reporting Standard (PFRS) 9 and ₱101.4 million remeasurements of retirement and other post-employment benefits..

Appropriated

In December 2018, the BOD of the Company approved a resolution to appropriate ₱20,001.8 million out of the Company's unrestricted retained earnings for its planned loan principal payment for loans maturing in 2020 to 2022.

Non-controlling interests

Non-controlling interest increased by 6.0% or ₱110.0 million to ₱1,948.0 million as of December 31, 2018 from the ₱1,838.0 million balance as of December 31, 2017 due to the net income attributable to non-controlling interests of ₱191.7 million and ₱1.1 million movement in other comprehensive income, partly reduced by ₱80.0 million cash dividend and ₱2.8 million impact of adoption of PFRS 9.

CASH FLOWS

2020 vs. 2019

Net cash flows from operating activities decreased by 7.2% or ₱1,446.1 million to ₱18,659.3 million in 2020 from ₱20,105.4 million in 2019 mainly due to increase in other current assets (₱4,820.9 million) resulting mainly from short-term investments held for more than 90 days and increase in parts and supplies inventories (₱1,476.4 million), partly offset by decrease in trade and other receivables (₱4,002.4 million) combined with increase in trade and other payables (₱1,195.2 million).

Net cash flows used in investing activities increased by 86.5% or ₱2,883.3 million to ₱6,217.7 million in December 31, 2020 as compared to the ₱3,334.4 million in 2019. The increase was mainly due to higher acquisitions of property, plant and equipment of ₱425.2 million and turnaround in noncurrent assets of ₱3,026.6 million (from decrease of ₱1,666.6 million in 2019 to increase of ₱1,360.0 million in 2020), partly offset by higher proceeds from redemption of financial assets at FVPL (₱781.1 million).

Net cash flows used in financing activities decreased by 72.3% or ₱12,604.5 million to ₱4,837.7 million in December 31, 2020 as compared to the ₱17,442.2 million in 2019 mainly due to the proceeds from availment of long-term debts – net of transaction cost (₱12,933.4 million) combined with lower long-term debts payments (₱1,986.3 million) partly offset by higher cash dividend payments (₱2,792.4 million).

2019 vs. 2018

Net cash flows from operating activities decreased by 8.4% or ₱1,846.6 million to ₱20,105.4 million in 2019 from ₱21,952.0 million in 2018 mainly due to increase in trade and other receivables.

Net cash flows used in investing activities increased by 45.3% or ₱1,040.3 million to ₱3,334.4 million in December 31, 2019 as compared to the ₱2,294.1 million in 2018 primarily due to higher capital expenditures.

Net cash flows used in financing activities increased by 6.9% or ₱1,126.4 million to ₱17,442.2 million in December 31, 2019 as compared to the ₱16,315.8 million in 2018. This is primarily due to higher long-term debt payments (₱1,039.0 million), cash dividends (₱3,620.8 million), and lease liability (₱313.1 million), combined with absence of long-term debt proceeds (₱8,388.8 million) and issuance of common shares (₱2,365.3 million). These were partly offset by lower acquisition of treasury stocks (₱14,559.0 million).

2018 vs. 2017

Net cash flows from operating activities increased by 16.3% or ₱3,071.5 million to ₱21,952.0 million in 2018 from ₱18,880.5 million in 2017 mainly due to higher operating income.

Net cash flows used in investing activities decreased by 62.2% or ₱3,771.1 million to ₱2,294.1 million in December 31, 2018 as compared to the ₱6,065.2 million in 2017 primarily due to lower capital expenditures.

Net cash flows used in financing activities increased by ₱4,614.8 million to ₱16,315.8 million in December 31, 2018 as compared to the ₱11,700.9 million in 2017. This is primarily due to acquisition of treasury stock.

Selected Financial Data

Financial Statements				
(Amounts in ₱ millions)	2020	2019	2018	2017
a) Cash and Cash Equivalents				
Cash on hand and in bank (Peso)	3,586.3	2,517.7	2,898.9	1,004.2
Cash in bank (US\$)	411.6	170.1	88.8	467.5
Cash in bank (CHP)	21.5	26.0	8.8	9.7
Cash in bank (PEN)	4.0	1.7	11.6	3.8
Cash in bank (IDR)	80.1	79.3	5.8	5.8
Marketable securities (Peso)	12,349.2	8,221.3	8,352.7	8,557.5
Marketable securities (US\$)	5,302.6	3,238.0	3,621.8	1,647.2
Total	21,755.4	14,254.1	14,988.4	11,695.7
b) Accounts Receivables – Others				
Non-trade accounts receivable	1,209.8	1,497.0	138.4	79.6
Loans and notes receivable	56.8	55.0	61.3	70.3
Advances to employees	24.9	20.1	26.3	14.8
Employee receivables				15.1
Total	1,291.5	1,572.1	226.0	179.8
c) General and Administrative Expenses				
Purchased services and utilities	1,804.2	2,317.6	2,480.3	2,052.4
Personnel costs	1,574.6	1,957.0	1,741.9	1,492.9
Rental, insurance and taxes	438.6	1,022.3	829.9	665.7
Business and related expenses	525.5	425.6	349.7	343.8
Depreciation and amortization	517.3	471.3	292.2	321.4
Repairs and maintenance	62.5	56.7	49.2	58.5
Parts and supplies issued	165.3	86.6	105.7	130.5
Provision for impairment of trade and other receivables, and prepaid taxes	253.3	848.4	243.8	179.1
Provision for (reversal of) impairment of parts and supplies inventories	80.0	(63.3)	96.7	70.5
Total	5,421.3	7,122.2	6,189.4	5,314.8
d) Other Income, Interest Expense and Others				
Interest income	246.3	564.4	529.3	274.7
Interest expense	(3,622.7)	(3,887.9)	(4,096.0)	(4,130.6)
Foreign exchange gains (losses) – net	240.4	68.9	(518.4)	(50.2)
Loss on loan extinguishment	-	(114.6)	-	(514.6)
Miscellaneous, net	1,656.6	1,926.9	2,241.3	491.2
Total	(1,479.4)	(1,442.3)	(1,843.8)	(3,929.5)

DISCUSSION ON THE SUBSIDIARIES

December 2020 vs. December 2019 Results

Green Core Geothermal Inc. (GCGI)

(Amounts in P millions)	For the years ended December 31,	
	2020	2019
Revenue	11,508.3	13,573.1
Costs of sale of electricity	(8,962.6)	(10,462.9)
General and administrative expenses	(666.9)	(574.9)
Other income (charges) - net	360.8	36.4
Income before income tax	2,239.6	2,571.7
Provision for income tax	(354.9)	(260.5)
Net income	1,884.7	2,311.2
	As of December 31,	
	2020	2019
Total current assets	3,924.6	3,624.1
Total noncurrent assets	13,394.0	13,415.6
Total current liabilities	6,595.0	6,508.8
Total noncurrent liabilities	1,599.6	2,768.7
Total equity	9,124.0	7,762.2

GCGI's revenue decreased by 15.2% or ₱2,064.8 million, to ₱11,508.3 million for the year ended December 31, 2020 from ₱13,573.1 million in 2019. The decrease was due to lower WESM prices (₱1,501.0 million) and lower sales volume (₱563.6 million).

Costs of sale of electricity decreased by 14.3% or ₱1,500.3 million, to ₱8,962.6 million in 2020 from the ₱10,462.9 million in 2019. The decrease was mainly due to lower purchased services & utilities (₱1,265.6 million) and lower cost of steam (₱312.18 million), partly offset by higher parts and supplies issued (₱21.6 million) and repairs and maintenance (₱63.0 million).

General and administrative expenses increased by 16.0% or ₱92.0 million, to ₱666.9 million in 2020 from ₱574.9 million in 2019. The increase was mainly due to higher business related expenses (₱141.7 million) and parts and supplies (₱53.6 million) offset by lower rental, insurance and taxes (₱85.0 million), personnel cost (₱9.2 million) and provision for doubtful accounts (₱6.9 million).

Other income – net increased by 891.2% or ₱324.4 million, to ₱360.8 million in 2020 from ₱36.4 million in 2019. The increase was mainly due to higher income from insurance claims (₱154.9 million), income from the contract for price difference (₱104.0 million) and lower finance charges-net (₱62.9 million).

Provision for income tax increased by 36.2% or ₱94.4 million, to ₱354.9 million from the ₱260.5 million in 2019 on account of higher taxable income.

As a result, net income decreased by 18.5% or ₱426.5 million, to ₱1,884.7 million in 2020 from ₱2,311.2 million in 2019.

Total current assets increased by 8.3% or ₱300.5 million, to ₱3,924.6 million as of December 31, 2020 from the ₱3,624.1 million as of December 31, 2019. The increase was mainly due to higher cash & cash equivalents (₱672.4 million), partly offset by lower other current assets (₱363.5 million).

Total current liabilities increased by 1.3 % or ₱86.2 million, to ₱6,595.0 million as December 31, 2020 from ₱6,508.8 million as of December 31, 2019 mainly due to higher trade and other payables (₱97.2 million) and due to related parties (₱ 5.5 million), partly offset by lower income tax payable (₱20.1 million).

Total noncurrent liabilities decreased by 42.2% or ₱1,169.1 million, to ₱1,599.6 million as of December 31, 2020 from ₱2,768.7 million as of December 31, 2019 mainly due to payments long-term debt (₱1,184.8 million).

Total equity increased by 17.5% or ₱1,361.8 million, to ₱9,124.0 million as of December 31, 2020 from ₱7,762.2 million as of December 31, 2019 due to the net income for full-year 2020 (₱1,884.70 million), partly offset by cash dividend (₱520.0 million).

Bac-Man Geothermal Inc. (BGI)

(Amounts in ₱ millions)	For the years ended December 31,	
	2020	2019
Revenues	4,901.9	6,671.3
Costs of sale of electricity	(4,868.8)	(5,466.6)
General and administrative expenses	(197.2)	(540.3)
Other income - net	9.2	115.8
Income (loss) before income tax	(154.9)	780.2
Benefit from (provision for) income tax	(75.7)	41.9
Net income (loss)	(230.6)	822.1
	As of December 31,	
	2020	2019
Total current assets	2,835.5	2,269.3
Total noncurrent assets	4,338.2	4,406.9
Total current liabilities	2,263.2	2,936.7
Total noncurrent liabilities	1,403.3	2,039.7
Total equity	3,507.2	1,699.8

Revenues decreased by 26.5% or ₱1,769.4 million, to ₱4,901.9 million in 2020 from ₱6,671.3 million in 2019 mainly caused by lower average price during the year.

Costs of sale of electricity decreased by 10.9% or ₱597.8 million, to ₱4,868.8 million from ₱5,466.6 million in 2019. The decrease was primarily attributed to lower purchased services and utilities by ₱602.6 million, lower repairs and maintenance by ₱30.4 million, lower government share by ₱18.7 million and lower rental, insurance and taxes by ₱9.1 million partly offset by higher steam costs by ₱39.5 million and higher parts and supplies issued by ₱25.7 million.

General and administrative expenses were lower by 63.5% or ₱343.1 million, to ₱197.2 million from ₱540.3 million in 2019. The decrease was mainly due to lower provision for doubtful accounts on trade receivables and input VAT claims by ₱365.6 million and lower purchased services and utilities by ₱17.4 million partly offset by higher business and related expenses by ₱31.5 million and higher rental, insurance and taxes by ₱14.1 million.

Other income-net decreased by 92.1% or ₱106.6 million to ₱9.2 million from ₱115.8 million in 2019. The decrease was mainly contributed by lower insurance proceeds on claims from typhoon Glenda damages of ₱243.0 million partly offset by the gain on contract for price difference of ₱104.7 million and lower interest charges-net by ₱38.9 million in 2020.

Total current assets increased by 25.0% or ₱566.2 million, to ₱2,835.5 million as of December 31, 2020 from ₱2,269.3 million as of December 31, 2019. The increase in total current assets was mainly driven by the increases in cash and cash equivalents by ₱634.4 million and in trade and other receivables by ₱167.2 million. These were partly offset by the decreases in other current assets by ₱190.6 million mainly coming from debt service reserve account and in parts and supplies inventories by ₱39.1 million.

Total non-current assets decreased by 1.6% or ₱68.7 million, to ₱4,338.2 million from ₱4,406.9 million as of December 31, 2019. The reduction was caused by the decrease of property, plant and equipment by ₱140.3 million

mainly on account of depreciation during the year, partly offset by the increase of other non-current assets by ₱73.1 million.

Total current liabilities decreased by 22.9% or ₱673.5 million, to ₱2,263.2 million from ₱2,936.7 million as of December 31, 2019. The decrease was mainly due to lower trade and other payables by ₱736.4 million in December 2020 partly offset by higher current portion of long-term debt by ₱53.3 million and due to related parties by ₱6.0 million.

Total non-current liabilities decreased by 31.2% or ₱636.4 million, to ₱1,403.3 million from ₱2,039.7 million as of December 31, 2019 mainly due to the payment of principal loan amortization.

Total equity significantly increased by 106.3% or ₱1,807.4 million, to ₱3,507.2 million from ₱1,699.8 million as of December 31, 2019. The increase was attributed to the additional paid-in capital and issuance of preferred stock of ₱2,040.0 million in December 2020 partly offset by ₱230.6 million net loss for 2020.

FG Hydro Power Corporation (FG Hydro)

(Amounts in ₱ millions)	For the years ended December 31,	
	2020	2019
Operating revenues	2,068.4	2,391.3
Cost of sales	(1,573.9)	(838.8)
General and administrative expenses	(354.6)	(406.4)
Operating profit	139.9	1,146.1
Other income – net	12.3	23.9
Income before tax	152.2	1,170.0
Provision for income tax	(40.2)	(111.7)
Net income	112.0	1,058.3
	As of December 31,	
	2020	2019
Total assets	5,575.5	5,136.5
Total liabilities	537.9	212.1
Total equity	5,037.6	4,924.4

FG Hydro's revenues decreased by 13.5% or ₱322.9 million to ₱2,068.4 million for the year ended December 31, 2020 from the revenues of ₱2,391.3 million in 2019. The unfavorable variance was mainly on account of a 51.3% drop in average WESM spot prices and a 24.9% decrease in electricity generated during the year. The decline in generated electricity was due to the lower Pantabangan reservoir elevation which brought down the plant's dependable capacity by 25.1%. The unfavorable variance was partly offset by the higher amount of revenues from ancillary services which increased by 109.6% or ₱86.2 million to ₱164.9 million as compared to ₱78.7 million in 2019.

Cost of sales for the year ended December 31, 2020 of ₱1,573.9 million was ₱735.1 million or 87.6% higher than the ₱838.8 million in 2019. The unfavorable variance was mainly due to increased replacement power purchases from WESM in 2020. G&A expenses decreased by ₱51.8 million or 12.7% to ₱354.6 million during the year as compared to ₱406.4 million in 2019 mainly due to lower professional fees.

Provision for income tax for the year ended December 31, 2020 of ₱40.2 million is 64.0% or ₱71.5 million lower than the ₱111.7 million in 2019 mainly due to lower income from operations in 2020. Overall, FG Hydro's net income dropped by 89.4% or ₱946.3 million to ₱112.0 million for the year ended December 31, 2020 from the ₱1,058.3 million reported income in 2019.

Total assets as of December 31, 2020 stood at ₱5,575.5 million, ₱439.9 million or 8.5% higher than the December 31, 2019 level of ₱5,136.5 million. The favorable variance was mainly on account of higher available funds invested in unit investment trust funds and trade receivable balance in 2020.

As of December 31, 2020, total liabilities stood at ₱537.9 million, ₱325.8 million or 153.6% higher than the December 31, 2019 level of ₱212.1 million. The unfavorable variance is mainly on account of higher balance of trade payables as of December 31, 2020.

Total equity as of December 31, 2020 rose to ₱5,037.6 million, ₱113.2 million or 2.3% better than the December 31, 2019 level of ₱4,924.4 million mainly from net income earned during the year.

EDC Burgos Wind Power Corporation (EBWPC)

(Amounts in USD millions)	For the years ended December 31,	
	2020	2019
Revenue	87.7	56.5
Costs of sale of electricity	(26.9)	(26.7)
General and administrative expenses	(4.0)	(3.1)
Other charges – net	(16.2)	(16.8)
Income before income tax	40.6	9.9
Benefit from income tax	0.9	3.6
Net Income	41.5	13.5
	As of December 31,	
	2020	2019
Total current assets	50.1	46.5
Total noncurrent assets	317.3	312.7
Total current liabilities	31.0	28.9
Total noncurrent liabilities	207.8	216.7
Total equity	128.6	113.6

EBWPC reported \$87.7 million revenue from sale of electricity for the year ended December 31, 2020 from \$56.5 million in 2019. This 55.2% or \$31.2 million increase is mainly due to the FIT escalation adjustment for the years 2016 to 2020 (\$24.2 million) and higher actual generated sales volume (\$7.0 million).

Costs of sale of electricity increased by 0.7% or \$0.2 million, to \$26.9 million in 2020 from \$26.7 million in 2019. The unfavorable variance was mainly due to higher repair and maintenance (\$0.6 million), government share (\$0.2 million) and depreciation and amortization (\$0.1 million), partly offset by lower rental, insurance and taxes (\$0.5 million), purchased service and utilities (\$0.1 million) and personnel costs (\$0.1 million).

General and administrative expenses increased by 29.0% or \$0.9 million, to \$4.0 million in 2020 from \$3.1 million in 2019. This was mainly due to higher provision of impairment of unrecoverable input VAT (\$1.7 million), personnel costs (\$0.1 million) and parts and supplied issued (\$0.1 million), partly offset by purchased service and utilities (\$1.0 million).

Other charges – net decreased by 3.6% or \$0.6 million, to \$16.2 million in 2020 from \$16.8 million in 2019. This was mainly due to higher miscellaneous income (\$0.7 million) and lower net finance charges (\$0.7 million), partly offset by higher foreign exchange loss (\$0.8 million).

Total current assets increased by 7.7% or \$3.6 million due to the increased in trade and other receivables (\$8.3 million), partly offset by lower cash and cash equivalents (\$4.6 million) and other current assets (\$0.1 million).

Total equity increased by 13.2% or \$15.0 million, to \$128.6 million as of December 31, 2020 from \$113.6 million in 2019. This was mainly due to net income during the period (\$41.5 million), partly offset by payment of dividends (\$19.6 million) and increased in cumulative translation adjustment (\$6.9 million).

Other balance sheets accounts have minimal movement during the year.

EDC Siklab Power Corporation (EDC Siklab)

(Amounts in ₱ millions)	For the years ended December 31,	
	2020	2019
Revenues	33.6	39.4
Cost of sales	(15.2)	(16.0)
General and administrative expenses	(5.9)	(7.0)
Other income (charges)-net	0.0	0.1
Income before income tax	12.5	16.5
Provision for income tax	(2.5)	(4.0)
Net income	10.0	12.5
	As of December 31,	
	2020	2019
Total Current Assets	38.8	62.0
Total Non-Current Assets	298.4	311.7
Total Current Liabilities	3.2	49.7
Total Equity	334.0	324.0

Revenues decreased by ₱5.8 million, to ₱33.6 million for the year ended December 31, 2020 from ₱39.4 million for the same period in 2019. The unfavorable variance was mainly due to reduced Gaisano Capital Mall loads during COVID-19.

Cost of sales decreased by ₱0.8 million, to ₱15.2 million for the year ended December 31, 2020 from ₱16.0 million for the same period in 2019. The favorable variance was primarily due to lower rental, insurance, and taxes by ₱0.9 million, lower purchased services and utilities by ₱0.6 million, partly offset by higher repairs and maintenance by ₱0.5 million, higher business and related expenses by ₱0.1 million, higher depreciation expense by ₱0.1 million.

General and administrative expenses decreased by ₱1.1 million, to ₱5.9 for the year ended December 31, 2020 from ₱7.0 million for the same period in 2019. The favorable variance was primarily due to lower rental, insurance, and taxes by ₱0.4, lower purchased services and utilities by ₱0.3 million, lower business and related expense by ₱0.2 million, lower parts and supplies issued by ₱0.1 million and lower repairs and maintenance by ₱0.1 million.

Other income-net decreased by ₱0.1 million, nil for the year ended December 31, 2020 from ₱0.1 million for the same period in 2019. The decreased was mainly due to the foreign exchange gains realized in 2019.

Total current assets decreased by 37.4% or ₱23.2 million, to ₱38.8 million as of December 31, 2020 from ₱62.0 million as of December 31, 2019. The decreased was primarily due to the decreased of cash balance by ₱21.8 million and decreased of trade receivables by ₱1.4 million.

Total non-current assets decreased by 4.3% or ₱13.3 million, to ₱ 298.4 million as of December 31, 2020 from ₱ 311.7 million as of December 31, 2019. The decreased was mainly attributable to the depreciation expense of property, plant and equipment during the period a ₱12.0 million and decreased in noncurrent prepaid expense by ₱ 1.3 million.

Total current liabilities decreased by 93.6% or ₱46.5 million, to ₱3.2 million as of December 31, 2020 from ₱49.7 million as of December 31, 2019. The decreased was primarily due to the decreased of trade payables by ₱45.8 million which was mainly related to payment of shared services and development fees, and lower income tax payable by ₱0.7 million.

Total equity increased by 3.1% or ₱10.0 million, to ₱334.0 million as of December 31, 2020 from ₱324.0 million as of December 31, 2019. The increase was primarily from net income during the period.

Unified Leyte Geothermal Energy Inc. (ULGEI)

(Amounts in P millions)	For the years ended December 31	
	2020	2019
Revenue	1,136.8	1,822.6
Costs of sale of electricity	(2,088.6)	(2,456.1)
General and administrative expenses	(34.6)	(111.9)
Miscellaneous Income	59.8	-
Loss before income tax	(926.6)	(745.4)
Net Loss	(926.6)	(745.4)
	As of December 31,	
	2020	2019
Total assets	287.9	198.2
Total liabilities	4,072.3	3,056.1
Total capital deficiency	(3,784.4)	(2,857.9)

ULGEI's revenue decreased by 37.6% or ₱685.8 million to ₱1,136.8 million for the year ended December 31, 2020 from ₱1,822.6 million in 2019. The decrease was due to lower average selling price and volume.

Costs of sale of electricity decreased by 15% or ₱367.5 million to ₱2,088.6 million in 2020 from ₱2,456.1 million in 2019. The decrease was mainly due to lower purchased power cost.

General and administrative expenses decreased by 69.1% or ₱77.3 million, to ₱34.6 million in 2020 from ₱111.9 million in 2019. The decrease was mainly due to the provision for impairment of creditable withholding tax in 2019, nil in 2020.

Miscellaneous income increased by ₱59.8 million in 2020 and none in 2019. The increase was due to gain on contract for price difference.

With the foregoing, the net loss increased by 24.3% or ₱181.2 million to ₱926.6 million in 2020 from ₱745.4 million in 2019.

Total assets increased by 45.3% or ₱89.7 million, to ₱287.9 million as of December 31, 2020 from ₱198.2 million balance as of December 31, 2019. The increase was mainly due to higher trade receivables (₱68.9 million) and cash and cash equivalents (₱20.2 million).

Total liabilities increased by 33.3% or ₱1,016.2 million, to ₱4,072.3 million as of December 31, 2020 from ₱3,056.1 million balance as of December 31, 2019. The increase was mainly due to higher due to related parties (₱941.4 million) and trade payables (₱74.8 million).

Total capital deficiency increased by 32.4% or ₱926.5 million to ₱3,784.4 million as of December 31, 2020 from ₱2,857.9 million balance as of December 31, 2019. The increase was due to net loss on operation.

DISCUSSION ON THE SUBSIDIARIES

December 2019 vs. December 2018 Results

Green Core Geothermal Inc. (GCGI)

(Amounts in P millions)	For the years ended December 31,	
	2019	2018
Revenue	13,573.1	10,919.7
Cost of sale of electricity	(10,462.9)	(8,658.3)
General and administrative expenses	(574.9)	(523.1)
Other income (charges) - net	36.4	(146.6)
Income before income tax	2,571.7	1,591.7
Provision for income tax	(260.5)	(312.7)
Net income	2,311.2	1,279.0
	As of December 31,	
	2019	2018
Total current assets	3,624.1	2,887.6
Total noncurrent assets	13,415.6	13,023.8
Total current liabilities	6,508.8	3,794.9
Total noncurrent liabilities	2,768.7	3,956.3
Total equity	7,762.2	8,160.2

GCGI's revenue increased by 24.3% or ₱2,653.4 million, to ₱13,573.1 million as of December 31, 2019 from ₱10,919.7 million for the same period in 2018 due to higher revenue from WESM. The increase was further complemented by higher revenue from ASPA and PSA.

Cost of sale of electricity increased by 20.8% or ₱1,804.6 million, to ₱10,462.9 million in 2019 from ₱8,658.3 million in 2018. The increase was largely due to higher steam cost and purchased services & utilities.

General and administrative expenses increased by 9.9% or ₱ 51.8 million, to ₱ 574.9 million in 2019 from ₱523.1 million in 2018. The increase was largely due to higher taxes and fees (₱ 127.5 million), coupled with higher cost of business related expenses (₱ 17.4 million), payment of service termination pay (₱15.4 million) and higher provision for impairment of trade & other receivables and prepaid taxes (₱ 7.2 million). Offset by lower cost of shared service and management fee (₱ 118.0 million).

Other charges – net decreased by 124% or ₱183.0 million, to ₱36.4 million other income in 2019 from ₱146.6 million other charges in 2018. The net decreased was due to lower financial expense – net (₱ 83.9 million), and turnaround of foreign exchange gain in 2019 from foreign exchange loss in 2018 (₱ 14.3 million) and higher income from insurance claims (₱80.8 million).

Provision for income tax decreased by 16.7% or ₱52.2 million, to ₱260.5 million in 2019 from ₱312.7 million in 2018 on account of lower current tax expense.

With the foregoing, net income increased by 80.7% or ₱1,032.2 million, to ₱2,311.2 million in 2019 from ₱1,279.0 million in 2018.

Total current assets increased by 30.3% or ₱ 736.6 million, to ₱3,624.1 million as of December 31, 2019 from ₱2,887.6 million balances as of December 31, 2018. The increase was due to higher cash & cash equivalents (₱253.9 million), trade & other receivables (₱278.4 million), parts & supplies inventories (₱60.0 million), due from related parties (₱46.8million), other current assets (₱67.0 million) and Financial Assets (₱30.5 million).

Total current liabilities increased by 71.5 % or ₱2,714.0 million, to ₱6,508.8 million as of December 30, 2019 from ₱3,794.9 million as of December 31, 2018 due to declaration of cash dividend (₱2,700.0 million), higher current portion of long-term debt (₱172.2 million) offset by lower trade payables and other payables (₱96.8million), lower income tax payable (₱34.1million) and due to related parties (₱ 26.2 million).

Total noncurrent liabilities decreased by 30.0% or ₱1,187.6 million, to ₱2,768.7 million as of December 31, 2019 from ₱3,956.3 million as of December 31, 2018 due to the repayment of loan in 2019 (₱1,181.9million).

Total equity decreased by 4.9% or ₱397.9 million, to ₱7,762.2 million as of December 31, 2019 from ₱8,160.2 million as of December 31, 2018 due to the declaration of cash dividend (₱2,700.0 million) offset by net income (₱2,311.2 million) in 2019.

Bac-Man Geothermal Inc. (BGI)

(Amounts in ₱ millions)	For the years ended December 31,	
	2019	2018
Revenues	6,671.3	6,003.3
Cost of sales	(5,466.6)	(4,840.4)
General and administrative expenses	(540.3)	(399.0)
Other income (charges)-net	115.8	(211.4)
Income before income tax	780.2	552.5
Benefit from (provision for) income tax	41.9	(0.4)
Net income	822.1	552.1
	As of December 31,	
	2019	2018
Total current assets	2,269.3	1,413.4
Total noncurrent assets	4,406.9	4,950.3
Total current liabilities	2,936.7	1,960.8
Total noncurrent liabilities	2,039.7	2,617.6
Total equity	1,699.8	1,785.3

Revenues increased by 11.1% or ₱668.1 million, to ₱6,671.3 million in 2019 from ₱6,003.3 million in 2018 mainly driven by higher average price during the year.

Cost of sales increased by 12.9% or ₱626.2 million, to ₱5,466.6 million from ₱4,840.4 million in 2018. The increase was primarily influenced by higher purchased services and utilities by ₱556.4 million, higher rental, insurance and taxes by ₱58.3 million and higher steam costs by ₱28.3 million reduced by decrease in repairs and maintenance by ₱30.6 million.

General and administrative expenses were higher by 35.4% or ₱141.4 million, to ₱540.3 million from ₱399.0 million in 2018. The increase was mainly due to higher provision for doubtful accounts on input VAT claims by ₱162.8 million partly offset by lower purchased services and utilities by ₱25.1 million.

Other income-net of ₱115.8 million was a reversal of ₱211.4 million other charges-net in 2018. The ₱327.2 million favorable variance was mainly attributed to this period's insurance proceeds on claims from typhoon Glenda damages of ₱260.5 million and lower interest charges-net by ₱45.7 million.

Total current assets increased by 60.6% or ₱855.9 million, to ₱2,269.3 million as of December 31, 2019 from ₱1,413.4 million as of December 31, 2018. The increase in total current assets was mainly driven by increases in cash and cash equivalents by ₱768.6 million, parts and supplies inventories by ₱66.4 million and other current assets particularly on debt service reserve account and prepaid insurance expense by ₱60.9 million. These increases were partly offset by the decrease in trade and other receivables by ₱45.9 million.

Total non-current assets decreased by 11.0% or ₱543.4 million, to ₱4,406.9 million from ₱4,950.3 million as of December 31, 2018. The reduction was caused by the decrease of property, plant and equipment by ₱362.0 million mainly on account of depreciation for 2019 and decrease of other non-current assets by ₱226.4 million resulting from refund of input VAT claims.

Total current liabilities increased by 49.8% or ₱975.9 million, to ₱2,936.7 million from ₱1,960.8 million as of December 31, 2018. The increase was mainly contributed by dividend payable of ₱900.0 million coupled with increase in current portion of long-term debt by ₱51.3 million.

Total non-current liabilities decreased by 22.1% or ₱577.9 million, to ₱2,039.7 million from ₱2,617.6 million as of December 31, 2018 due to the amortization payment of principal loan.

Total equity decreased by 4.8% or ₱85.5 million, to ₱1,699.8 million from ₱1,785.3 million as of December 31, 2018. The decrease was attributed to the declaration of ₱900.0 million dividend in December 2019 partly offset by ₱822.1 million net income for 2019.

FG Hydro Power Corporation (FG Hydro)

(Amounts in ₱ millions)	For the years ended December 31,	
	2019	2018
Operating revenues	2,391.3	1,865.0
Cost of sales	(838.8)	(971.1)
General and administrative expenses	(406.4)	(288.0)
Operating profit	1,146.1	605.9
Other (income) expenses – net	23.9	(12.2)
Income before tax	1,170.0	593.7
Provision for income tax	(111.7)	(84.0)
Net income	1,058.3	509.7
	As of the December 31,	
	2019	2018
Total assets	5,136.5	5,038.8
Total liabilities	212.1	164.1
Total equity	4,924.4	4,874.7

FG Hydro's revenues rose by 28.2% or ₱526.3 million to ₱2,391.3 million for the year ended December 31, 2019 from revenues of ₱1,865.0 million in 2018. The favorable variance was mainly on account of a 22.7% increase in generation during the period (390 GWh in 2019 from 318 GWh in 2018) due to higher water level and higher irrigation requirement of NIA, a 44.4% increase in average WESM selling prices (₱5.6/kWh in 2019 as compared to ₱3.9/kWh in 2018) and the ₱9.5 million increase in revenues from ancillary services in 2019 as compared to ancillary service revenues in 2018.

Cost of sales for the year ended December 31, 2019 is at ₱838.8 million, ₱132.3 million or 13.6% lower than the ₱971.1 million in 2018. The favorable variance was mainly due to minimal replacement power purchases in 2019 partly offset by higher water service fees paid to the NIA on account of higher generation. G&A expenses, however, increased by ₱118.4 million or 41.1% to ₱406.4 million in 2019 as compared to ₱288.0 million in 2018. The unfavorable variance was mainly due to higher taxes and licenses, professional fees and cost of contracted services.

On account of the full payment of the long-term debt in November 2018, there was no interest expense accrued in 2019 as compared to ₱27.9 million in 2018. Provision for income tax for the year ended December 31, 2019 of ₱111.7 million is 33.0% or ₱27.7 million higher than the ₱84.0 million in 2018. The significant increase in income tax was mainly due to the higher income from operations during the year. Overall, FG Hydro's net income rose by 107.6% or ₱548.6 million to ₱1,058.3 million in 2019 from the ₱509.7 million reported income in 2018.

FG Hydro's total assets as of December 31, 2019 stood at ₱5,136.5 million, ₱97.7 million or 1.9% higher than the ₱5,038.8 million in December 31, 2018 mainly due to higher cash and accounts receivable balances. These favorable variances were partly offset by depreciation and amortization of property, plant and equipment and water rights.

As of December 31, 2019, total liabilities stood at ₱212.1 million, ₱48.0 million or 29.3% higher than the December 31, 2018 level of ₱164.1 million. The unfavorable variance is mainly on account of higher balances of trade and retirement funds payables, and the set up for lease liabilities.

Total equity as of December 31, 2019 rose to ₱4,924.4 million, ₱49.7 million or 1.0% better than the December 31, 2018 level of ₱4,874.7 million mainly from net income earned during the year partly reduced by cash dividends amounting to ₱1,000.0 million.

EDC Burgos Wind Power Corporation (EBWPC)

(Amounts in USD millions)	For the years ended December 31,	
	2019	2018
Revenue	56.5	61.2
Costs of sale of electricity	(26.7)	(26.6)
General and administrative expenses	(3.1)	(2.2)
Other charges – net	(16.8)	(10.4)
Income before income tax	9.9	22.0
Provision for income tax	3.6	(2.9)
Net Income	13.5	19.1
	As of December 31,	
	2019	2018
Total current assets	46.5	58.6
Total noncurrent assets	312.7	337.7
Total current liabilities	28.9	25.0
Total noncurrent liabilities	216.7	231.1
Total equity	113.6	140.2

EBWPC reported \$56.5 million revenue from sale of electricity for the year ended December 31, 2019 from \$61.2 million for the same period in 2018. This 7.7% or \$4.7 million decrease is mainly due to lower actual generated sales volume.

Costs of sale of electricity increased by 0.4% or \$0.1 million, to \$26.7 million as of December 31, 2019 from \$26.6 million for the same period in 2018. The unfavorable variance was mainly due to higher personnel costs (\$0.2 million), depreciation and amortization (\$0.2 million) and purchased service and utilities (\$0.1 million), offset by lower repair and maintenance (\$0.2 million) and business and related expenses (\$0.2 million).

General and administrative expenses increased by 40.9% or \$0.9 million, to \$3.1 million as of December 31, 2019 from \$2.2 million for the same period in 2018. This was mainly due to higher purchased service and utilities (\$1.3 million) and rental, insurance and taxes (\$0.2 million), offset by lower provision of impairment of unrecoverable input VAT (\$0.5 million) and personnel costs (\$0.1 million).

Other charges – net increased by 61.5% or \$6.4 million, to \$16.8 million as of December 31, 2019 from \$10.4 million for the same period in 2018. This was mainly due to lower foreign exchange gain of \$5.3 million.

Total current assets decreased by 20.6% or \$12.1 million due to the decreased in debt service reserve account \$15.2 million), partly offset by increased in trade and other receivables (\$2.9 million).

Total noncurrent assets decreased by 7.4% or \$25.0 million due to the decreased in the book value of property, plant and equipment mainly on account of depreciation in 2019 (\$11.7 million) and other noncurrent assets mainly on account of decreased in Input VAT (\$8.7 million) and prepaid rent (\$2.3 million).

Total liabilities decreased by \$10.5 million mainly due to the payment of long-term debt (\$16.9 million), partly offset by increased in trade and other payables (\$1.1 million).

Total equity decreased by 19.0% or \$26.6 million, to \$113.6 million as of December 31, 2019 from \$140.2 million in 2018. This was mainly due to the redemption of preferred shares (\$26.0 million), payment of dividends (\$7.2 million), increased in cumulative translation adjustment (\$6.9 million), partly offset by net income during the period (\$13.5 million).

EDC Siklab Power Corporation (EDC Siklab)

(Amounts in ₱ millions)	For the years ended December 31,	
	2019	2018
Revenues	39.4	33.1
Cost of sales	(16.0)	(7.8)
General and administrative expenses	(7.0)	(4.6)
Other income (charges)-net	0.1	0.0
Income before income tax	16.5	20.7
Provision for income tax	(4.0)	(5.5)
Net income	12.5	15.2
	As of December 31,	
	2019	2018
Total Current Assets	62.0	36.6
Total Non-Current Assets	311.7	321.9
Total Current Liabilities	49.7	47.0
Total Non-Current Liabilities	0.0	0.0
Total Equity	324.0	311.5

Revenues increased by ₱6.3 million, to ₱39.4 million in 2019 from ₱33.1 million in 2018. The favorable variance was mainly due to higher revenue from the three solar rooftop systems of the Gaisano Capital malls in Sogod, Ormoc, and Sorsogon in Leyte Province. Solar rooftops in Ormoc and Sogod started to generate testing revenue in May 2018 while Sorsogon solar rooftop started to generate testing revenue in June 2018. The three solar rooftops began its commercial operation in December 26, 2018, thus generated lease revenue in the entire year of 2019.

Cost of sales increased by ₱8.2 million, to ₱16.0 million in 2019 from ₱7.8 million in 2018 primarily due to higher depreciation expense by ₱6.2 million and higher real estate taxes by ₱2.0 million.

General and administrative expenses increased by ₱2.4 million, to ₱7.0 million in 2019 from ₱4.6 million for the same period in 2018 mainly due to higher purchased services and insurance expenses.

Other income-net of ₱0.1 million in 2019 and nil in 2018 was mainly due to the higher foreign exchange gains.

Total current assets increased by 69.4 % or ₱25.4 million, to ₱62.0 million as of December 31, 2019 from ₱36.6 million as of December 31, 2018. The increase was primarily due to the increase of cash in bank balance by ₱25.6 million; increase of prepaid taxes by ₱0.3 million, and increase of prepaid insurance by ₱0.3 million, partially offset by the decrease in trade receivables by ₱0.8 million.

Total non-current assets decreased by 3.2 % or ₱ 10.2 million, to ₱ 311.7 million as of December 31, 2019 from ₱ 321.9 million as of December 31, 2018. The decrease was mainly attributable to the depreciation of Property, Plant and Equipment (PPE) by ₱12.0 million; decrease in input vat by ₱2.6 million and partially offset by acquisitions of PPE by ₱2.3 million and increase in non-current prepaid expense by ₱2.1 million.

Total current liabilities increased by 5.7% or ₱2.7 million, to ₱49.7 million as of December 31, 2019 from ₱47.0 million as of December 31, 2018. The increase was mainly due to the increase of trade payables by ₱3.0 million and partially offset by decreased in income tax payable by ₱0.3 million.

Total equity increased by 4.0% or ₱12.5 million, to ₱324.0 million as of December 31, 2019 from ₱311.5 million as of December 31, 2018. The increase was primarily from net income for the year.

Unified Leyte Geothermal Energy Inc. (ULGEI)

(Amounts in P millions)	For the years ended December 31,	
	2019	2018
Revenue	1,822.6	1,877.3
Costs of sale of electricity	(2,456.1)	(2,387.3)
General and administrative expenses	(111.9)	(16.8)
Loss before income tax	(745.4)	(526.8)
Net Loss	(745.4)	(526.8)
	As of December 31,	
	2019	2018
Total current assets	198.2	227.5
Total noncurrent assets	-	3.1
Total current liabilities	3,056.1	2,343.1
Total capital deficiency	(2,857.9)	(2,112.5)

ULGEI's revenue decreased by 2.9% or ₱54.7 million to ₱1,822.6 million as of December 31, 2019 from ₱1,877.3 million for the same period in 2018. The decrease was due to lower average price.

Cost of sale of electricity increased by 2.9% or ₱68.8 million to ₱2,456.1 million as of December 31, 2019 from ₱2,387.3 million for the same period in 2018. The increase was due to higher purchased power cost during the year.

General and administrative expenses increased by 566.1% or ₱95.1 million, to ₱111.9 million as of December 31, 2019 from ₱16.8 million for the same period in 2018. The increase was mainly due to the provision for impairment of creditable withholding tax.

With the foregoing, the net loss increased by 41.5% or ₱218.6 million to ₱745.4 million as of December 31, 2019 from ₱526.8 million for the same period in 2018.

Total current assets decreased by 12.9% or ₱29.3 million, to ₱198.2 million as of December 31, 2019 from ₱227.5 million balance as of December 31, 2018. The decrease was mainly due to lower Creditable Withholding Tax.

Total noncurrent assets as of December 31, 2019 was nil and ₱3.1 million as of December 31, 2018.

Total current liabilities increased by 30.4% or ₱713.0 million, to ₱3,056.1 million as of December 31, 2019 from ₱2,343.1 million balance as of December 31, 2018. The increase was due to higher trade and other payables and higher due to related parties.

Total capital deficiency increased by 35.3% or ₱745.4 million to ₱2,857.9 million as of December 31, 2019 from ₱2,112.5 million balance as of December 31, 2018. The increase was due to net loss on operation.

DISCUSSION ON THE SUBSIDIARIES

December 2018 vs. December 2017 Results

Green Core Geothermal Inc. (GCGI)

(Amounts in PHP millions)	For the years ended December 31,	
	2018	2017
Revenue	10,919.7	9,161.0
Cost of sale of electricity	(8,658.3)	(6,743.1)
General and administrative expenses	(523.1)	(471.6)
Other income (charges) - net	(146.6)	(133.9)
Income before income tax	1,591.7	1,812.4
Provision for income tax	(312.7)	(349.6)
Net income	1,279.0	1,462.8
	As of December 31,	
	2018	2017
Total current assets	2,887.6	2,327.7
Total noncurrent assets	13,023.8	13,610.5
Total current liabilities	3,794.9	4,104.2
Total noncurrent liabilities	3,956.3	4,949.6
Total equity	8,160.2	6,884.4

GCGI's revenue increased by 19.2% or ₱1,758.7 million, to ₱10,919.7 million as of December 31, 2018 from ₱9,161.0 million for the same period in 2017. The increase was mainly due to higher revenue from WESM and ASPA.

Cost of sale of electricity increased by 28.4% or ₱1,915.2 million, to ₱8,658.3 million in 2018 from ₱6,743.1 million in 2017. The increase was largely due to higher purchased services and utilities, cost of steam and rental, insurance & taxes.

General and administrative expenses increased by 10.9% or ₱51.5 million, to ₱523.1 million in 2018 from ₱471.6 million in 2017. The increase was largely due to higher purchased services & utilities, rental, insurance & taxes, and business & related expenses.

Other charges – net increased by 9.5% or ₱12.7 million, to ₱146.6 million in 2018 from ₱133.9 million in 2017. The net increase was due to lower income from insurance claims (₱35.6 million), and higher disallowed input VAT (₱19.9 million) offset by lower interest expense (₱50.5 million).

Provision for income tax decreased by 10.6% or ₱36.9 million, to ₱312.7 million in 2018 from ₱349.6 million in 2017 on account of lower income before income tax.

With the foregoing, net income decreased by 12.6% or ₱183.8 million, to ₱1,279.0 million in 2018 from ₱1,462.8 million in 2017.

Total current assets increased by 24.1% or ₱559.9 million, to ₱2,887.6 million as of December 31, 2018 from ₱2,327.7 million balances as of December 31, 2017. The increase was due to higher cash & cash equivalents (₱285.0 million), trade & other receivables (₱228.9 million), and parts & supplies inventories (₱45.1 million).

Total current liabilities decreased by 7.5% or ₱309.3 million, to ₱3,794.9 million as of December 31, 2018 from ₱4,104.2 million as of December 31, 2017 due to lower trade & other payables (₱367.7 million) offset by higher income tax payable (₱30.0 million), and due to related parties (₱26.3 million).

Total noncurrent liabilities decreased by 20.1% or ₱993.3 million, to ₱3,956.3 million as of December 31, 2018 from ₱4,949.6 million as of December 31, 2017 due to this year's repayment of loan (₱1,020.0 million).

Total equity increased by 18.5% or ₱1,275.8 million, to ₱8,160.2 million as of December 31, 2018 from ₱6,884.4 million as of December 31, 2017 due to this year's net income (₱1,279.0 million).

Bac-Man Geothermal Inc. (BGI)

(Amounts in PHP millions)	For the years ended December 31,	
	2018	2017
Revenues	6,003.3	4,670.8
Cost of sales	(4,840.4)	(3,454.8)
General and administrative expenses	(399.0)	(170.1)
Other income (expense)	(211.4)	(302.6)
Income before income tax	552.5	743.3
Provision for income tax	(0.4)	(14.9)
Net income	552.1	728.4
	As of December 31,	
	2018	2017
Total Current Assets	1,413.4	1,764.2
Total Non-Current Assets	4,950.3	5,206.3
Total Current Liabilities	1,960.8	2,270.7
Total Non-Current Liabilities	2,617.6	3,198.7
Total Equity	1,785.3	1,501.1

Revenues increased by 28.5% or ₱1,332.5 million, to ₱6,003.3 million in 2018 from ₱4,670.8 million in 2017. The increase was primarily due to higher sales volume by 233.7 GWh mainly because of the increase in BCQs with the full year operations of RES business in 2018, which started its operations only in September 2017, and a new contract with PELCO 2 starting December 2017 (₱883.2 million) coupled with higher average electricity price by ₱0.31/kWh (₱449.2 million).

Cost of sale of electricity increased by 40.1% or ₱1,385.6 million, to ₱4,840.4 million from ₱3,454.8 million in 2017. The increase was primarily attributed to higher replacement costs by ₱896.3 million, higher pass-through charges for RES customers by ₱261.4 million and higher operations and maintenance of power plants by ₱227.9 million.

General and administrative expenses increased by 134.6% or ₱228.9 million, to ₱399.0 million from ₱170.1 million in 2017. The unfavorable variance was mainly due to the implementation of new accounting standards under PFRS 9 effective 2018 with the recognition of the allowance for doubtful account for expected credit loss (ECL) on accounts receivables (₱215.3 million).

Other charges-net decreased by 30.1% or ₱91.2 million to ₱211.4 million from ₱302.6 million in 2017. The favorable variance was largely attributed to lower litigation expenses by ₱45.1 million and lower finance charges-net by ₱43.1 million.

Provision for income tax decreased by 97.3% or ₱14.5 million primarily attributable to higher deferred tax income on provision for doubtful accounts (₱22.9 million) reduced by higher current income tax on revenues from replacement power purchased from PEMC (₱8.4 million).

Total current assets decreased by 19.9% or ₱350.8 million, to ₱1,413.4 million as of December 31, 2018 from ₱1,764.2 million as of December 31, 2017. The reduction was primarily due to the decrease of cash and cash equivalents by ₱295.0 million and decrease of trade and other receivables by ₱72.9

million partly offset by increase in parts and supplies inventories by ₱23.5 million.

Total non-current assets decreased by 4.9% or ₱256.0 million, to ₱4,950.3 million as of December 31, 2018 from ₱5,206.3 million as of December 31, 2017. The decrease was traceable to the decline in book value of property, plant and equipment by ₱325.5 mainly on account of depreciation for this year partly offset by increase of deferred tax assets on provision for doubtful accounts ₱53.0 million and increase in other non-current assets by ₱16.6 million with the bulk attributed to the security deposit to MERALCO for BGI RES operations.

Total current liabilities decreased by 13.6% or ₱309.9 million, to ₱1,960.8 million as of December 31, 2018 from ₱2,270.7 million as of December 31, 2017. The decrease was mainly due to decrease in trade and other payables by ₱304.5 million.

Total non-current liabilities decreased by 18.2% or ₱581.1 million, to ₱2,617.6 million as of December 31, 2018 from ₱3,198.7 million as of December 31, 2017. The increase was primarily due to payment made on long-term debt of ₱600.0 million

Total equity increased by 18.9% or ₱284.2 million, to ₱1,785.3 million as of December 31, 2018 from ₱1,501.1 million as of December 31, 2017. The increase was brought about by net income earned during the year of ₱552.1 million reduced by decrease in capital stock arose from the retirement of its preferred shares amounted to ₱30.0 million which were redeemed on October 27, 2018.

FG Hydro Power Corporation (FG Hydro)

(Amounts in PHP millions)	For the years ended December 31,	
	2018	2017
Operating revenues	1,865.0	1,644.3
Cost of sales	(971.1)	(621.0)
General and administrative expenses	(288.0)	(271.5)
Operating profit	605.9	751.8
Other expenses – net	(12.2)	(29.8)
Income before tax	593.7	722.0
Provision for income tax	(84.0)	(169.7)
Net income	509.7	552.3
	As of the years ended December 31,	
	2018	2017
Total assets	5,038.8	5,753.0
Total liabilities	164.1	1,183.7
Total equity	4,874.7	4,569.3

FG Hydro generated revenues of ₱1,865.0 million for the year ended December 31, 2018, ₱220.7 million or 13.4% higher than the revenues of ₱1,644.3 million in 2017. The favorable variance was mainly from replacement power sales and an 18.6% increase in average spot prices of electricity sold through the WESM partly offset by significantly lower ancillary service revenues due to a 76.0% drop in average ancillary service rates in 2018.

Cost of sales for the year ended December 31, 2018 of ₱971.1 million was ₱350.1 million or 56.4% higher as compared to the ₱621.0 million level in 2017. The unfavorable variance was mainly due to the cost of replacement power in 2018. General and administrative expenses increased by ₱16.5 million or 6.1% to ₱288.0 million from

₱271.5 million in 2017. The unfavorable variance is mainly due to increased provision for retirement fund and higher expenses for community relations in 2018. The voluntary pre-payment of long-term debt amounting to ₱500 million in May 2018 and the subsequent full payment of the loan balance on November 7, 2018 resulted to a ₱26.3 million or 48.5% drop in interest expense in 2018 to ₱27.9 million from ₱54.2 million in 2017. Provision for income tax for the year of ₱84.0 million is 50.5% or ₱85.7 million lower than the ₱169.7 million provision in 2017. The decrease in income tax provision was a consequence of lower income from operations, and the reduced income tax rate of 10%, the rate applicable to FG Hydro as a renewable energy developer, effective February 22, 2017. Overall, FG Hydro's net income dropped by ₱42.6 million or 7.7% to ₱509.7 million for the year ended December 31, 2018 as compared to the ₱552.3 million reported income in 2017.

Total assets as of December 31, 2018 stood at ₱5,038.8 million, ₱714.2 million or 12.4% lower than the December 31, 2017 level of ₱5,753.0 million. The unfavorable variance was mainly due to lower balances of property, plant and equipment and water rights in 2018 due to the continuous depreciation and amortization of these assets, and decreased cash balance.

As of December 31, 2018, total liabilities significantly dropped to ₱164.1 million, ₱1,019.6 million or 86.1% lower than the December 31, 2017 level of ₱1,183.7 million mainly due to the full payment of the Company's long-term debt.

Total equity as of December 31, 2018 rose by ₱305.4 million or 6.7% to ₱4,874.7 million from the December 31, 2017 level of ₱4,569.3 million mainly from net income generated during the year partly reduced by cash dividends amounting to ₱200 million.

EDC Burgos Wind Power Corporation (EBWPC)

(Amounts in USD millions)	For the year ended December 31,	
	2018	2017
Revenue	61.2	63.0
Costs of sale of electricity	(26.6)	(28.3)
General and administrative expenses	(2.2)	(1.8)
Other charges – net	(10.4)	(15.4)
Income before income tax	22.0	17.5
Provision for income tax	(2.9)	(0.3)
Net Income	19.1	17.2
	As of December 31,	
	2018	2017
Total current assets	58.6	73.3
Total noncurrent assets	337.7	353.9
Total current liabilities	25.0	25.1
Total noncurrent liabilities	231.1	250.2
Total equity	140.2	151.9

EBWPC reported \$61.2 million revenue from sale of electricity for the year ended December 31, 2018 from \$63.0 million for the same period in 2017. Despite the higher actual generated sales volume, this is 2.9% or \$1.8 million decrease mainly due to the higher exchange rate.

Costs of sale of electricity decreased by 6.0% or \$1.7 million, to \$26.6 million as of December 31, 2018 from \$28.3 million for the same period in 2017. The favorable variance was mainly due to lower repair and maintenance (\$1.0 million), rental, insurance and taxes (\$0.4 million), purchase service and utilities (\$0.1 million) and depreciation and amortization (\$0.1 million).

General and administrative expenses increased by 22.2% or \$0.4 million, to \$2.2 million as of December 31, 2018 from \$1.8 million for the same period in 2017. This was mainly due to higher provision of impairment of unrecoverable input VAT (\$0.5 million).

Other charges - net decreased by 32.5% or \$5.0 million, to \$10.4 million as of December 31, 2018 from \$15.4 million for the same period in 2017. This was mainly due to higher foreign exchange gain of \$2.5 million and decreased net finance charges of \$1.8 million.

Total current assets decreased by 20.1% or \$14.7 million due to the decreased in trade and other receivables by \$14.1 million.

Total non-current liabilities decreased by 7.6% or \$19.1 million due to the decreased in long-term debt by \$20.8 million.

Total equity decreased by 7.7% or \$11.7 million, to \$140.2 million as of December 31, 2018 from \$151.9 million in 2017. This was mainly due to the payment of dividends (\$32.9 million), partly offset by net income earned during the period (\$19.1 million) and decreased in cumulative translation adjustment (\$2.2 million).

Other balance sheets accounts have minimal movement during the quarter.

EDC Siklab Power Corporation (EDC Siklab)

(Amounts in PHP millions)	For the years ended December 31,	
	2018	2017
Revenues	33.1	12.3
Cost of sales	(7.8)	(3.1)
General and administrative expenses	(4.6)	(4.4)
Other income (charges)-net	0.0	0.3
Income before income tax	20.7	5.1
Provision for income tax	(5.5)	(0.9)
Net income	15.2	4.2
	As of December 31,	
	2018	2017
Total Current Assets	36.6	64.1
Total Non-Current Assets	321.9	283.1
Total Current Liabilities	47.0	50.9
Total Non-Current Liabilities	0.0	0.0
Total Equity	311.5	296.3

Revenues increased by ₱20.8 million, to ₱33.1 million during the fourth quarter of 2018 from ₱12.3 million for the same period in 2017. The favorable variance was mainly due to revenue earned from the newly commissioned solar rooftop systems of the Gaisano Capital malls.

Cost of sales increased by ₱4.7 million, to ₱7.8 million from ₱3.1 million for the same period in 2017. The unfavorable variance was primarily due to the cost of newly commissioned solar rooftop systems of the Gaisano Capital malls which resulted to a higher depreciation expense by ₱3.3 million and higher insurance and taxes by ₱0.7 million and higher purchased services by ₱0.7 million.

General and administrative expenses increased by ₱0.2 million, to ₱4.6 million from ₱4.4 million for the same period in 2017. The unfavorable variance was mainly due to the increased in shared service fee by ₱0.9 million and higher other purchased services by ₱0.2 million and partly offset by decreased in local travel expense by ₱0.9 million.

Other income-net decreased by ₱0.3 million, to NIL from ₱0.3 million for the same period in 2017. The decreased was mainly due to higher foreign exchange gains realized in 2017.

Total current assets decreased by 42.9% or ₱27.5 million, to ₱36.6 million as of December 31, 2018 from ₱64.1 million as of December 31, 2017. The decrease was primarily due to the decrease of cash balance by ₱30.5 million, partially offset by the increase in prepaid expenses and trade receivables by ₱3.0 million.

Total non-current assets increased by 13.7% or ₱38.8 million, to ₱321.9 million as of December 31, 2018 from ₱283.1 million as of December 31, 2017. The increase was mainly attributable to acquisitions of property, plant and equipment by ₱45.4 million partly offset by increased in accumulated depreciation by ₱5.7 million.

Total current liabilities decreased by 7.6% or ₱3.9 million, to ₱47.0 million as of December 31, 2018 from ₱50.9 million as of December 31, 2017. The decreased was mainly due to the decreased of trade payables by ₱4.4 million and partly offset by increased in income tax payable by ₱0.6 million.

Total equity increased by 5.1% or ₱15.2 million, to ₱311.5 million as of December 31, 2018 from ₱296.3 million as of December 31, 2017. The increase was primarily from net income during the period.

Unified Leyte Geothermal Energy Inc. (ULGEI)

(Amounts in PHP millions)	For the years ended December 31,	
	2018	2017
Revenue	1,877.3	1,674.2
Costs of sale of electricity	(2,387.3)	(2,263.0)
General and administrative expenses	(16.8)	(17.2)
Loss before income tax	(526.8)	(605.9)
Net Loss	(526.8)	(605.9)
	As of December 31,	
	2018	2017
Total current assets	227.5	176.2
Total noncurrent assets	3.1	-
Total current liabilities	2,343.1	1,761.9
Total capital deficiency	(2,112.5)	(1,585.7)

ULGEI's revenue increased by 12.1% or ₱203.1 million to ₱1,877.3 million as of December 31, 2018 from ₱1,674.2 million for the same period in 2017. The increase was due to higher sales volume by 24.1 GWh (₱103.3 million) and higher average selling price by ₱0.24/kWh (₱99.8 million).

Cost of sale of electricity increased by 5.5% or ₱124.3 million to ₱2,387.3 million as of December 31, 2018 from ₱2,263 million for the same period in 2017. The increase was due to higher sales volume (24.1 GWh or ₱139.5 million) offset by lower average price (₱0.04 /kWh or ₱15.2 million).

General and administrative expenses decreased by 2.3% or ₱0.4 million, to ₱16.8 million as of December 31, 2018 from ₱17.2 million for the same period in 2017. The decrease was mainly due to lower other business expense and purchased services (₱1.2 million) offset by higher Taxes and fees (₱0.8 million).

With the foregoing, the net loss decreased by 13.1% or ₱79.1 million to ₱526.8 million as of December 31, 2018 from ₱605.9 million for the same period in 2017.

Total currents assets increased by 29.1% or ₱51.3 million, to ₱227.5 million as of December 31, 2018 from ₱176.2 million balance as of December 31, 2017. The increase was mainly due to higher prepaid withholding tax.

Total noncurrent assets posted as of December 31, 2018 was ₱3.1 million and none in 2017. It pertains to long-term receivable.

Total current liabilities increased by 33% or ₱581.2 million, to ₱2,343.1 million as of December 31, 2018 from ₱1,761.9 million balance as of December 31, 2017. The increase was due to higher trade and other payables and due to related parties.

Total capital deficiency increased by 33.2% or ₱526.8 million to ₱2,112.5 million as of December 31, 2018 from ₱1,585.7 million balance as of December 31, 2017. The increase was due to net loss on operation.

Top Eight (8) Key Performance Indicators of the Group

Ratio	December 2020	December 2019	December 2018	December 2017
Current Ratio	1.28:1	1.30:1	1.89:1	1.45:1
Debt-to-Equity Ratio	0.95:1	0.93:1	1.17:1	1.11:1
Net Debt-to-Equity Ratio	0.61:1	0.69:1	0.90:1	0.91:1
Return on Assets (%)	8.21	9.12	7.02	5.81
Return on Equity (%)	18.75	21.29	16.71	14.26
Solvency Ratio	0.31	0.34	0.24	0.21
Interest Rate Coverage Ratio	4.76	3.89	3.14	3.16
Asset-to-Equity Ratio	2.31	2.26	2.42	2.35

Current Ratio – Total current assets divided by total current liabilities. This ratio is a rough indication of a company's ability to pay its short-term obligations. Generally, a current ratio above 1.00 is indicative of a company's greater capability to settle its current obligations.

Debt-to-Equity Ratio – Total long-term debts divided by stockholders' equity. This ratio expresses the relationship between capital contributed by the creditors and the owners. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long-term financial safety.

Net-Debt-to-Equity Ratio – Total long-term debts less cash & cash equivalents divided by stockholders' equity. This ratio measures the company's financial leverage and stability. A negative net debt-to-equity ratio means that the total of cash and cash equivalents exceeds interest-bearing liabilities.

Return on Assets – Net income (annual basis) divided by total assets (average i.e. beginning balance plus ending balance divide by two). This ratio indicates how profitable a company is relative to its total assets. This also gives an idea as to how efficient management is at using its assets to generate earnings.

Return on Equity – Net income (annual basis) divided by total stockholders' equity (average i.e. beginning balance plus ending balance divide by two). This ratio reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the balance sheet. A business that has a high return on equity is more likely to be one that is capable of internally generating cash. For the most part, the company's return on equity is compared with an industry average. The company is considered superior if its return on equity is greater than the industry average.

Solvency Ratio – Net income excluding depreciation and non-cash provisions (provisions for impairment of trade and other receivables, and prepaid taxes and provision for impairment of parts and supplies inventories) divided by total long-term debts. This ratio gauges a company's ability to meet its long-term obligations.

Interest Rate Coverage Ratio – Earnings before interest and taxes of one period divided by interest expense excluding accretion of interest of provision for rehabilitation and restoration and lease liabilities of the same period. This ratio determines how easily a company can pay interest on outstanding debt.

Asset-to-Equity Ratio – Total assets divided by total stockholders' equity. This ratio shows a company's leverage, the amount of debt used to finance the firm.

Foreign Exchange Rate Volatility

Any volatility in the peso-dollar exchange rate impacts the Group, both in terms of revenue and its operating and capital expenditures. As the peso depreciates, revenue increase as the bulk of the Group's sales agreements have included as part of the inflator the peso-dollar exchange rate together with the price movement of imported materials, services and equipment. Conversely, as the peso appreciates, revenue and operating costs decrease.

29.0% of the Group's total long-term debt as of December 31, 2020 were foreign currency-denominated, all denominated in USD.

Meanwhile, 29.5% of the Group's total long-term debt as of December 31, 2019, 29.0% as of December 31, 2018 and 34.2% of the Company's total long-term debt as of December 31, 2017 were foreign currency-denominated, all denominated in USD. Any USD movement therefore affects the debt portfolio of the Group.

Inflation and Interest Rates

2020 vs 2019

The Philippines' average inflation rate increased from 2.5% in December 2019 to 2.6% in December 2020⁽¹⁾

The Bangko Sentral's key policy rate (the overnight reverse repurchase facility ("RRP") was lowered to 2.00% for a total of 200 basis points in rate cuts in 2020. The overnight deposit facility ("ODF") and the overnight lending facility ("OLF") rates—which establish the floor and the ceiling of the interest rate corridor—ended the year at 1.50% and 2.50%, respectively. The Monetary Board's decision is based on its assessment of the inflation environment.

2019 vs 2018

The Philippines' average inflation rate increased from 5.2% in December 2018 to 2.5% in December 2019 ⁽²⁾

The Bangko Sentral's key policy rate (the overnight RRP) was lowered to 4.00% following a total of 75 basis points in rate cuts in 2019. The ODF and the OLF rates—which establish the floor and the ceiling of the interest rate corridor—ended the year at 3.50% and 4.50%, respectively. The Monetary Board's decision is based on its assessment of the inflation environment.

2018 vs 2017

The Philippines' average inflation rate increased from 2.6% in December 2016 to 3.3% in December 2017 ⁽³⁾

The Bangko Sentral's key policy rate remains at 3.0% from 2016 to 2017. The Monetary Board's decision is based on its assessment of the inflation environment.

⁽¹⁾As of December 2020

****source:** The data here were based on NSCB and BSP websites.

⁽²⁾As of December 2019

****source:** The data here were based on NSCB and BSP websites.

⁽³⁾As of December 2017

****source:** The data here were based on NSCB and BSP websites.

Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

EDC has outstanding long-term loans with different financial institutions for its various development projects and working capital requirements which have defined events of default provisions that could accelerate the repayment of loan obligations.

In October 2014, EBWPC signed a USD315.0 million financing agreement with a group of foreign and local banks for the construction of the 150-MW Burgos Wind Project ("BWP") in Ilocos Norte. The facility, which consists of 60.0% US dollar and 40.0% Philippine peso tranches, will mature in fifteen (15) years.

Eksport Kredit Fonden, Denmark's export credit agency, guaranteed a part of the dollar loan component. The Mandated Lead Arrangers for the foreign tranche are Australia and New Zealand Banking Group Limited ("ANZ"), DZ Bank AG, ING Bank, a branch of ING DiBa AG, ING Bank NV., Singapore Branch, Malayan Banking Berhad ("Maybank") and Norddeutsche Landesbank Girozentrale. The peso tranche meanwhile was arranged by PNB Capital and Investment Corporation and SB Capital Investment Corporation among a syndicate of local lenders namely BDO Unibank, Inc., Land Bank of the Philippines, Philippine National Bank, and Security Bank Corporation.

Under the agreement of the BWP Project Financing, EBWPC's debt service shortfall is guaranteed by EDC. This guarantee will fall away once the conditions set in the loan agreement are met. Therefore, until the debt service guarantee falls away, EBWPC is subject to the same covenant ratios of EDC in addition to its own maintenance ratios under the project financing agreement. Furthermore, for the lender's security, a debt service reserve account was initially maintained by EBWPC. In August 2019, EBWPC replaced the debt service reserve account with Stand-by Letters of Credit issued in favor of the EBPWC lenders.

Last November 2015, the Asian Development Bank became part of the project financing through pro-rata assignment of up to USD20.0 million of the following international lenders' credit: ANZ, DZ Bank AG, ING Bank, a branch of ING DiBa AG, ING Bank, N.V., Singapore Branch and Norddeutsche Landesbank Girozentrale.

In 2015, BGI also signed ₱5.0 billion fixed rate corporate notes on September 9, 2015 to fund corporate expenditures as well as future growth projects. The facilities were fully drawn last October 7, 2015 and December 7, 2015. The loan is clean and non-recourse to EDC, except if: (a) there is a debt service shortfall for any period; and (b) if offtake contracts fall below ₱1.5 billion for any interest period. Both (a) and (b) need to be satisfied for EDC to be required to make up any shortfall in debt service for BGI.

EDC also has outstanding (a) fifteen (15)-year loans with IFC maturing in 2023, 2025 and 2033; (b) ten (10)- year US Dollar bonds maturing in 2021; (c) seven (7)- year and ten (10)-year peso bonds maturing in 2020 and 2023; (d) ten (10)- year fixed rate corporate notes maturing in 2022; (e) five (5)-year, ten (10)-year and fifteen (15)-year loans with various local banks.

Under EDC's various loan agreements and trust indenture for its bonds, the Company is restricted from directly or indirectly creating liens upon its assets and revenues, making capital expenditures, and making loans or advances, subject to certain exceptions. In addition, the Company is subject to a maintenance covenant under its peso bonds (tested semi-annually): a ratio of Financial Indebtedness to total Equity of no more than 70:30. Its various term loans also require compliance with financial ratios specifically for (1) equity distribution, and (2) debt incurrence.

The loan agreements and trust indentures are also subject to cross-default and cross-acceleration in the event of a failure of payment, a default or a violation of any obligation that would result in the acceleration of payment under any other financial indebtedness of the Company, or one for which the Company has agreed to act as guarantor, surety or accommodation party in the same amount or more. The agreement however is only subject to cross-default and cross-acceleration if the amount involved in the occurrence of one or more of the above events or breaches is at least USD10,000,000.00.

Any significant elements of income or loss (from continuing operations)

There were no significant elements of income or loss from continuing operations.

Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations

There were no significant known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

The Group was not materially affected by the COVID-19 outbreak as the Group continued to operate normally and majority of its capacity is contracted. For the uncontracted capacity, it was affected by lower market prices in 2020 as a result of the decrease in demand during the community quarantine period.

Any known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on liquidity

The Company strives to maintain a healthy liquidity position, on both short- and long-term basis, in accordance with its internal liquidity management policies and strategies. It maintains sufficient level of working capital to support its operations, to meet its obligations and financial covenants, and to provide for emergencies (i.e., in cases of natural calamities or pandemic). For external financing, EDC was able to secure ₱12.9 Billion in loans in 2020, which allowed it to refinance the Three Billion Pesos (₱3,000,000,000) bonds which matured in May 2020, and to pre-fund its US\$181.0 million dollar bond maturity last January 2021. Aside from this First Tranche bond issuance of approximately Three Billion Pesos (₱3,000,000,000) to Five Billion Pesos (₱5,000,000,000), the Company is planning to secure additional corporate term loans of approximately Fifteen Billion (₱15,000,000,000) within the year 2021.

EDC's operations was not significantly affected by the pandemic. Due to DOE's advisory on payment extensions or deferring payments of obligations (under Bayanihan 1 and Bayanihan 2), however, EDC experienced some delays in payment in the first few months of the implementation of these regulations, but majority of the customers have since settled payments, resulting to robust level of collections. EDC also implemented various cost-optimization initiatives in the past few years, which helped its internally generated cash flows. Given above, EDC does not expect any tightness in liquidity, and continues to maintain a healthy liquidity position.

Seasonal aspects that have material effect on the FS

There were no seasonal items that materially affected the financial statements.

All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period

During the reporting period, there were no off-balance sheet transactions, obligations and arrangements with unconsolidated entities or persons.

Material Commitments for Capital Expenditures

The Group's total 2021 budget for capital expenditures amounts to approximately ₱16.98 billion. About 51.12% or ₱8.68 billion of it will be for acquisitions to support the operations and maintenance requirements of the geothermal plants in Leyte, Negros Island, Bacon-Manito, and Mt. Apo. This amount is mainly for power plant and steamfield reliability improvement in said sites.

The remaining balance of 48.88% or ₱8.30 billion is primarily composed of investments in First Gen Hydro, Wind Ilocos Norte Business Unit, Solar Business Unit, Latin America, geothermal, wind and solar expansions, and Head Office.

Aside from this First Tranche bond issuance of approximately Three Billion Pesos (₱3,000,000,000) to Five Billion Pesos (₱5,000,000,000), the Company is planning to secure additional corporate term loans of approximately Fifteen Billion (₱15,000,000,000) within the year 2021 to fund these material commitments for capital expenditures, debt maturities and other general corporate purposes.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Since 1987, the Commission on Audit of the Philippines had served as the independent auditor of the Company to audit the Company's financial statements. With the full privatization of the Company in 2007, it has engaged SGV & Co. as its external auditor. The Company has not had any material disagreements on accounting matters or financial disclosure matters with both Commission on Audit and SGV & Co.

Philippine Power Industry

The information in this section has been derived from various government and private publications or obtained from communications with various agencies of the Government unless otherwise indicated and has not been prepared or independently verified by the Company or any of the Joint Lead Underwriters or any of their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the Philippines.

Industry Overview

Based on DOE data, the total installed electricity generation capacity in the Philippines was 25,109MW as of December 2019, with Luzon, Visayas, and Mindanao accounting for 16,961 MW, 3,771 MW, and 4,377 MW, respectively. As of the same date, the DOE estimated that the Luzon, Visayas, and Mindanao Grids had an NDC of 15,335 MW, 3,277 MW, and 3,786 MW, respectively. Reserve margins of 23.0% above peak demand for Luzon and Visayas and 21% above peak demand for Mindanao are required to be maintained according to the DOE.

In recent years, the ownership and management of power plants in the Philippines have been grouped into three (3) categories: (i) NPC-owned and -operated plants; (ii) plants operated by IPPs that supply electricity to NPC under electricity offtake contracts; and (iii) IPP-owned and -operated plants that supply electricity to customers other than NPC. Under the EPIRA, there have been substantial changes to the structure of power plant ownership and management. In 2011, the ERC declared that the NPC-IPP contracts requirement for the 70.0% privatization target has already been accomplished at 76.0%. Likewise, the privatization of NPC generation assets and IPP contracts is currently at 87.0%³⁴ for Luzon and Visayas. In Luzon, only the Malaya Thermal Power Plant with a dependable capacity of 650MW remains to be privatized. In Visayas, the Unified Leyte IPP with ~591.32 is left with NPC.

Based on the DOE's 2019 Power Statistics, in terms of electric power consumption, the Residential Sector has surpassed the Commercial and Industrial segments. The Residential Sector leads with 30,552 GWh or 35.0% of Total Consumption. The Industrial Sector follows with 28,194GWh or 32.0% of Total Consumption, while the Commercial Sector consumed 25,4761 GWh or 29.0% of the Total Consumption.

Moreover, the DOE's Power Statistics 2019 states that the Philippine electricity market had a total peak demand of 15,581 MW in 2019. This demand is divided into three (3) major grids, with Luzon being the largest at roughly 11,344 MW. The Visayas and Mindanao Grids are smaller and have peak demand of 2,224 MW and 2,013 MW, respectively.

Electricity generated by power generation facilities is generally transported via a high-voltage transmission system to the various distribution utilities or electric cooperatives. Transmission is critical in ensuring that generated electricity is delivered to distribution utilities' load centers according to proper technical standards. Transmission is a regulated common electricity carrier business subject to the rate-making powers of the ERC.

The distribution sector is currently composed of 119 electric cooperatives, sixteen (16) privately-owned utilities, and eight (8) local government-owned utilities. These distribution utilities may purchase electricity from generation companies or the WESM, when qualified, for distribution to residential, commercial, industrial, and other end-user segments. The National Electrification Administration ("NEA"), the government agency mandated to implement programs to strengthen the technical capability and financial viability of rural electric cooperatives, may act as guarantor for purchases of electricity in the WESM by any electric cooperative or small distribution utility to support their credit standing.

Meralco is the largest distributor of electricity and the largest private sector utility in the Philippines. Meralco distributes electricity throughout Metro Manila and six surrounding provinces on the island of Luzon. Meralco conducts its electricity distribution utility under a congressional franchise that is scheduled to expire on June 28, 2028. Under this franchise, Meralco is responsible for the construction, operation, and maintenance of an electric distribution system in a franchise area of approximately 9,337 square kilometers.

³⁴ PSALM Privatization Update. Retrieved from <https://www.psalm.gov.ph/privatization/generationassets>

Regulatory Framework

Electric Power Industry Reform Act of 2001

Republic Act No. 9136, also known as the EPIRA, was passed in June 2001 with the main objective of providing affordable and reliable electricity supply by: (i) restructuring and deregulating the industry; and (ii) privatizing NPC assets and NPC-IPP contracts. Prior to the EPIRA, the industry was mainly made up of NPC and the distribution utilities in the country such as, among others, Meralco, VECO, Davao Light and Power Co., and NPC, which at that time controlled approximately 90.0% of the country's installed generating capacity and performed generation and transmission functions. Distribution utilities were responsible for the distribution, pertaining to the physical distribution, and the supply, pertaining to the buying and selling, of electricity. Today, the industry has transitioned into four sectors — the deregulated generation and supply sectors and the regulated transmission and distribution sectors. Significant developments have occurred towards fulfilling the preconditions for RCOA.

The privatization of NPC generation assets has already exceeded the 70.0% target and has achieved 87.0% privatization of NPC plants for Luzon and Visayas. Recently privatized plants include: (1) Power Barges 101-103 with 96MW, which was awarded to Trans-Asia Oil & Development Corporation in July 2015 and (2) Power Barge 104 with 32MW, which was awarded to SPC Island Corporation in June 2016.

Reorganization of the Electric Power Industry

Generation Sector

The generation sector converts fuel and other forms of energy into electricity. This sector, by utility, consists of: (i) NPC-owned and operated generation facilities; (ii) NPC-IPP plants, which consist of plants operated by IPPs, and IPP-owned and operated plants, all of which supply electricity to NPC; and (iii) IPP-owned and IPP-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.

Under the EPIRA, generation companies are allowed to sell electricity to distribution utilities or retail electricity suppliers through either bilateral contracts or the WESM. Under the RCOA, qualified generation companies may likewise sell electricity to eligible end-users. As of December 2019, PSALM has so far privatized twenty three (23) NPC generation assets and seven (7) NPC IPP Contracts in Luzon, Visayas, and Mindanao, with an aggregate installed capacity of about 4,601 MW and 3,355MW, respectively.

With the concluded bidding of the 150 MW Bac-Man power plants in 2010, NPC has privatized approximately 79.6% of its total installed generating capacity in Luzon and Visayas as of 2010. As for the privatization of NPC-IPP contracts, PSALM commenced bidding out agreements for IPP administration in 2009. After the completion of the bidding for the administration of the contracted capacity of the 1,200 MW Ilijan power plant in 2010, PSALM already privatized 76% of the NPC-IPP administration contracts.

In terms of market share limitations, 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 total nationwide installed generating capacity. To date, there is no power generation company, including NPC, which has breached the mandated ceiling. 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 EPIRA.

Requirement of Public Offering for Generation Companies

The EPIRA mandates that generation companies that are not publicly listed shall offer and sell to the public a portion of not less than 15.0% of their common shares of stocks, provided, however, that generation companies, or their respective holding companies that are already listed in the Philippine Stock Exchange ("PSE"), are deemed in compliance. Any offer of common shares of stocks for sale to the public through any of the following modes shall be deemed as public offering:

- a. Listing of the generation companies and distribution utilities in the PSE;
- b. In accordance with the 2015 Implementing Rules and Regulations of the Securities Regulation Code:

- i. Publication in any newspaper, magazine or any printed reading material which is distributed within the Philippines;
 - ii. Presentation in any public or commercial place;
 - iii. Advertisement or announcement on radio, television, telephone, electronic communications, information communication technology or any other forms of communications; or,
 - iv. Distribution and/or making available flyers, brochures or any offering material in a public or commercial place or to prospective purchasers through the portal system, information communication technology or other means of information distribution.
- c. Listing of the shares of stock in any accredited stock exchange or direct offer of a portion of registered enterprises' capital stock to the public and/or their employees, when deemed feasible and desirable by the Board of Investments.

Transmission

Electricity generated by power generation facilities is generally transported via a high-voltage transmission system to various distribution utilities or electric cooperatives. Transmission is critical in ensuring that generated electricity is delivered to distribution utility's load centers within proper technical standards. It is a regulated common electricity carrier business subject to the rate-making powers of the ERC.

Pursuant to the EPIRA, NPC transferred its transmission and sub-transmission assets to TransCo, which was created to operate the transmission systems throughout the Philippines. TransCo was also mandated to provide Open Access to all industry participants. The EPIRA granted TransCo a monopoly over the high-voltage transmission network and subjected it to performance-based regulations.

The EPIRA also required the privatization of TransCo's transmission assets through an outright sale or concession contract carried out by PSALM. In December 2007, Monte Oro Grid Resources Corp. won the concession contract for TransCo with a bid of USD3.95 billion. On January 14, 2009, PSALM formally turned over the twenty five (25)-year concession of TransCo to NGCP, the company formed by Monte Oro Grid Resources Corp.

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: (i) the grid owner, or TransCo; (ii) the system operator, or NGCP as the current concessionaire of TransCo; and, (iii) the then market operator, Philippine Electricity Market Corporation 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.

Distribution

The distribution of electricity to end-users is considered a common carrier business requiring a national franchise and is regulated primarily by the ERC. A distribution utility has the obligation to provide distribution services and connections to its system for any end-user within its franchise area in accordance with existing rules. Access by all users to its system shall be open and non-discriminatory. As reported by NEA, the government agency mandated to implement programs to strengthen the technical capability and financial viability of rural electric cooperatives, the distribution sector is composed of 119 electric cooperatives, sixteen (16) privately-owned utilities, and eight (8) local government-owned utilities. These distribution utilities may purchase electricity from generation companies or the WESM, when qualified, for distribution to residential, commercial, industrial, and other end-user segments. NEA may act as guarantor for purchases of electricity in the WESM by any electric cooperative or small distribution utilities to support their credit standing.

Under the EPIRA, distribution utilities are required by law to supply electricity in the least expensive manner. Given that generation costs are passed entirely on to customers, PPAs between distribution utilities and generation companies go through a stringent approval process, including public hearings, publications, and posting of notices in each of the municipalities and cities covered by their respective franchise areas.

With distribution wheeling charges being regulated by the ERC, distribution utilities, and even the generators supplying electricity to the distribution utilities, were exposed to regulatory risks given that adjustments in their generation rates can be disallowed by the ERC every time they have their billings reviewed. This regulatory risk was remedied through ERC Resolution No. 10, Series of 2004, as amended by ERC Resolutions 10-1 and 10-4, Series of 2004, which allowed automatic adjustment of generation rates and systems loss rates of distribution utilities.

Based on its interpretation of Section 4(e) of Rule 3 of the EPIRA, the Supreme Court issued an order, in August 2006, directing Meralco to first file an application for adjustment with the ERC instead of implementing the mechanism for automatic adjustment of such rates. The DOE remedied the situation in June 2007 by amending the said regulation and expressly allowing the automatic adjustment mechanism to allow the timely recovery of generation and foreign exchange-related costs. Thereafter, Meralco resumed implementation of the automatic adjustment mechanism.

There was a move towards a more accurate and updated method of cost recovery thereafter. In July 2009, the ERC released the regulations for the Automatic Cost Recovery Mechanism for distribution utilities. The ERC resolved to adopt the Amended Rules for the Automatic Recovery of Monthly Fuel and Purchased Power Costs and Foreign Exchange Related Costs by the NPC on December 14, 2009. The Automatic Cost Recovery Mechanism provides for the automatic adjustments on cost components such as fuel and foreign exchange. By utilizing Automatic Monthly Fuel & Purchased Power Cost Adjustments ("FPPCA") and Monthly Automatic Foreign Exchange-Related Cost Adjustments ("FxA"), this mechanism will avoid the cost mismatch that has been faulted in the deferred recovery system of the Generation Rate Adjustment Mechanism ("GRAM") and Incremental Currency Rate Adjustment Mechanism ("ICERA"). For instance, while the GRAM and ICERA costs could be billed a year or more after their relevant test period, the FPPCA and the FxA use the rates of the directly preceding billing month.

NPC and PSALM started the implementation of the FPPCA and FxA in the March 2010 billing period. These cost adjustments displaced the previous system making use of the GRAM and the ICERA. However, the last approved GRAM/ICERA will still be applicable and continually charged until the full amounts have been recovered or refunded. All unfiled and unverified GRAMs or ICERAs shall be submitted 120 days after the effectivity of the Automatic Cost Recovery Mechanism.

Supply

Retail Electricity Suppliers ("RES") are persons or entities licensed by the ERC to sell, broker, market or aggregate electricity to the Contestable Market end-users. Except for the distribution utilities with respect to their respective franchise areas, suppliers need to be licensed by the ERC. However, the prices charged by suppliers to the Contestable Customers of a distribution utility are not subject to the regulation of ERC.

With RCOA mandated by the EPIRA, end-users with electricity demand meeting the thresholds set by the ERC will be allowed to contract their demand requirements directly from electricity suppliers of their choice. The EPIRA also contemplates that certain end-users may source power directly through the WESM or by entering into contracts with generation companies. This will encourage competition at the retail level. Retail Competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable offtakers for generation companies.

As of November 2020, ERC has already granted forty three (43) RES licenses to various holders. These include: Bac-Man Geothermal, Inc., Green Core Geothermal, Inc., First Gen Energy Solutions ("FGES"), GN Power Ltd. Co., Aboitiz Energy Solutions, Inc., Trans-Asia Oil and EDC, GN Power Mariveles Coal Plant Ltd. Corporation, FGES, Cabanatuan Electric Corporation, Masinloc Power Partners Co. Ltd., Premier Energy Resources Corporation, Team Philippines Energy Corporation, Adventenergy Inc., SEM-Calaca RES Corp, SN Aboitiz Power - RES, Inc., San Miguel Electric Corporation, Global Energy Supply Corporation, Ferro Energy, Inc., Kratos - RES, Inc., among others. There are also twenty five (25) recognized local RES: Meralco, Dagupan Electric Corporation, VECO, to name a few. Most of the licensed RES are members of the Retail Electricity Suppliers Association, a group that represents the consolidated interests of the RES in various advocacies.

Energy Regulatory Commission

The ERC is the independent, quasi-judicial regulatory body created under the EPIRA, with the function to promote competition, encourage market development, ensure customer choice, and penalize abuse of market power in the restructured electricity industry. It has the authority, among others, to: (i) enforce the implementing rules and regulations of the EPIRA and the rules governing the operations of the WESM and activities of its participants; (ii) establish and enforce a methodology for setting transmission and distribution wheeling rates and the retail rates for the captive market of a distribution utility; (iii) issue licenses and permits; (iv) set and enforce technical and financial standards for industry participants; and (v) monitor, investigate, and take measures to penalize violations of rules and regulations.

Competitive Market Devices

The Government has sought to implement measures designed to establish a competitive energy market. These measures include the adoption of policies, rules, and guidelines governing the establishment of the RCOA and, more recently, the GEOP, which allows qualified end-users an opportunity to choose their preferred supplier and source of energy; and the adoption of a policy for the transition to the IMO for the WESM, as envisioned in the EPIRA.

The objective is to establish a market operator with equitable representation from electric power industry participants. With this in mind, the DOE issued Department Order DO2017-07-0010 creating the Transition Committee for the PEMC to propose plans for the WESM and anticipate future challenges. In January 2018, DOE issued Department Circular DC2018-01-002 to enable the formation of the IMO. On September 26, 2018, the IEMOP took over the operations of the WESM, with PEMC remaining as the governing body. In October 2020, DOE issued Department Circular DC2020-10-0021, adopting further amendments to the WESM Rules on provisions for the implementation of the IMO.

The move towards a more competitive electricity industry could result in the emergence of new and numerous competitors. These competitors may have greater financial resources, and have more extensive operational experience and other capabilities than the Company, giving them the ability to respond to operational, technological, financial and other challenges more quickly than the Company

Retail Competition and Open Access

The EPIRA provides for a system of RCOA, wherein the end users will be given the power to choose its energy source. Prior to RCOA, distribution utilities procure power supply in behalf of its consumers. With RCOA, the RES chosen by the consumer will do the buying and selling of power and the distribution utility shall deliver the same.

RCOA shall be implemented in phases. During the first phase, only end users with an average monthly peak demand of 1 MW for twelve (12) months immediately preceding the start of RCOA shall have a choice of power supplier, as a contestable customer. Later, in the 2nd phase, the peak demand threshold will be lowered to 0.75 MW, and it will continue to be periodically lowered until the household demand level is reached.

In a joint statement issued by the DOE and ERC dated September 27, 2012, the first phase implementation of RCOA was prescribed. December 26, 2012 was marked as the Open Access date. This signaled the beginning of the six-month transition period until June 25, 2013. The transition period involved the contracting of the retail supply contracts, metering installations, registration and trainings, trial operations by March 2013, and supplier of last resort service or disconnection.

The initial commercial operations of the RCOA commenced on June 26, 2013. For this, ERC issued Resolution No. 11, Series of 2013 providing that a Contestable Customer can stay with its respective Distribution Utility until such time that it is able to find a RES. In case a Contestable Customer decides to participate in the competitive retail market, it should advise its Distribution Utility that it will be leaving the Distribution Utility's regulated service at least sixty (60) days prior to the effectivity of its RSC with a RES.

In June 2015, the DOE released a Circular (DC2015-06-0010) that provided policies that will facilitate the full implementation of RCOA in the Philippines. This was supplemented by four (4) resolutions issued by the ERC, namely:

1. ERC Resolution No. 5, Series of 2016 - Resolution Adopting the 2016 Rules Governing the Issuances of Licenses to Retail Electricity Suppliers and Prescribing the Requirements and Conditions Therefor;

2. ERC Resolution No. 10, Series of 2016 - Resolution Adopting the Revised Rules for Contestability;
3. ERC Resolution No. 11, Series of 2016 - Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market; and,
4. ERC Resolution No. 28, Series of 2016 - Resolution on the Revised Timeframe for Mandatory Contestability, amending Resolution No. 10.

According to ERC Res. No. 28 Series of 2016, the mandatory switch dates are February 26, 2017 for Contestable Customers with an average monthly peak demand of at least 1 MW and June 26, 2017 for Contestable Customers with an average monthly peak demand of at least 750 kW.

On February 21, 2017, however, the SC issued a TRO on the DOE Circular 2015-06-0010 and the recent ERC resolutions. As a result, the switching of 750-999 kW contestable customers was put on hold while Contestable Customers with 1 MW and up demand may still voluntarily switch.

Last November 29, 2017, DOE issued RCOA DCs 2017-12-0013 and 2017-12-0014. DC2017-12-0013 repealed mandatory contestability in previous RCOA DCs and changed it to voluntary participation for Contestable Customers with peak demand of 750kW and above. Subsequently, Contestable Customers with peak demand of 500kW and 749kW can voluntarily participate in RCOA by June 26, 2018. DC2017-12-0014 repealed Section 5 (h) of DC2015-06-0010, which prohibits Distribution Utilities from participating as Local RES upon expiration of their RSCs.

Last December 3, 2020, ERC issued Resolution No. 12 Series of 2020, providing for the implementation of RCOA Phase III by February 26, 2021. RCOA Phase III brings down the contestability threshold to 500kW to 749kW. The threshold is expected to further go down to cover end-users with a monthly average peak consumption of 100 to 499 kW.

Energy Demand and Supply

According to the DOE Power Statistic 2019, the Philippine electricity market has a total non-coincident peak demand of 15,581 MW. This demand is divided into three (3) major grids, with Luzon being the largest at roughly 11,344 MW. The Visayas and Mindanao Grids are smaller and have peak demand of 2,224 MW and 2,013 MW, respectively.

The industrial customer segment, which accounts for about 32.0% of total power consumption, exhibited a big slump in growth from 8.0% in 2018 to 2.0% in 2019. A slight increase was experienced in the commercial sector, which accounts for 29.0% of total electricity consumption, as it grew from 5.0% in 2018 as compared to the 6.0% growth in 2019. The residential sector, which has a 35% share in consumption, also increased from a growth of 6.0% in 2018 to 8.0% on 2019. For 2020, demand growth across all sectors is expected to slow-down given the effects of the COVID-19 pandemic.

On the supply side, the following tables set forth the dependable capacity and historical electricity generation from different fuel sources in the Luzon, Visayas and Mindanao grids:

2019 DEPENDABLE CAPACITY (MW) BY FUEL SOURCE³⁵				
Generation Source	Luzon	Visayas	Mindanao	Philippines
Oil-Based	1431	475	727	2,633
Hydro	2,470	20	991	3,480
Geothermal	824	865	103	1,792
Coal	6,520	1,349	1874	9,743
Natural Gas	3,286	—	—	3,286
Wind/Solar/Biomass	805	568	90	1,462
Total	15,335	3,277	3,786	22,398

³⁵ DOE Powerstat 2019

Electricity Demand and Supply Outlook

Economic activity, as measured by GDP, remains the key determinant of energy demand. Following the 2020 estimated GDP contraction at -9.6%, recovery is expected at 6.5% to 7.5% by 2021 and 2022, as forecasted by NEDA. Per its 2016-2040 Power Development Plan, DOE forecasts that peak demand will grow at an average annual growth rate of 4.3%, 4.9% and 5.2% in Luzon, Visayas and Mindanao, respectively; by 2020 aggregate peak demand is expected to reach 11,451 MW, 2,465 MW and 2,407 MW in Luzon, Visayas and Mindanao, respectively.

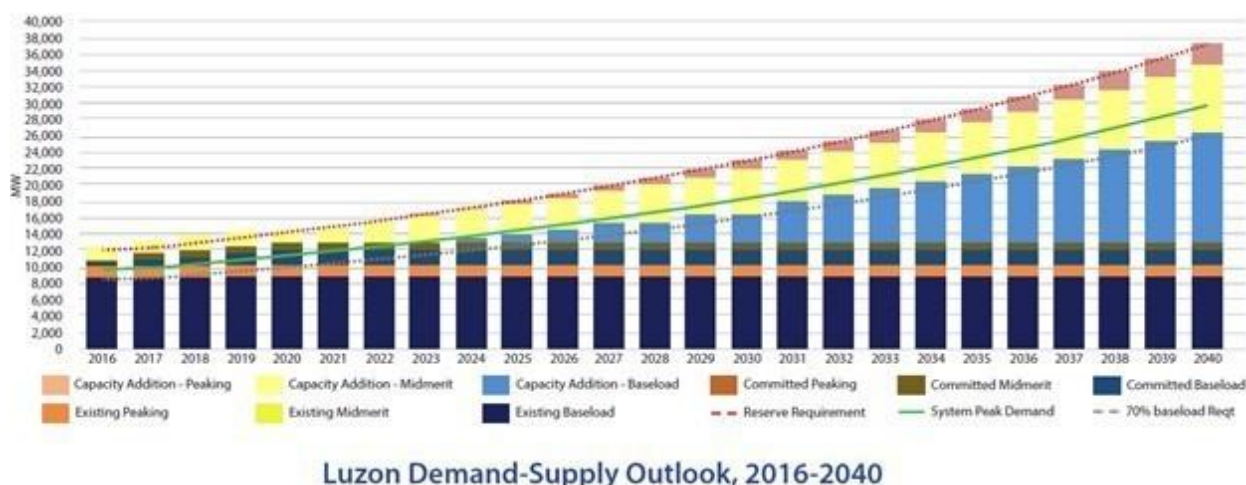
Given these projections, the Philippines' current total dependable capacity of 14,477 MW is not expected to be sufficient to meet demand in the next five (5) years. In the 2016-2040 Power Development Plan, the country is projected to require a total of ~6000 MW of new capacity additions through. Of this, ~4,078 MW is expected to be provided by committed projects and the remainder of indicative capacity additions.

The total capacity committed and indicative capacity as of December 2020 is summarized in the table below:

COMMITTED CAPACITY AS OF 2020³⁶				
(in MW)	Luzon	Visayas	Mindanao	Philippines
Committed Projects	8,344	281	352	8,977
Indicative Requirements	27,754	3,786	1,859	33,399

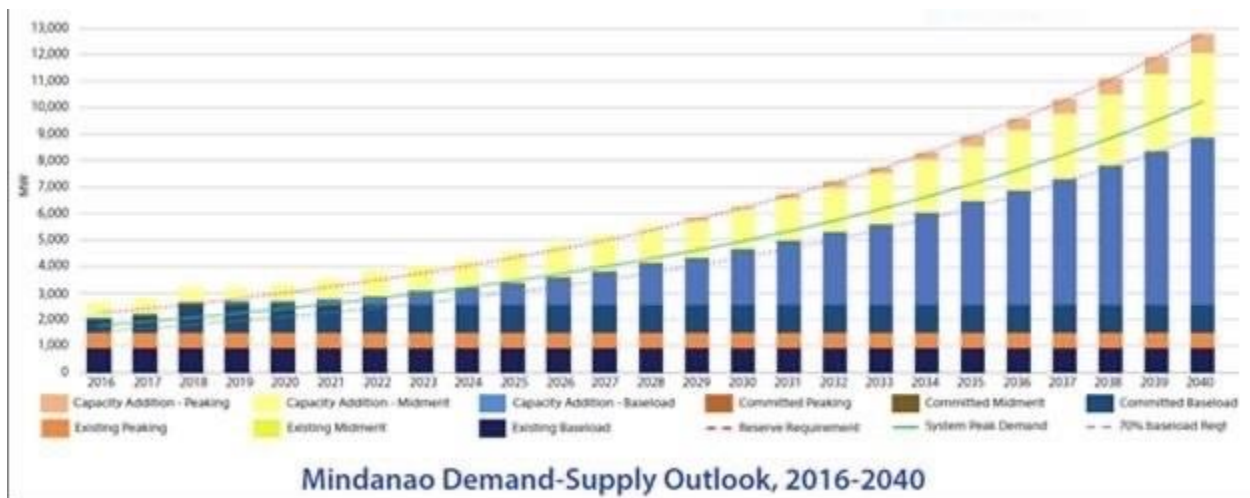
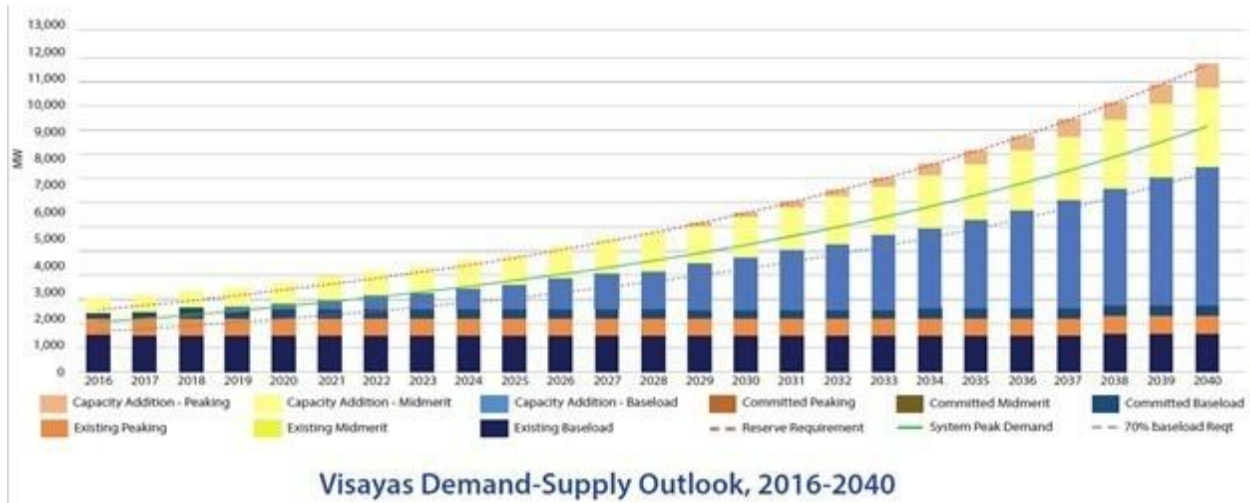
With the primary goal of achieving energy security, the DOE released its 2016-2040 Power Development Plan promoting further developments in the use of conventional fuels while exploring renewable and alternative energy sources.

The following graphs illustrate the forecasted demand and supply situation of the Luzon, Visayas and Mindanao Grids³⁷:



³⁶ 2016-2040 Power Development Plan Update

³⁷ Graphs derived from the DOE's Philippine Power Development Plan 2016-2040 Power Development Plan



Geothermal Energy

Geothermal energy is a clean, renewable and generally sustainable energy source that emits significantly lower levels of carbon dioxide compared to fossil fuel-fired power plants because it does not use combustion in the production of electricity.

Geothermal energy is derived from the natural heat of the earth when water comes sufficiently close to hot molten rock to heat the water to temperatures of 320° Celsius (608° Fahrenheit) or more. Prospective sites are indicated by dormant volcanoes, hot springs and other geothermal activity. The heated water then ascends toward the surface of the earth where it can be extracted by drilling geothermal wells subject to suitable geological conditions.

Geothermal reservoirs can be classified mainly as either wet steam or dry steam. A wet steam geothermal system generally consists of a mixture of steam and water (approximately 30.0% steam by volume) overlying a deep level of hot liquid in the reservoir. Dry steam geothermal systems however; consist of a steam and water mixture with a much higher percentage of steam (approximately 80% steam by volume) with a smaller level of hot liquid that is widely dispersed and immobile in the reservoir. The wells drilled in dry steam reservoirs produce pure steam at the surface.

The energy necessary to operate a geothermal power plant is typically obtained from several wells that are drilled using technology that is similar to that employed in the oil and gas industry. Geothermal production wells are normally located within approximately one to two miles of the power plant as geothermal fluids cannot be transported economically over longer distances due to heat and pressure losses. As long as the steamfield is properly

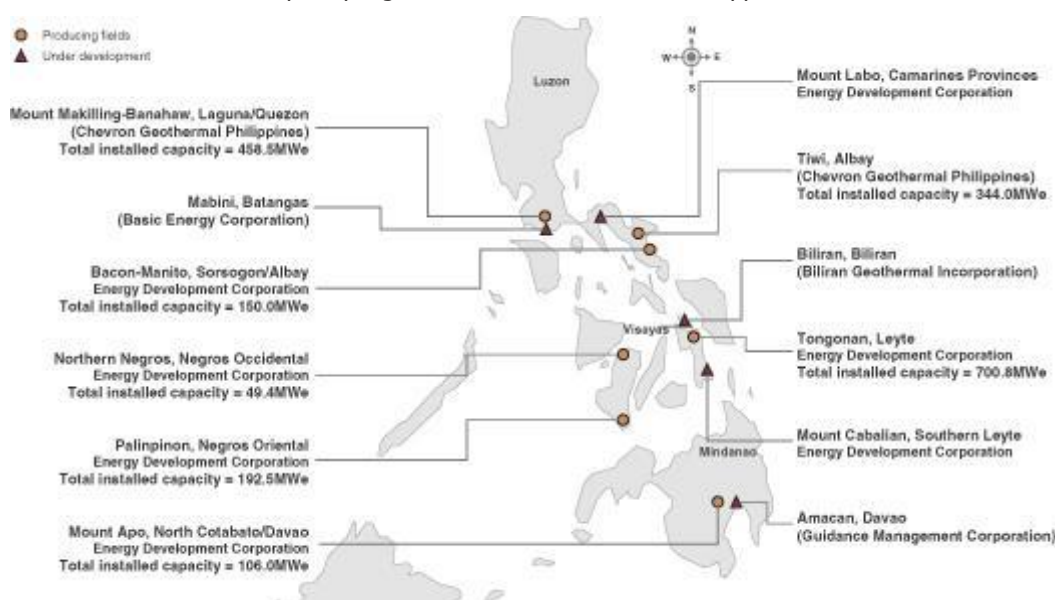
managed, the geothermal reservoir is a sustainable source of energy. In particular, natural ground water sources and re-injection of extracted geothermal fluids must be adequate over the long-term to replenish the geothermal reservoir following the withdrawal of geothermal fluids. Geothermal energy projects typically have higher capital costs (primarily as a result of the costs attributable to steamfield development) but tend to have significantly lower variable operating costs, principally consisting of maintenance expenditures, than fossil fuel-fired power plants which continue to be subject to ongoing fuel expenses throughout their productive lives.

The following description illustrates the process for extracting and converting geothermal energy to electric power:

Geothermal fluid is extracted from the underground reservoir by a series of production wells. The geothermal fluids produced at the well head consist of either pure steam (in the case of dry steam reservoirs) or a mixture of hot brine and steam (in the case of a wet steam reservoir). The heated mixture flows from the well head through a gathering system of insulated steel pipes to separation vessels or separators. This produces a stream of saturated steam, which is used by a turbine generator to produce electricity. The hot brine remaining after separation of steam is then injected back into the geothermal resource via a series of injection wells.

Philippine Geothermal Areas

The diagram³⁸ below sets forth the principal geothermal areas within the Philippines.



Wind and Solar Energy

The decrease in costs and improvements in efficiencies have fueled and continues to support the growth of solar and wind energy in the Philippines.

The first wave of solar and wind projects was covered by the Feed-in-Tariff ("FIT") started in 2012. Around 526MW of solar and 400MW of wind projects were built under this FIT regime. Of this total, the Company owns and operates 6MW of solar and 150MW of wind.

According to the latest DOE Report as of June 2020, 1,059 MW of utility solar have been installed, with a considerable potential of around 12,974MW of additional capacity. On the other hand, there is less than 10MW of

³⁸ EDC data

own-use solar that has been installed. There has been limited new wind builds outside of FIT, but there is a potential of around 4,094MW of additional capacity in the pipeline.

Even without FIT, as solar and wind becomes more cost competitive against other traditional and conventional technologies, both will continue to play a more substantial role in the energy mix of the Philippines.

Feed-In-Tariff

The ERC, pursuant to Section 7 of the RE Law and Section 5 of its implementing rules, promulgated Resolution No. 16, Series of 2010 on 12 July 2010, as amended by Resolution No. 15, series of 2012 promulgated on 19 November 2012 (the "FIT Rules") which established the FIT system. The FIT Rules regulate the method of establishing and approving the FIT rates including adjustments as to escalation formula to be applied to them annually to account for pass-through of local inflation and foreign exchange rate variations, and the FIT Allowance ("FIT-All").

The FIT shall be applicable for each generation plant using renewable energy resources, including: (i) wind energy; (ii) solar energy; (iii) ocean energy; (iv) run-of-river hydroelectric power; (v) biomass energy; and (vi) renewable energy components of technologies listed of hybrid systems under the RE Law.

FIT rates

The FIT rates provided in the FIT Rules are also specific for each emerging renewable energy technology and generation facilities which have entered into commercial operation after effectivity of the FITs ("Eligible RE Plants"), or to such parts of such existing facilities that have been substantially modified or expanded. Pursuant to the FIT Rules, the Eligible RE Plants shall be entitled to the applicable FIT rates for a period of twenty (20) years. After this period, the FIT rates will be based on prevailing market prices or other prices agreed by Independent Power Producers with the offtakers.

The ERC, thereafter, issued Resolution No. 10, Series of 2012 on July 27, 2012, which approved the FIT rates for various renewable energy sources.

The FIT Rules state that the ERC shall adjust the FIT rates annually for the entire period of its applicability and that ERC shall publish the adjusted FITs annually on or before the 15th day of January of each year and use them in the calculation of the FIT -All for the current year, but no adjustment to the FIT rates were implemented for 2016 until mid-2020. As of December 2020, ERC adjusted the FIT rates by revising the base year to 2014 for foreign exchange and consumer price index variables pursuant to ERC Resolution No. 6, Series of 2020 which provided for: (1) the adjustments to the FIT rates from 2016 to 2020, and (2) the confirmation that the resulting arrears or adjustments from 2016 to 2020 shall be paid over the next five (5) years, beginning 2021. Pursuant to this, the National Transmission Corporation ("TransCo") implemented and paid the Eligible RE Plants based on the adjusted FIT rates from December 2020 to February 2021.

However, in February 2021, ERC instructed TransCo to revert to the original FIT rates pending the official approval of the 2021 FIT rates, and to recognize all adjustments in the FIT rates covering the years 2016 to 2020 as arrears and payable over five (5) years, in accordance with the schedule attached to said instructions. ERC further clarified in an advisory issued in April 2021 that Eligible RE Plants cannot impose interest on any outstanding receivables due to them.

At present, TransCo uses the original FIT rates as basis for its payments pending ERC's official approval of the 2021 FIT rates, similar to the period of 2016 to mid-2020 where RE generators were paid based on the original and unadjusted FIT rates. The payment of the arrears for the adjustment in FIT rates from 2016 to 2020 is on-going, in accordance to the schedule provided by ERC to TransCo.

The retroactive adjustment of the FIT rates for 2016-2020 that was approved by the ERC in July 2020 through ERC Resolution no. 6 series of 2020, which took effect in December 2020 had an impact of ₱1.17 Bn. This was booked one-time as additional revenues in December 2020. Meanwhile, the delay in ERC's approval for the 2021 FIT rates translates to approximately ₱0.50 Bn of revenues (on a full year basis) once ERC confirms the 2021 FIT rates.

FIT-All

Finally, ERC Resolution No. 15, Series of 2012 states that the FIT-All shall be (1) established and set by the ERC on an annual basis upon petition by TransCo, (2) collected by the distribution utilities from their consumers, and (3) disbursed by a Government Financial Institution upon instruction from TransCo. All on-grid consumers will share in the cost of the FIT-All, via a uniform charge applied to all billed kWhr.

TransCo shall take into account forecasted annual required revenue of Eligible RE Plants, the previous year's over or under recoveries, TransCo's administration costs, forecasted annual electricity sales and other relevant factors to ensure that the FIT-All fund is sufficient to pay all RE producers regularly. TransCo may also file for an adjustment to the FIT-All amount at the end of each quarter if the working capital allowance is depleted by at least fifty percent (50%) of the required amount due to higher than projected FIT-eligible deliveries.

Competition

The Government, in implementing the thrust of the EPIRA, has paved the way for a more independent and market driven Philippine power industry. This has allowed for competition, not limited by location, and driven by market forces. As such, selling power and, consequently, the dispatch of power plants depend on the ability to offer competitively priced power supply to the market. The Company has multiple power projects in Luzon, Visayas, and Mindanao.

The WESM operations of Luzon and Visayas Grids are integrated under the IEMOP in the sense that the administration and rules are the same. However, demand and available supply per area vary, which results to differences in spot clearing price per Grid. Meanwhile, WESM in Mindanao and its integration to the Grid is still an on-going process. Once operational, the excess power supply in Mindanao may be offered to the Island Grids.

Pursuant to the RCOA of the EPIRA, a new electricity buyer group consisting of individual retail customers has emerged. "Retail Competition" means that eligible end-users of electricity (or retail customers) may directly contract for the supply of electricity with authorized suppliers, instead of coursing the same through the franchised distribution facility. "Open Access", on the other hand, means that retail electricity customers and suppliers of electricity may contract with the transmission company and the distribution company for the "wheeling" or delivery of energy/electricity through the transmission or distribution wires. Open Access is thus a means by which Retail Competition is achieved.

Republic Act No. 9513, otherwise known as the RE Law, provides for policy mechanisms, such as the RPS and the GEOP, to further promote the development and utilization of renewable energy resources.

Under the RPS, mandated participants such as but not limited to distribution utilities and suppliers of electricity for the contestable market are required to source a portion of their energy requirement from RPS-eligible plants while GEOP gives end-users the opportunity to source 100% of their power supply from renewable energy suppliers.

Pursuant to the RE Law, a REM shall be established where Renewable Energy Certificates corresponding to energy generated from eligible RE facilities can be traded. Mandated Participants under the RPS and GEOP must register in the REM. The Company and its operating subsidiaries intend to participate in the REM.

The successful privatization of NPC assets and NPC-IPP contracts in Luzon and Visayas, coupled with the integration of the two Grids under the WESM, introduced new players and opened competition in the power industry. The largest competitors of the Company are the Aboitiz group, the San Miguel group and Ayala's AC Energy. In terms of generation capacities, the Aboitiz group has a total of 4,973MW³⁹ in its portfolio. Aboitiz Power Corporation is the Company's only competitor in the geothermal energy space, after it successfully bid for the 747 MW Tiwi-Makban geothermal power plant. Philippine Geothermal Production Company operates the Tiwi-Makban geothermal steam field that supplies the Aboitiz geothermal plant. The San Miguel group reportedly has 4,856 in its portfolio after selling its 650 MW Limay combined-cycle gas turbine⁴⁰. AC Energy has 893MW in its Philippine portfolio⁴¹.

³⁹ Data from Aboitiz Power: www.aboitzpower.com

⁴⁰ Data from San Miguel Corporation: www.sanmiguel.com.ph/businesses/new/power-energy/

⁴¹ Data from AC Energy: www.acenergy.com.ph/about/

The credit ratings provided by PhilRatings for the recent bond issuances of these competitors indicate that financial strength among them is comparable. Aboitiz Power has a PRS Aaa rating, San Miguel Corporation, the parent company of SMC Power, has a PRS Aaa rating, and Ayala Corporation, the parent company of AC Energy, has a PRS Aaa rating.

Several of these competitors may have greater financial resources and have more extensive operational experience and other capabilities than the Company, giving them the ability to respond to operational, technology-related, financial, and other challenges more quickly than the Company. The Company will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as in the financing for these activities.

The performance of the Philippine economy and the historical high returns of power projects in the country have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the long-term economic growth in the Philippines.

The Group believes that it will be able to compete because of its competitively-priced power, the reliability of its power plants, its use of clean and renewable fuels, and its expertise and experience in power supply contracting and trading.

Material Contracts and Agreements

The following are summaries of the material terms of the principal contracts related to the Company's business transactions which were executed in the past three (3) years⁴² and to which the Company is a party as of the date of this Prospectus. The summaries below should not be construed to be a full statement of the terms and provisions of such contracts. Accordingly, the following summaries are subject to the full text of each contract.

Loans from the International Finance Corporation ("IFC")

Amended and Restated Loan Agreement

In November 2008, the Company entered into a loan agreement with the IFC, a shareholder of the Company, for an aggregate amount of ₱4.1 billion or its US dollar equivalent for the purpose of financing the Company's medium-term capital expenditure program. IFC and the Company executed an ARLA on May 20, 2011. The loan was again amended and IFC and the Company executed another ARLA on March 22, 2018.

The ARLA contains restrictions on debt incurrence, unless the debt service coverage ratio is not less than 1.1x and the Debt for Borrowed Money to Equity Ratio is below 70:30 on an unconsolidated basis; and restrictions on equity distribution, unless the debt service coverage ratio is not less than 1.2x on an unconsolidated basis, in each case subject to certain conditions and exceptions.

IFC Second Loan Agreement

On May 20, 2011, the Company signed a fifteen (15)-year USD75.0 million loan facility with the IFC. The loan was drawn in Peso on September 30, 2011 amounting to ₱3,262.5 million. IFC and the Company executed an ARLA on March 22, 2018. Under the loan agreement, the Company is subject to the same financial covenants indicated in the ARLA.

IFC Third Loan Agreement

On March 22, 2018, the Company signed a fifteen (15)-year USD90.0 million loan facility with IFC to fund its 2018 capital expenditures and other general corporate requirements of its existing geothermal operations. The loan was drawn in Peso on June 22, 2018 amounting to ₱4,804.0 million.

US\$50.0 Million Mizuho Loan

On March 24, 2020, EDC signed a USD50.0 million two (2)-year loan facility with Mizuho Bank, Ltd. On April 1, 2020, EDC has fully drawn the USD50.0 million loan at an interest rate of 0.65% margin plus LIBOR. Transaction costs related to the loan amounted to USD0.6 million. The proceeds are intended to be used to refinance maturing obligations and for general corporate purposes.

BPI ₱6.0 Billion Term Loan

On April 2, 2020, EDC signed a ₱6.0 billion ten (10)-year term loan facility with Bank of the Philippine Islands. On April 15, 2020, EDC has drawn ₱3.0 billion from the loan facility at a fixed interest rate of 5.13% per annum. On July 29, 2020, EDC has drawn the remaining ₱3.0 billion at a fixed interest rate of 3.56% per annum.

BDO ₱6.5 Billion Loan

On August 28, 2020, EDC signed a ₱11.45 billion ten (10)-year term loan facility with BDO Unibank, Inc. On September 10, 2020, EDC has drawn ₱4.5 billion from the loan facility at a fixed rate of 4.25% per annum subject to repricing after five (5) years from the initial drawdown. On February 18, 2021, EDC has drawn an additional ₱2 billion from the facility at the same fixed rate and repricing terms.

⁴² All contracts listed in this section were executed in the past three years save for the Peso Bonds executed in 2009.

Securities of the Issuer

Market Information

The Company's common shares were listed with the PSE on December 13, 2006 at an Initial Public Offering price of ₱3.20 per share. The high and low share prices for 2018 are indicated in the following table:

Period	Highest Close		Lowest Close	
	Price (₱)	Date	Price (₱)	Date
2018				
1 st Quarter	6.01	Mar. 13, 2018	5.51	Feb. 22, 2018
2 nd Quarter	5.56	Apr. 2, 2018	5.14	May 18, 2018
3 rd Quarter	7.08	Sep. 28, 2018	4.92	Aug. 6, 2018
4 th Quarter	8.00	Oct. 23, 2018	6.87	Oct. 30, 2018

On August 7, 2018, the Board of Directors ("BOD") of the Company approved the voluntary delisting (the "Delisting") of its common shares from the Main Board of the PSE, and, in accordance with the PSE's delisting rules and regulations, the conduct of a tender offer (the "Tender Offer") for up to 2,040,006,713 common shares held collectively by all shareholders of the Company other than Red Vulcan, First Gen, Northern Terracotta Power Corp., and PREHC. This represented all remaining EDC common shares that were held by the public, and which equated to approximately 10.9% of its total outstanding common shares.

EDC's Tender Offer Price of ₱7.25 per share represented a 46.0% premium over the closing share price of ₱4.95 on August 7, 2018 and a 40.0% premium over the three (3)-month volume weighted average price of ₱5.18. The independent financial adviser, KPMG, issued an opinion based on an independent valuation that the Tender Offer Price is fair and reasonable from a financial point of view.

On September 19, 2018, the Company filed the petition for the Delisting with the PSE.

The Tender Offer began on September 24, 2018 until October 22, 2018. Following the completion of the Tender Offer, a total of 2,009,107,731 common shares, representing approximately 10.72% of the Company's outstanding voting shares were tendered pursuant to the Tender Offer, accepted and thereafter purchased by the Company via a block sale through the facilities of the PSE on November 5, 2018. The shares were purchased at the Tender Offer Price with a total transaction value of ₱14,566.0 million.

On November 14, 2018, the BOD of the PSE granted the petition for voluntary delisting filed by the Company, and accordingly, ordered the delisting of the Company's common shares from the official registry of the PSE (electronic board and ticker) effective on November 29, 2018.

As of March 31, 2021, there were 984 common stockholders of record and public float was at 0.15% (or 25,317,534 common shares).

As of March 31, 2021, EDC has no knowledge of any individual or any party who beneficially owns more than 5.0% of its outstanding common stock except as set forth in the table below:

Type of Class	Name, address of Record Owner and Relationship with Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Red Vulcan Holdings Corporation	Beneficial Owner - First Gen Corporation ⁴³	Filipino	7,500,000,000	43.99%
Preferred	6th Floor Rockwell Business Center Tower 3, Ortigas Ave., Pasig City (Red Vulcan Holdings Corp. is	(First Gen Corp. is a major stockholder of Red Vulcan Holdings Corp.)		9,375,000,000	100.00%

⁴³ Based on economic interest.

Type of Class	Name, address of Record Owner and Relationship with Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
	a major stockholder of EDC)	Proxy - Federico R. Lopez, Chairman of First Gen Corporation			
Common	Philippines Renewable Energy Holdings Corporation (PREHC) 44	Beneficial Owner of more than 5% Proxy - Michael T. Rodriguez, Chairman/President of PREHC or Christopher Low Eu Sun, Director of PREHC	Foreign	9,226,249,810	54.12%

As of March 31, 2021, the following table presents the top twenty (20) largest shareholders of the Company:

Rank	Name	Number of Shares			Percentage
		Preferred	Common	Total	
1	Red Vulcan Holdings Corporation	9,375,000,000	7,500,000,000	16,875,000,000	63.863%
2	Philippines Renewable Energy Holdings Corporation	-	9,226,249,810	9,226,249,810	34.917%
3	First Gen Corporation	-	148,910,559	148,910,559	0.5636%
4	Northern Terracotta Power Corporation	-	148,092,918	148,092,918	0.5605%
5	Goldman Sachs International	-	6,265,779	6,265,779	0.0237%
6	Boston Common International Sustainable Climate Fund, LLC	-	3,317,800	3,317,800	0.0126%
7	PCD Nominee Corporation	-	2,252,157	2,252,157	0.0085%
8	Elizabeth L. Bengzon	-	956,000	956,000	0.0036%
9	HSBC Manila OBO 000-596551-550	-	933,298	933,298	0.0035%
10	HSBC Manila OBO 000-599746-550	-	849,500	849,500	0.0032%
11	Deutsche Bank AG Manila OBO UBS LDN IPB SCA A/C 12107074001	-	833,827	833,827	0.0032%
12	Rosalind Camara	-	663,750	663,750	0.0025%
13	Deutsche Bank AG Manila OBO DBTCA ADR DEPT A/C 12069784000	-	470,700	470,700	0.0018%
14	Deutsche Bank AG Manila OBO DB LDN EQT HSE A/C 12036454000	-	469,128	469,128	0.0018%
15	Virginia Maria D. Nicolas	-	393,000	393,000	0.0015%
16	Deutsche Bank AG Manila OBO UBS LDN-Asia EQ A/C	-	325,800	325,800	0.0012%

⁴⁴ Philippines Renewable Energy Holdings Corporation is considered a foreign shareholder of EDC, being a domestic corporation wholly-owned by a foreign (Dutch) shareholder. While its 9,226,249,810 shares correspond to 54.12% of total outstanding common shares, these shares only constitute 34.92% of the total outstanding EDC shares in all classes and of the total outstanding voting shares of EDC.

Rank	Name	Number of Shares			Percentage
		Preferred	Common	Total	
	1210624000				
17	HSBC Manila OBO 000-137919-550	-	322,500	322,500	0.0012%
18	SCB OBO BCSL Client AC PB Cayman Clients	-	306,800	306,800	0.0012%
19	Deutsche Bank AG Manila OBO BNYM SA COGUC A/C 12113904114	-	270,500	270,500	0.0010%
20	Citibank NA MLA OBO 1100200009	-	259,300	259,300	0.0010%

Dilution

As there is no issuance of shares involved in the offering, the Company expects that there will be no dilution of existing shareholders' equity ownership in the Company.

Dividend Information and Dividend Policy

EDC's Board is authorized to declare dividends as long as EDC has unrestricted retained earnings in accordance with Section 42 of the Revised Corporation Code.

In the case of cash dividends, holders of common shares are entitled to receive annual cash dividends of at least 30% of the prior year's attributable recurring net income, subject to the approval of the Board of Directors, without need of stockholders' approval. The declaration of cash dividends depends on several factors such as current and prospective debt service requirements and loan covenants, the implementation of business plans, operating expenses, budget, funding for new investments, as well as appropriate reserves and working capital, among others. In this connection, covenants in certain loan agreements entered into by the Company restrict the distribution of dividends to the Company's stockholders if such distribution will impair the Company's ability to pay its obligations or if an event of default or a prospective event of default (as defined in the loan agreement) has occurred and has not been remedied to the satisfaction of the creditor(s).

Holders of voting preferred shares are entitled to receive out of the unrestricted retained earnings of the Company, when and as declared by the Board of Directors (a) cumulative dividends at the rate of 8% of the par value of the voting preferred shares, and (b) cumulative fixed annual dividends at the rate as may be determined and revised from time to time by the Board, in each case before any dividends shall be set apart and paid to holders of common shares. Holders of non-voting preferred shares are entitled to receive out of the unrestricted retained earnings of the Company, when and as declared by the Board of Directors cumulative dividends at the rate to be determined by the Board of Directors before any dividends shall be set apart and paid to holders of common shares. Holders of voting and non-voting preferred shares shall not be entitled to further dividends payable by the Company.

In the case of stock dividends, Board and stockholders' approval are required in accordance with existing laws. Stockholders representing at least two-thirds of EDC's outstanding capital stock must approve the stock dividend declaration.

Below is a table showing the dividend declarations and pay-outs made by EDC in 2020 and 2019:

Declaration Date	Record Date	Payment Date	Shareholders	Description	Dividend per share (in ₱)	Total Amount (in ₱)
2020:						
May 29, 2020	June 15, 2020	July 10, 2020	Common	Regular	0.1173	2,000,000,000
			Preferred	Regular	0.0305	286,000,000
			Preferred	Regular	0.0008	7,500,000

Declaration Date	Record Date	Payment Date	Shareholders	Description	Dividend per share (in ₱)	Total Amount (in ₱)
November 18, 2020	December 18, 2020	January 27, 2021	Common	Special	0.2933	5,000,000,000
						7,293,500,000

Declaration Date	Record Date	Payment Date	Shareholders	Description	Dividend per Share (in ₱)	Total amount (in ₱)
2019:						
May 24, 2019	May 23, 2019	June 19, 2019	Common	Regular	0.1759	2,999,822,352
			Preferred	Regular	0.0305	286,000,000
			Preferred	Regular	0.0008	7,500,000
			Preferred	Regular	0.0008	7,500,000
November 15, 2019	December 20, 2019	January 16, 2020	Common	Special	0.2461	4,200,000,000
						7,500,822,352

Recent Sale of Unregistered or Exempt Securities

In 2018, the Company closed its third loan with International Finance Corporation amounting to USD90.0 million. The facility will be used for EDC's medium-term capital expenditure program. Also in the same year, EDC executed three (3)-year floating-rate loans amounting to ₱11.5 billion with various local banks. Loan proceeds were used for the refinancing of USD80.0 million syndicated term loan facility and other general corporate purposes. All floating loans were prepaid by the end of the second quarter of 2019 given EDC's robust cash reserves.

In 2020, the Company signed bilateral corporate term loan agreements with Mizuho Bank, Ltd., Bank of the Philippine Islands, and BDO Unibank, Inc. for USD50.0 million, ₱6.00 billion and ₱11.45 billion, respectively, where the Company drew a total of ₱12.9 billion (1) to refinance the ₱3.0 billion fixed-rate bonds which matured on May 3, 2020 and the outstanding USD181.1 million balance of the USD300.0 million USD bonds which matured on January 20, 2021, (2) to fund various capital expenditures and growth projects, and (3) for general corporate purposes. As of December 31, 2020, the BDO Unibank, Inc. facility has a remaining balance of ₱6.95 billion available to be drawn.

Pension Plans

The Company has two (2) types of retirement plan: a funded, non-contributory defined benefit retirement plan covering permanent employees hired before July 1, 2016, and a funded, defined contribution retirement plan, covering permanent employees hired on or after July 1, 2016. In the defined contribution plan, the Company contributes 9% of the covered employees' monthly salary. The plans are administered by a trustee bank. The Company also provides post-retirement medical and life insurance benefits for employees who retired at the age of sixty (60), which are not funded.

Directors, Executive Officers and Control Persons

The Board of Directors

The Board is principally responsible for the Company's overall management and direction. As a matter of practice, the Board meets at least every other month to review and monitor the Company's performance.

The By-laws provide for eleven (11) members of the Board, who shall be elected by the stockholders, and include three (3) independent directors. The Board holds office for one (1) year and until their successors are elected and qualified in accordance with the By-laws.

The Company's Board of Directors was elected on July 28, 2020 by the Company's stockholders. In a meeting held on February 4, 2021, Ms. Nicole Goh Phaik Khim resigned as a regular director, and the Board elected Mr. Ang Eng Seng as regular director in her place.

As of March 31, 2021, the composition of the Board is as follows:

Directors/Officers	Position	Nationality	Age
Federico R. Lopez	Chairman and CEO	Filipino	59
Richard Raymond B. Tantoco	Director, President and COO	Filipino	54
Francis Giles B. Puno	Director	Filipino	56
Joaquin E. Quintos IV	Director	Filipino	61
Jonathan C. Russell	Director	British	56
David Andrew Baldwin	Director	Australian	56
Christopher Low Eu Sun	Director	Malaysian	38
Ang Eng Seng	Director	Singaporean	58
Edgar O. Chua	Independent Director	Filipino	64
Francisco Ed. Lim	Independent Director	Filipino	66
Manuel I. Ayala	Independent Director	Filipino	57

Federico R. Lopez, 59

Mr. Lopez, Filipino, has been a member of the board since November 29, 2007. He is also currently Chairman and Chief Executive Officer of EDC, and the publicly-listed companies Lopez Holding Corporation, FPH and First Gen. He is likewise Vice Chairman of Rockwell Land Corporation and also sits on the board of ABS-CBN Corporation, which are publicly-listed companies.

A staunch environmentalist, he is the Chairman of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation, non-profit private sector-led initiative supporting research and innovative solutions to build climate-resilient communities. He is also the Chairman of Sikat Solar Challenge Foundation, Inc., Foundation, which focuses on bringing clean energy solutions to rural communities. He is a member of the Board of Trustees of the Forest Foundation Philippines, Philippine Disaster Resilience Foundation, the ABS-CBN Lingkod Kapamilya Foundation, and the Eugenio Lopez Foundation. He is the President of Ang Misyon, an El Sistema-inspired advocacy committed to igniting social change and youth development through the formation of the Orchestra of the Filipino Youth.

Mr. Lopez is a member of the New York Philharmonic International Advisory Board, Asia Business Council, World Presidents Organization, Chief Executives Organization, ASEAN Business Club, Management Association of the Philippines ("MAP"), Philippine Chamber of Commerce and Industry, European Chamber of Commerce of the Philippines, and Makati Business Club.

Mr. Lopez is a graduate of the University of Pennsylvania with a Bachelor of Arts Degree, Double Major in Economics and International Relations, *cum laude* (1983).

Richard Raymond B. Tantoco, 54

Mr. Tantoco, Filipino, sits as a director of the Company since November 29, 2007. He is currently President and Chief Operating Officer of EDC and several EDC subsidiaries, including Bac-Man Geothermal Inc. ("BGI"), Green Core

Geothermal Inc. ("GCGI") and EDC Burgos Wind Power Corporation ("EBWPC"). He also sits as a director and Executive Vice President of First Gen, a publicly-listed company, and several First Gen subsidiaries. He is currently the President and Trustee of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation, Inc. and a trustee in the board of several non-profit organizations, including KEITECH Educational Foundation Inc., Business for Sustainable Development, Inc., The Lopez Museum, Stiftung Solarenergie Solar Energy Foundation, and Messy Bessy. He has been a director of the International Geothermal Association since 2010. He previously worked with the management consulting firm Booz, Allen and Hamilton, Inc. in New York and London where he specialized in mergers and acquisition advisory, turnaround strategy advisory, and growth strategy formulation for media and manufacturing companies.

Mr. Tantoco has an MBA in Finance from the Wharton School of Business of the University of Pennsylvania (1993) and a Bachelor of Science degree in Business Management from the Ateneo de Manila University where he graduated with honors (1988).

Francis Giles B. Puno, 56

Mr. Puno, Filipino, has been a director of EDC since November 29, 2007. He also sits in the board of publicly listed companies FPH, First Gen, First Philippine Industrial Park and Rockwell Land. He is also the President and Chief Operating Officer of FPH, First Gen, and several First Gen subsidiaries, such as Red Vulcan Holdings Corporation, First Gen Energy Solutions, FGP Corp., and First NatGas Power Corp. He previously worked with the Global Power and Environmental Group of The Chase Manhattan Bank in Singapore and Hong Kong where he originated and executed financial advisory and debt arrangement mandates for power and water projects in Asia.

Mr. Puno has a Master of Management degree from the Kellogg Graduate School of Management of Northwestern University (1990) and a Bachelor of Science degree in Business Management from the Ateneo de Manila University (1985).

Joaquin E. Quintos IV, 61

Mr. Quintos, Filipino, has been a director of EDC since November 2015. He is currently Senior Vice President of FPH and sits as an independent director of iPeople, a publicly-listed company. He is a member of the board of Philippine American Life and General Insurance Company, Sky Cable Corporation, STI Education Services Group, Inc., Vicsal Investment, Inc. and AB Capital and Investment Corporation. He is currently a Trustee of the Foundation for Adolescent Development, Inc. and Knowledge Channel Foundation.

Prior to joining FPH, Mr. Quintos was President and CEO of Prople Limited and was the Chairman and Country General Manager of IBM Philippines Inc. ("IBM"). He also headed all of IBM's wholly-owned subsidiaries in the Philippines. He was President and CEO of IBM Daksh Philippines Inc., Chairman of IBM Solutions Delivery Inc., and Chairman of IBM Business Services Inc. IBM's BPO operating subsidiaries, IBM Daksh and IBM Business Services, were set-up during his tenure.

He was formerly the Chairman of the ICT Panel of the Joint Congressional Committee on Science and Technology of the Republic of the Philippines. He was previously the Chairman of De La Salle University Manila and the Co-Chairman of the De La Salle Philippines board, which oversees the unified administration of the network of seventeen (17) La Sallian institutions in the Philippines. He was also the previous Vice Chairman of the Credit Information Corporation, the national credit registry of the Philippines.

Mr. Quintos is a graduate of the University of the Philippines with a Bachelor of Science degree in Industrial Engineering, *cum laude*.

Jonathan C. Russell, 56

Mr. Russell, British, has been a director of EDC since November 29, 2007. He is also an Executive Vice President of First Gen and director of GCGI. He was previously Vice President of Generation Ventures Associates ("GVA"), an international developer of independent power projects based in Boston, USA, responsible for the development of 1,720 MW of IPP projects in Asia. Prior to joining GVA, he worked for BG plc based in London and Boston, responsible for the development of power and natural gas distribution projects.

Mr. Russell has an MBA with Distinction in International Business & Export Management from the City University Business School, London, England (1989) and a Bachelor of Science with Honours in Chemical & Administrative Sciences from the City University, London, England (1987).

David Andrew Baldwin, 56

Mr. Baldwin, Australian, has been a director of EDC since October 3, 2017. He is also a Senior Managing Director at Macquarie Infrastructure and Real Assets ("MIRA"), where he is the head of power, renewable and utility businesses across Asia. MIRA is the world's largest infrastructure asset manager and has approximately 11GW of renewable energy investments under management.

Mr. Baldwin's industry experience includes renewable, utilities, resources and petrochemicals in both private and listed companies around the world.

Prior to joining MIRA in 2017, Mr. Baldwin was CEO, Integrated Gas at Origin Energy, where he delivered and operated Origin's LNG and gas businesses. Prior to this, he was CEO of Contact Energy ("Contact"), one of New Zealand's largest integrated energy companies with more than 2,000 MW of geothermal, hydroelectric and gas-fired generation, and approximately 600,000 customers.

Prior to his role at Contact, Mr. Baldwin held senior positions at Berkshire Hathaway Energy in the Philippines and the United States, SouthPac Corporation in Indonesia and Shell in Netherlands and New Zealand. David's responsibilities included the delivery and operation of geothermal, hydroelectric and other renewable projects, mergers and acquisitions, and design and operation of petrochemical facilities.

Mr. Baldwin has an MBA from Victoria University of Wellington (1994) and a degree in Chemical Engineering from the University of Canterbury (1985).

Christopher Low Eu Sun, 38

Mr. Low, Malaysian, has been a Director of EDC since October 3, 2017. He is a Managing Director with MIRA, which is part of Macquarie Asset Management ("MAM") – the asset management arm of Macquarie Group. MIRA manages \$US132.0 Billion in assets, including over 150 portfolio businesses. Mr. Low joined MIRA in 2006 and is currently based in Singapore. Mr. Low's current responsibilities include deal sourcing and execution for MIRA's MAIF series of investment funds, with a regional responsibility over Southeast Asia.

Mr. Low has a Master's degree in Management from Imperial College London and an undergraduate degree in Economics from the London School of Economics.

Ang Eng Seng, 58

Mr. Ang, Singaporean, is the Chief Investment Officer of GIC Private Limited ("GIC") for Infrastructure and Adviser to the Integrated Strategies Group ("ISG"). Prior to this, he was President of Europe and Head of ISG of GIC.

Prior to joining GIC in 1994, Mr. Ang was a Director of the Auditor-General's Office in Singapore. From 1996 to 1998, he was seconded from GIC to China International Capital Corporation in Beijing first as the Deputy General Manager and subsequently as the General Manager of its Direct Investment Department. He was Head of the Greater China Team for GIC Special Investments from 1999 to mid-2003, before becoming the Head of Europe Private Equity Group until 2009. He was concurrently Global Head of GIC's Direct Investment Group and Head of Infrastructure Group from 2009 to 2012.

Mr. Ang holds an MA from Cambridge University. He is a qualified Certified Public Accountant and a charter holder of Chartered Financial Analyst.

Edgar O. Chua, 64

Mr. Chua, Filipino, has been an Independent Director of EDC since July 29, 2010 and he sits as the Chairman of the Audit and Governance Committee since July 13, 2011. He was the Country Chairman of the Shell Companies in the

Philippines from September 2003 to October 2016. He had corporate responsibility for the various Shell companies in the exploration, manufacturing, and marketing sector of the petroleum business. Likewise, he oversaw the chemicals businesses and shared services. He is currently an independent director of Integrated MicroElectronics Inc. ("IMI"), Metrobank and PhilCement. He is also currently on the Advisory Board of Mitsubishi Motors Philippines Corporation and Coca Cola Bottlers Philippines Inc. He is on the Board of several schools and foundations and is currently the President of De La Salle Philippines Inc.

His career spanned more than thirty eight (38) years of experience in the business fields of chemicals, auditing, supply planning and trading, marketing and sales, lubricants, corporate affairs and general management. Outside the Philippines, he held senior positions as Transport Analyst in Group Planning in the UK and as General Manager of the Shell Company of Cambodia. From July 1999 to August 2003, he served in various regional roles in Shell Oil Products East, including as GM for Consumer Lubricants for Asia Pacific covering all countries East of Suez Canal including Saudi Arabia, China, India, Korea, ASEAN, Australia, New Zealand, and the Pacific Islands. He also headed Shell's Global Marketing for Commercial Fuels.

Mr. Chua earned his Bachelor of Science degree in Chemical Engineering from De La Salle University (1978) and attended various international seminars and courses including the senior management course in INSEAD in Fontainebleau, France. He is a recipient of numerous local and international recognitions, including CEO EXCEL for Excellence in Communication in Organisations (2005); Asia People of the Year (2013); MAP's Management Man of the Year (2013); CEO of the Year in the Asia Pacific SABRE (Superior Achievement in Branding Reputation and Engagement) Awards in China in 2014. In 2015, he was conferred the Lifetime Achievement Award by the Golden Wheel Awards Foundation. In 2016, he was awarded by the Asia CEO as Global Filipino Executive of the Year. He was also conferred Doctor of Humanities Honoris Causa by De La Salle Araneta University in 2018.

Francisco Ed. Lim, 66

Atty. Lim, Filipino, has been an Independent Director of EDC since July 29, 2010. He is a Senior Partner and a member of the Executive and Special Committees of the Angara Abello Concepcion Regala & Cruz Law Offices.

Atty. Lim is the incumbent President of the Financial Executives Institute of the Philippines ("FINEX").

Atty. Lim is the immediate Past President of the Management Association of the Philippines (MAP). He continues to serve MAP as the Chairman of the Membership Committee, National Issues Committee and Management Man of the Year Search Committee.

Atty. Lim served as President and CEO and director of Philippine Stock Exchange, Inc. ("PSE"), President and CEO of Securities Clearing Corporation of the Philippines ("SCCP"). He also served as President of the Shareholders' Association of the Philippines ("SharePHIL").

Atty. Lim is a director of several companies, among which are the DHL Summit Solutions, Inc., Producers Savings Bank Corporation, The Insular Life Assurance Co., Ltd. and Alphaland Corporation. He is also a Trustee of the FINEX Foundation, Inc., SharePhil, CIBI Foundation, Inc. and Judicial Reform Initiative, Inc., and a Fellow of the Institute of Corporate Directors.

Atty. Lim is a law professor in the Ateneo de Manila University and San Beda Graduate School of Law.

Atty. Lim is a Co-Chairperson of the Sub-Committee of the Philippine Supreme Court on E-Commerce Law and member of the Philippine Supreme Court Sub-Committee on Commercial Courts. He is the Vice-Chair of the Commercial Law Department and professorial lecturer of the Philippine Judicial Academy.

Atty. Lim is a member of the American Bar Association, International Insolvency Institute ("III"), and Advisory Committee for the Asian Principles of Business Restructuring Project of the III and Asian Business Law Institute.

Atty. Lim is the co-author of the "The Philippine Competition Act: Salient Points and Emerging Issues".

Atty. Lim is a columnist (on leave) of Rappler Online Publication.

Atty. Lim graduated magna cum laude in Bachelor of Philosophy and cum laude in Bachelor of Arts from the University of Santo Tomas. He completed his Bachelor of Laws degree (Second Honors) from the Ateneo de Manila University, and his Master of Laws degree from the University of Pennsylvania, USA.

Atty. Lim is a member of both the Philippine Bar and New York State Bar.

Manuel I. Ayala, 57

Mr. Ayala has been an Independent Director since September 7, 2016 and currently sits as the Chairman of the Related Party Transactions Committee since May 8, 2017. He is also an Independent Director of Sky Cable and the Co-Founder and Managing Director of Endeavor Philippines, a global nonprofit organization focused on accelerating the growth of high impact entrepreneurs.

Prior to Endeavor, Mr. Ayala founded Hatchd, Inc, a technology incubator that has helped to create companies such as Rappler, PawnHero, Purple Click, Ayannah, and GrowSari. He was also a co-founder of IRG Ltd, a Hong Kong-based M&A advisory firm focused on the telecoms, media and tech sectors across the Asia Pacific.

Mr. Ayala has an MBA from Harvard Business School and a BA from Yale University.

Key Executive Officers

The Company's management is responsible for the Company's day-to-day operations. More specifically, the management is responsible for the implementation and execution of projects, plans and programs, managing company finances including disbursements and payments, and approval of transactions within the limits of its authority.

As of March 31, 2021, the Company employed the following key executive officers:

Oscar M. Lopez, 90 **Chairman Emeritus**

Mr. Lopez, Filipino, is the Chairman Emeritus of FPH, the specific associate holding company for power generation and distribution, property and manufacturing. He has been a member of the EDC Board of Directors since the Company's full privatization in 2007 until October 3, 2017.

Mr. Lopez is one of the most respected and admired business leaders in Asia. He was Management Association of the Philippines' Management Man of the Year in 2000 and one of the top 20 finalists for CNBC and TNT International's Asia Business Leader Awards in 2004. He was the first Filipino businessman to be awarded the most prestigious Officer's Cross of the Order of Merit of the Federal Republic of Germany in 2005. He was a recipient of The Outstanding Filipino Award in the field of Business for the year 2009.

Named by Forbes Magazine as among the "Heroes of Philanthropy" in Asia, he is involved in several social and environmental concerns, among them the Eugenio Lopez Foundation and the Lopez Group Foundation. In 2006, he was honored in Monaco with the IMD-Lombard Odier Hentsch Distinguished Family Award for "an outstanding commitment on philanthropy for the family's achievement in excellence such as the clarity and sustainability of their social endeavors, exemplary corporate governance, a focus on family values, and the involvement of multiple generations."

He was conferred Honorary Degree Doctor of Laws, *honoris causa* by the Philippine Women's University in April 2009 and by the University of the Philippines in March 2012, and Honorary Degree Doctor of Humanities, *honoris causa* by De La Salle University in October 2010 and by the Ateneo de Manila University in November 2010. He was the 2011 Ramon del Rosario, Sr. Awardee for Nation Building.

Mr. Lopez has a Master's degree in Public Administration from the Littauer School of Public Administration in Harvard University (1955), where he also earned his Bachelor of Arts degree, *cum laude* (1951).

Ma. Elizabeth D. Nasol, 63
Senior Vice President, Head of Human Resource Management Group

Ms. Nasol, Filipino, joined the Company in February 2013 as Vice-President for the Human Resources Management Group. Prior to her appointment in EDC, she was the Vice-President for Corporate Human Resources of First Philippine Electric Corporation ("First Philec"), which is the intermediate holding company for all manufacturing investments of FPH.

Before joining the Lopez Group, she was the Vice-President for Corporate Human Resource of Roxas Holdings Inc. and all its subsidiaries, and formerly the Head of the Center for Excellence of Globe Telecommunications, Inc. She was also the Vice-President and Head of Organization and People Development in San Miguel Corporation where she spent the majority of her professional career.

She graduated from the University of Santo Tomas with a Bachelor's Degree in Psychology, completed the Executive Development Program of INSEAD Singapore in 1992, and finished the Strategic HR Management Program of the University of Michigan in 1995.

Her professional development continues to date and in 2018 she became a "Certified Total Rewards Fellow" by the Asian Total Rewards Institute, which is based in Singapore. She is also an active member of the People Management Association of the Philippines ("PMAP") and was conferred the title "Diplomate in People Management" in 2017. She also remains a member of the PMAP Board of Trustees and was the Head of its Leadership Committee in 2019 (when it was also named the PMAP "Committee of the Year"). In 2020, she was a member of the PMAP Foundation Board of Trustees when the "Kapwa Diwa" initiative was launched. This initiative focused on creating awareness for inculcating the Filipino values of *Malasakit sa Kapwa*. As an elected member of the PMAP Board of Trustees, she is also currently assigned as the Trustee in charge of the Data and Research Committee.

Victor Emmanuel B. Santos, Jr., 53
Senior Vice President and Regulatory Compliance Officer

Mr. Santos, Filipino has been elected as Senior Vice-President, Regulatory Compliance Officer of Energy Development Corporation on November 22, 2017. Prior to his election as EDC's Senior Vice-President and Regulatory Compliance Officer, Mr. Santos was a Director of the Corporation from February 28, 2017 to October 3, 2017. He is also a Senior Vice-President in First Gen Corporation and FPHC, both publicly-listed companies of the Lopez Group.

He is currently a Member of the Board of Trustees of the Philippine Independent Power Producers Association ("PIPPA") and a Director of the PEMC Board.

Mr. Santos has a master's degree in Business Administration from Fordham University (1995) and a Bachelor of Science degree in Management of Financial Institutions from De La Salle University (1989).

Liberato S. Virata, 61
Senior Vice President, Head of Facilities O&M Group and Project Management

Mr. Virata, Filipino, was appointed by the Board as Senior Vice President in December 2019. He started working for EDC in 1982 and held various positions including Field Maintenance Manager for LGPF, Maintenance Manager, Production Manager and Resident Manager for BGPF and Vice President and Head of Project Management prior to his current position.

Mr. Virata graduated with a Bachelor of Science degree in Mechanical Engineering from the Mapua Institute of Technology in Manila (1981). He became a Registered Mechanical Engineer in 1982 and a Professional Mechanical Engineer in 2006. He completed the Refinery Operations Course at Shell Refinery Clyde, Sydney New South Wales, Australia (1988), Management Development Program of AIM (1996), and Diploma Course in Maintenance Management System (JICA) at Kitakyushu, Japan (2003).

Mr. Virata is currently a Trustee and 2nd Vice President of the Foundation of Outstanding Mapuan Incorporated. He was the National President of the Philippine Society of Mechanical Engineers in 2011 and 2012. He was a recipient of the PSME Fellow Award in 2013, PSME Don Tobias Marcelo Lifetime Achievement Award in 2016, PSME Outstanding Past President Emeritus Award in 2017, MIT's Outstanding Alumnus Award for 2016, NAMA's The Outstanding Mapuan for 2016, MEAAMIT's The Outstanding Mechanical Engineer in 2014 and Philippines Professional Regulation Commission Citation for the Most Outstanding Mechanical Engineer in 2015.

Erwin O. Avante, 46**Vice President, Chief Financial Officer, Head of Finance and Compliance Officer for SEC**

Mr. Avante, Filipino, was appointed by the Board as Chief Finance Officer effective January 1, 2019 and as a Compliance Officer effective March 1, 2014. He is also a Vice-President in First Gen Corporation and was a member of the Board of Trustees of the CFA Society of the Philippines from 2010 to 2013 and from 2017 to 2019. Prior to joining the Lopez Group in 1998, Mr. Avante worked as Senior Audit In-charge at SyCip, Gorres, Velayo & Co.

Mr. Avante has a Masters Degree in Business Administration (2000) and a Masters of Science Degree in Computational Finance (2003), both obtained from the Graduate School of Business - De La Salle University, and a Bachelor of Science in Accountancy from De La Salle University (1994). Mr. Avante placed 1st in the May 1995 Certified Public Accountants board examination. He is also a CFA charterholder since 2005.

Bernadette Ann Villa Policarpio, 45**Vice President, Corporate Secretary, Head of Strategic Initiatives, Legal, & Regulatory Office**

Atty. Policarpio, Filipino, was appointed as Assistant Corporate Secretary of EDC on September 7, 2016 and then as Corporate Secretary on October 3, 2017. She was appointed by the Board as Vice President on May 9, 2019. Atty. Policarpio is also a Vice President and Senior Counsel at First Gen. She joined EDC in August 2015, when she was seconded from First Gen to head the Legal Services Division of EDC. Concurrently, she is the head of Strategic Initiatives, Legal & Regulatory Office

Prior to joining the Lopez Group, Atty. Policarpio was Assistant Vice President for Legal Services at Global Business Power Corporation, where she also served as the Head of the Legal Department and Assistant Corporate Secretary of the Global Business Power subsidiaries. Before moving in-house, Atty. Policarpio built her legal experience first as litigation associate at Villaraza & Angangco, later joining the government as Court Attorney in the Office of then Chief Justice Hilario G. Davide, Jr. in the Philippine Supreme Court. Thereafter, she pursued and completed her Master of Laws degree at the University of Michigan in Ann Arbor, Michigan, U.S.A., which was followed by a fellowship stint at the Center for International Environmental Law in Geneva, Switzerland. Upon her return to the Philippines, she transitioned into commercial law practice as an associate at Romulo Law Office.

She obtained a Bachelor of Science degree in Management, Major in Legal Management in 1996 from the Ateneo de Manila University, where she also earned her Juris Doctor degree (with Second Honors Silver Medal Award) in 2000. She was admitted to the Philippine Bar in 2001. In 2006, Atty. Policarpio received her Master of Laws degree from the University of Michigan in Ann Arbor, Michigan, U.S.A., as a Michigan Grotius Fellow.

Ana Maria A. Katigbak-Lim, 52**Assistant Corporate Secretary**

Atty. Katigbak-Lim, Filipino, was appointed by the Board in January 2007 as Assistant Corporate Secretary and was appointed as Corporate Secretary on September 7, 2016. On October 3, 2017, she was appointed anew as Assistant Corporate Secretary. She is a Senior Partner of the Castillo Laman Tan Pantaleon & San Jose Law Firm.

Atty. Katigbak graduated *cum laude* from the University of the Philippines with degree in Bachelor of Arts in Comparative Literature (1990). She is a graduate of the University of the Philippines College of Law (1994) and a member of the Phi Kappa Phi international honor society and Integrated Bar of the Philippines. Her practice areas are mergers and acquisitions, securities and corporate law. She was admitted to the Philippine Bar in 1995.

Ferdinand B. Poblete, 59**Vice President**

Mr. Poblete, Filipino, was appointed by the Board in April 2019, taking on FPH Group Chief Information Officer responsibilities alongside being the IT Head of FGEN. He is a global information technology ("IT") executive with over thirty (30) years of diverse experience in cross-cultural markets across Asia, Europe, Middle East, Africa, Latin America and North America. He has held various leadership positions with responsibilities covering IT infrastructure, manufacturing, sales, logistics systems, people management, strategic business planning and management, and business development. Before his current appointment, he was the CIO of Energy Development Corporation for more

than seven (7) years. He was formerly the Senior Vice President and Director for the Strategic Initiatives Office of Philamlife Insurance Co. He was also with Procter & Gamble ("P&G") for eighteen (18) years, holding various positions such as Country IT Manager of Korea, Associate Director for Worldwide Distribution Systems and Associate Director for Business Information Solutions for Asia Regional Operations.

Mr. Poblete graduated with a B. S. in Electrical Engineering degree from the University of the Philippines in Diliman, and is an alumnus of the Philippine Science High School.

Ariel Arman V. Lapus, 51
Vice President

Mr. Lapus, Filipino, was appointed by the Board in March 2012 to oversee EDC's business development efforts in Latin America and was based in Santiago, Chile. He sits in the boards of directors of the EDC companies in Chile and Peru.

Mr. Lapus is concurrently Vice-President of First Gen and Chief Operating Officer of Pi Energy Inc. and FP Island Energy Corporation (all subsidiaries of First Philippine Holdings Corporation). He is also a Board Member of the Sikat Foundation.

Prior to joining the Lopez Group, Mr. Lapus was Executive Vice President of Global Business Power Corporation and Vice President of Mirant Philippines Corporation. He has more than twenty (20) years of experience in the power industry handling business development, M&A, power marketing and trading, plant operations and corporate services.

Mr. Lapus has a Masters in Leadership and Strategy (Sloan Fellow) from the London Business School (2017), a Masters in Business Management from the Asian Institute of Management (1997), and a Bachelor of Science degree in Business Management from the Ateneo de Manila University (1990).

Reman A. Chua, 50
Vice President

Mr. Chua, Filipino, has been with EDC from 2007 to the present. He led the Company's 150 MW Burgos Wind Project. He was appointed as Vice President on September 9, 2015.

Before his assignment to EDC, he began his career with the Lopez Group in 2002 as a Manager for Business Development under FGP Corporation. For a time, he was studying natural gas power vehicles as an extension business for the group and as an entry to non-power market for natural gas in the Philippines. He was assigned to the Manila North Tollways Corporation as manager for marketing, compliance and Business Development from 2002 up to 2005, during which the rehabilitation and expansion of the North Luzon Expressway ("NLEX") was undertaken and successfully completed in 2005. He led the marketing communications efforts that managed the increase of the toll rates in NLEX. Thereafter, he returned to First Gen and led various acquisition projects in the power sector.

He graduated with a Bachelor of Arts degree in Economics from Ateneo de Manila University, and holds a Masters in Business Management degree from the Asian Institute of Management ("AIM").

James Arnold D. Villaroman, 48
Vice President, Head of Strategy and Long-Term Planning

Mr. Villaroman, Filipino, is a Vice President and the Head of Strategy and Long-Term Planning. He has been with the Company since 2012. Prior to joining EDC, Mr. Villaroman was an executive of ExxonMobil Corporation in charge of corporate planning and business analytics for Canada. In this position, he handled various strategic initiatives from 2006-2012. Mr. Villaroman also held key positions in several financial institutions like the Asian Development Bank, JP Morgan Chase Securities, and BZW Asia Ltd (Investment Banking Subsidiary of Barclays Bank, UK).

Mr. Villaroman earned his MBA – Finance General Management from the Richard Ivey School of Business, University of Ontario in Ontario, Canada (2006) and his bachelor's degree in Industrial Engineering from the Ateneo de Manila

University (1995). He completed his training in the Six-Sigma Black Belt in 2010 and received ExxonMobil designation as a Continuous Improvement Specialist.

Emmanuel C. Portugal, 57
Vice President, Head-Technology Office

Mr. Portugal, Filipino, is currently the Head of the Technology Office of EDC. He was appointed as Vice President and Chief Digital Transformation Officer in May 15, 2017. He is a highly experienced executive with a strong track record in business development, product marketing, sales and channel management. Among the companies he worked for are IBM, DFNN, Intel, and VMware. Prior to EDC, Mr. Portugal was the Country Manager of VMware Philippines where he established the organization as a strategic cloud computing and mobility platform for large enterprises in the telecommunications, banking, manufacturing, and public sector industries.

Mr. Portugal graduated from the University of the Philippines, with a Bachelor of Science degree in Mechanical Engineering, in 1985.

Jay Joel L. Soriano, 44
Vice President, Head of Integrated Planning

Mr. Soriano, Filipino, was appointed by the Board in May 2019 as Vice President and Head of the Integrated Planning. With experience in strategic planning, business development, and other commercial functions, he is leading major organizational changes and multiple growth initiatives. He joined EDC in 2014 as Deputy Strategic Business Unit Head of BGI before assuming the role of Strategic Business Unit Head of Negros Island Business Unit from 2016 to 2019.

Mr. Soriano obtained his bachelor's degree in Management Engineering from the Ateneo de Manila University. He also holds a Master's Degree in Business Administration from Harvard University.

James E. Jumawan, 57
Vice President, Head of Well Services Group

Mr. Jumawan, Filipino, was appointed by the Board in May 2019 as Vice President and has been leading the drilling activities of EDC since 2015 as Head of the Well Services Group. He has more than three (3) decades of drilling expertise with EDC, joining the Company as a Drilling Engineer in 1988.

Mr. Jumawan obtained his Bachelor of Science degree in Electrical Engineering from Siliman University in 1986 and a diploma in Geothermal Energy Technology from the University of Auckland, New Zealand in 2000.

Edwin H. Alcober, 49
Vice President, Head of Geothermal Resource, Sub-Surface Group

Mr. Alcober, Filipino, was appointed by the Board as Vice President in May 2019 and was Head of Geothermal Resource, Sub-Surface Group since 2018. He began his career in EDC more than two (2) decades ago as a Drilling Engineer. He then became a Process Geochemist before heading the Leyte Resource Management Department. He was also previously the Geosciences and Reservoir Engineering Group Head.

Mr. Alcober obtained his Bachelor of Science degree in Chemical Engineering from the University of the Philippines in Diliman in 1994. He had undergone training in Geothermal Energy Technology at the Geothermal Institute, University of Auckland, New Zealand in 1998 and awarded Best in Engineering.

Emeterio T. Busmeon, 60
Vice President, Head - Facility Operations

Mr. Busmeon, Filipino, was appointed by the Board in December 2019 as Vice President and Head-Facility Operations. He joined EDC in 2009. Prior to joining EDC, he was Acting Manager of the Maintenance Division of the National Power Corporation, having been with said company since 1990.

Mr. Busmeon graduated from the Siliman University, with a Bachelor of Science degree in Mechanical Engineering, in 1984. He holds a Master's Degree in Public Administration also from Siliman University.

Glenn L. Tee, 49

Chief Audit Executive, Assistant Vice President, Head of Internal Audit Division

Mr. Tee, Filipino, was appointed by the Board in October 2010. Prior to his appointment at EDC, he was Internal Audit Head of First Gen for two (2) years. He has been with the Lopez Group since 1994 and has held key positions in the internal audit and accounting departments of First Philippine Holdings Corp. and First Philippine Infrastructure and Development Corp.

Mr. Tee graduated from San Beda College in 1992 and is both a Certified Public Accountant and Certified Internal Auditor. He completed the academic requirements of the Executive Masters in Business Administration from the Asian Institute of Management in 2009.

Ryan Z. Velasco, 42

Assistant Vice President, Corporate Information Officer, Head of Mergers and Acquisitions and Head of Investor Relations

Mr. Velasco, Filipino, has been with the Company since 2013. He initially joined as part of EDC's International Business Development team covering Latin America before moving to Finance to assist with the Company's Investor Relations, Special Projects, and other activities. Prior to joining the Company, he worked for Indra Philippines, Inc. as its Managing Consultant and Head of Business Development – Financial Markets, and with Citigroup in London, United Kingdom as a Vice President covering its Europe, Middle East, and Africa markets.

Mr. Velasco obtained his MBA degree at IESE Business School in Barcelona, Spain, and attended an MBA International Exchange Program at Tuck School of Business (Dartmouth) in Hanover, New Hampshire, USA. He graduated from Ateneo de Manila University with a Bachelor of Science Degree in Business Management, Honors Program.

Maribel A. Manlapaz, 56

Vice President, Head of Comptrollership

Ms. Manlapaz, Filipino, joined EDC in November 2009. Prior to joining EDC, she held various executive positions for more than twenty (20) years at various global pharmaceutical companies, including as Director of Finance at UCB Philippines, Inc., a multinational company based in Belgium.

Ms. Manlapaz started her career in 1987 as an auditor with SGV & Co (EY Affiliate). Between 1989 and 2006, she joined Pfizer, Inc. and The Boots Company Philippines, managing various finance functions. Her areas of expertise in the field of finance are management accounting, financial accounting and reporting, tax planning and compliance, and corporate and regulatory compliance.

Ms. Manlapaz is a Certified Public Accountant and holds a Master's Degree in Business Administration – Top Executive Program from the Pamantasan ng Lungsod ng Maynila (1996).

She finished her undergraduate degree with cum laude distinction from the Philippines School of Business Administration in 1986, and was awarded Most Outstanding Graduate of the Year.

Jennifer Joy Santamarina Santos, 50

Chief Transformation Officer and Head – Transformation Office

Ms. Santamarina, Filipino, joined EDC in 2019. She is a proven business transformation leader with extensive experience from different companies in various industries (fast-moving consumer goods, telecommunications, media, technology) located in the Philippines and overseas. Prior to joining EDC, she managed multiple transformation programs in the region. She likewise has a strong track record in marketing, product management, innovation, and business development, having been an executive in these functions for many years.

Ms. Santamarina graduated from the Ateneo de Manila University as a scholar, with a Bachelor of Science degree in Management. She likewise attended the Ateneo Graduate School of Business. She also completed the Executive Development Program and Innovation Leadership Program of the Asian Institute of Management, as well as the International Executive Leadership Program of INSEAD-Singapore.

Board Committees

The Board currently has seven (7) committees: the Audit and Governance Committee, Risk Management Committee, Corporate Social Responsibility Committee, Operations Committee, Nomination and Compensation Committee, Related Party Transactions Committee, and the recently established Health, Safety and Environment ("HSE") Committee, which was created by the Board on November 18, 2020.

The Audit and Governance Committee, headed by Mr. Edgar O. Chua, acts in coordination with the Company's Internal Audit Department to ensure the Company's compliance with all Philippine laws and regulations, and company policies and procedures. The Risk Management Committee, headed by Mr. Francis Giles B. Puno, analyzes, assesses, and manages the Company's risks in respect of property, inventory, insurance and other matters. The Nomination and Compensation Committee, headed by Mr. Federico R. Lopez, handles all personnel compensation matters. The Corporate Social Responsibility Committee, also chaired by Mr. Federico R. Lopez, handles the Company's concerns over its corporate social responsibility activities. The Operations Committee consists of seven (7) Board directors and provides guidance on and monitors the Company's operations. The Related Party Transactions Committee, headed by Mr. Manuel I. Ayala, oversees the effective implementation of the Company's RPT Policy and is tasked to review all material and significant RPTs of EDC to ensure integrity and transparency of such transactions. The HSE Committee, headed by Mr. Edgar O. Chua, assists the Board in its oversight responsibility as regards EDC's HSE standards and practices.

Significant Employees

No single person or employee is expected to make a significant contribution to the Company's business, as the Company considers the collective efforts of all its employees as instrumental to the success of the Company.

Family Relationships

Oscar M. Lopez is the father of Federico R. Lopez; and the wives of Federico R. Lopez and Francis Giles B. Puno are sisters.

Other than the foregoing, there are no family relationships known to the Company.

Involvement in Legal Proceedings

To the best of the Company's knowledge, there has been no occurrence in the past five (5) years up to the date of this Prospectus of any of the following events which are material to an evaluation of the ability or integrity of any director, officer, or controlling person of the Company:

1. Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. Any conviction by final judgment, in a criminal proceeding, domestic or foreign, any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any final or executor judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and,
4. Any final and executory judgment by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of securities or commodities law.

Executive Compensation

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the executive officers of the Company are described in the following table:

Summary Compensation Table⁴⁵

Name	Year	Salary	Bonus/Other Annual Compensation
Federico R. Lopez, Chairman & CEO			
Richard Raymond B. Tantoco, President & COO			
Liberato S. Virata, Senior Vice-President			
Ma. Elizabeth D. Nasol, Senior Vice-President			
Erwin O. Avante, Vice President			
CEO and the four (4) most highly compensated officers named above	2019	₱28,650,167	₱22,674,576
	2020	₱31,410,300	₱27,387,935
	2021(estimate)	₱33,598,890	₱28,606,017
Aggregate compensation paid to all officers and directors as a group unnamed	2019	₱209,051,892	₱186,482,745
	2020	₱186,897,105	₱99,159,960
	2021(estimate)	₱183,916,661	₱137,122,179

In EDC, the current Board compensation package is as follows:

- Monthly director's fee: ₱50,000;
- Attendance fee for Director's meetings: ₱10,000 per Board meeting and ₱6,000 per Board Committee meeting;
- Bonus to Directors as a group: ½ of 1% of declared cash dividend;
- Group Life Insurance Coverage; and
- Group Hospitalization Insurance Coverage.

The Company has no other arrangement with regard to the remuneration of its existing directors aside from the compensation received as herein stated.

In 2020, the directors and independent directors of the Company received remuneration, gross of tax, as follows:

Name	Gross Amount (in ₱)
Federico R. Lopez	856,000.00
Richard Raymond B. Tantoco	934,000.00
Joaquin E. Quintos IV	940,000.00

⁴⁵ Certain officers of the Company, including three (3) of the top five (5) members of senior management listed in the table above, are seconded and receive their salaries from First Gen Corp.

Name	Gross Amount (in ₱)
Francis Giles B. Puno	910,000.00
Jonathan C. Russell	946,000.00
Edgar O. Chua	5,288,444.00
Francisco Ed. Lim	4,957,444.00
Manuel I. Ayala	5,300,444.00
Nicole Goh Phaik Khim*	-
David Andrew Baldwin	-
Christopher Low Eu Sun	-
TOTAL	₱ 20,132,332.00

**Director until February 4, 2021*

Description of the Terms and Conditions of (a) Employment Contracts between the Registrant and Named Executive Officers, and (b) Compensatory Plan or Arrangement

There is no employment contract between EDC and Messrs. Lopez and Tantoco. Mr. Tantoco is seconded to EDC and receives his salaries from First Gen Corp.

Warrants

As of the date hereof, there are no outstanding warrants held by the Company's president, named executive officers, and all directors as a group.

Security Ownership of Management and Certain Record and Beneficial Owners

As of March 31, 2021, the Company has no knowledge of any individual or any party who beneficially owns more than 5% of its outstanding common stock except as set forth in the table below:

Type of Class	Name, address of Record Owner and Relationship with Company	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Red Vulcan Holdings Corporation	Beneficial Owner of more than 5%- First Gen Corporation	Filipino	7,500,000,000	43.99%
Preferred	6th Floor Rockwell Business Center Tower 3, Ortigas Ave., Pasig City (Red Vulcan Holdings Corp. is a major stockholder of EDC)	(First Gen Corp. is a major stockholder of Red Vulcan Holdings Corp.) Proxy - Federico R. Lopez, Chairman of First Gen Corporation		9,375,000,000	100.00%
Common	Philippines Renewable Energy Holdings Corporation (PREHC) ⁴⁶	Beneficial Owner of more than 5% Proxy - Michael T. Rodriguez, Chairman/President of PREHC or Christopher Low Eu Sun, Director of PREHC	Foreign	9,226,249,810	54.12%

Substantial Shareholders' and Directors' Interests

The table below sets forth certain information as of the date of this Prospectus with respect to the registered ownership of the Company's outstanding common shares by (i) each person known by the Company to own more than 10% of the outstanding common shares and (ii) each of the Company's Directors and executive officers:

a. Directors

Title of Class	Name of Beneficial Owner	Amount of Shares	Nature of Ownership	Citizenship	Percent of Class
Common	Federico R. Lopez – Chairman & CEO	1	Direct	Filipino	0.00%
Common	Richard Raymond B. Tantoco – President & COO	1	Direct	Filipino	0.00%
Common	Francis Giles B. Puno	1	Direct	Filipino	0.00%

⁴⁶ Philippines Renewable Energy Holdings Corporation is considered a foreign shareholder of EDC, being a domestic corporation wholly-owned by a foreign (Dutch) shareholder. While its 9,226,249,810 shares correspond to 54.12% of total outstanding common shares, these shares only constitute 34.92% of the total outstanding EDC shares in all classes and of the total outstanding voting shares of EDC.

Title of Class	Name of Beneficial Owner	Amount of Shares	Nature of Ownership	Citizenship	Percent of Class
Common	Jonathan C. Russell	1	Direct	British	0.00%
Common	Joaquin E. Quintos IV	1	Direct	Filipino	0.00%
Common	David Andrew Baldwin	1	Direct	Australian	0.00%
Common	Christopher Low Eu Sun	1	Direct	Malaysian	0.00%
Common	Ang Eng Seng	1	Direct	Singaporean	0.00%
Common	Edgar O. Chua	1	Direct	Filipino	0.00%
Common	Francis Ed. Lim	1	Direct	Filipino	0.00%
Common	Manuel I. Ayala	1	Direct	Filipino	0.00%

b. Key Executive Officers

Title of Class	Name of Beneficial Owner	Amount of Shares	Nature of Ownership	Citizenship	Percent of Class
Common	Oscar M. Lopez – Chairman Emeritus	1	Direct	Filipino	0.00%
-	Ma. Elizabeth D. Nasol	0	-	Filipino	0.00%
Common	Victor Emmanuel B. Santos, Jr.	1	Direct	Filipino	0.00%
-	Liberato S. Virata	0	-	Filipino	0.00%
-	Erwin O. Avante	0	-	Filipino	0.00%
-	Bernadette Ann V. Policarpio	0	-	Filipino	0.00%
-	Ana Maria A. Katigbak-Lim	0	-	Filipino	0.00%
-	Ferdinand B. Poblete	0	-	Filipino	0.00%
-	Ariel Arman V. Lapus	0	-	Filipino	0.00%
Common	Reman A. Chua	9,572	Direct	Filipino	0.00%
-	James Arnold D. Villaroman	0	-	Filipino	0.00%
-	Emmanuel C. Portugal	0	-	Filipino	0.00%
-	Jay Joel L. Soriano	0	-	Filipino	0.00%
-	Edwin H. Alcober	0	-	Filipino	0.00%
-	James E. Jumawan	0	-	Filipino	0.00%
-	Emeterio T. Busmeon	0	-	Filipino	0.00%
-	Maribel A. Manlapaz	0	-	Filipino	0.00%
-	Glenn L. Tee	0	-	Filipino	0.00%
-	Ryan Z. Velasco	0	-	Filipino	0.00%
-	Jennifer Joy Santamarina Santos	0	-	Filipino	0.00%

As of the date of this Prospectus, the total number of shares owned by the directors and key executive officers is 9,585 or 0.000% of total common shares.

Voting Trust Holders of 5% or More

The Company knows of no persons holding more than 5% of a class of shares under a voting trust or any similar agreements.

Changes in Control

No change in control of the Company has occurred since the previous fiscal year. The Company is not aware of any existing arrangement which may result in a change in control of the Company.

Certain Relationships and Related 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.

Following are the amounts of transactions and outstanding balances as of and for the years ended December 31, 2020, 2019 and 2018 with entities under common control:

Related Party	Nature of Transaction	Terms	Transactions for the years ended December 31			Outstanding Balances as of December 31	
			2020	2019	2018	2020	2019
Due to related parties							
Entities under common control							
First Gen	Consultancy fee	Unsecured and will be settled in cash	₱57,058,824	₱57,058,824	₱383,435,294	₱—	₱—
	Interest-free advances	- do -	4,945,724	11,063,272	17,932,290	4,753,549	2,642,871
	Dividends		—	26,194,892	—	—	—
	Survey services		—	10,900,000	—	—	—
FGP Corp	Interest-free advances	- do -	90,000	—	25,760	90,000	—
Lopez Holding	Interest-free advances	- do -	—	—	—	—	—
First Gas Power Corporation	Interest-free advances	- do -	—	12,401,786	215,858	—	—
			₱62,094,548	₱117,618,774	₱401,609,202	₱4,843,549	₱2,642,871
Dividends payable							
Affiliate							
Philippine Renewable Energy Holdings Corp.	Dividend	Unsecured and will be settled in cash	₱3,787,974,931	₱3,895,309,434	₱—	₱2,705,856,580	₱2,272,317,626
Entities under common control	Dividend	- do -	3,372,737,238	3,166,489,241	—	2,199,585,397	1,847,162,449
Red Vulcan							
First Gen	Dividend	- do -	61,137,458	62,869,824	—	43,672,199	36,674,932
			₱7,221,849,627	₱7,124,668,499	₱—	₱4,949,114,176	₱4,156,155,007
Due from related parties							
Entities under common control							
Thermaprime	Interest-free advances	Unsecured and will be settled in cash	₱3,928,682	₱1,597,534	₱—	₱1,941,251	₱1,597,534
First GES	Other services	- do -	—	6,811,916	41,024,013	21,562,312	30,515,382
			₱3,928,682	₱8,409,450	₱41,024,013	₱23,503,563	₱32,112,916
Trade and other receivables							
Entities under common control							

Related Party	Nature of Transaction	Terms	Transactions for the years ended December 31			Outstanding Balances as of December 31	
			2020	2019	2018	2020	2019
First GES	Sale of electricity	Unsecured and will be settled in cash	₱594,261,769	₱869,330,831	₱1,873,178,749	₱49,275,932	₱76,786,081
Rockwell Land Corporation	- do -	- do -	162,188,311	212,827,996	112,517,550	22,938,969	15,407,303
			₱756,450,080	₱1,082,158,827	₱1,985,696,299	₱72,214,901	₱92,193,384

Trade and other payables

Entities under common control

First Balfour Inc.	Civil Works and other services	Unsecured and will be settled in cash	₱1,424,890,693	₱881,513,707	₱663,476,497	₱907,624,451	₱487,064,889
Thermaprime	Drilling and other related services	- do -	1,197,191,635	1,161,690,180	722,043,718	314,450,586	192,626,358
Rockwell Land Corporation	Purchase of services and utilities	- do -	171,580,964	—	50,631	127,642,547	2,431,475
First GES	Purchase of services and utilities	- do -	70,781,872	41,783,722	91,863,444	13,031,995	11,389,434
First Philippine Realty Corporation	Purchase of services and utilities	- do -	1,717,355	3,814,493	1,899,772	140,564	567,366
Adtel	Purchase of services and utilities	- do -	259,216	333,950	626,047	956,016	572,714
ABS-CBN Corporation	Purchase of services and utilities	- do -	130,621	132,996	2,204,889	—	132,996
First Philec Manufacturing Technologies Corp	Purchase of services and utilities	Unsecured and will be settled in cash	—	—	—	2,077,482	2,077,482
First Philippine Industrial Corporation	Purchase of services and utilities	- do -	—	151,544	326,455	465,629	465,225
First Philec Inc.	Purchase of services and utilities	- do -	—	—	373,110	358,000	358,000
Skycable	Purchase of services and utilities	- do -	—	—	—	697,473	1,458,482
Securities Transfer Services, Inc.	Purchase of services and utilities	- do -	—	43,234	36,720	43,233	43,234
ABS-CBN Publishing, Inc.	Purchase of services and utilities	- do -	—	—	—	3,600	3,600
			₱2,866,552,356	₱2,089,463,826	₱1,482,901,283	₱1,367,491,576	₱699,191,255

Lease Liability

Entities under common control

Rockwell Land Corporation	Lease	Unsecured and will be settled in cash	₱44,747,049	₱23,884,102	₱—	₱251,456,039	₱86,853,592

Miscellaneous Income

Entities under common control

First Gen	Dividend	Unsecured and will be settled in cash	₱6,885,872	₱6,762,910	₱4,303,670	₱—	₱—

The amounts outstanding are unsecured and will be settled in cash. The Company did not recognize any impairment losses on receivables from related parties in 2020, 2019 and 2018. Entities under common control consist of subsidiaries (direct or indirect) of Lopez, Inc., the Company's ultimate parent.

i. First Gen

Consultancy agreement

First Gen provides financial consultancy, business development and other related services to the Company under a consultancy agreement.

Under the latest contract, First Gen agrees to provide consultancy services to the Company until December 31, 2022.

The total consultancy services amounted to ₱57.1 million, ₱57.1 million and ₱383.4 million in 2020, 2019 and 2018, respectively and were included in the "Purchased services and utilities" under "General and administrative expenses" account.

Equity securities

As of December 31, 2020 and 2019, EDC owns First Gen shares with fair market values totaling to ₱ 346.8 million and ₱ 297.0 million, respectively. These acquired First Gen shares were recognized in the consolidated statements of financial position as financial assets at FVOCI as at December 31, 2020 and 2019.

Dividend income earned from the investment in First Gen shares amounted to ₱6.9 million, ₱ 6.8 million and ₱ 4.3 million in 2020, 2019 and 2018, respectively.

ii. First Balfour, Inc. (First Balfour)

Following the regular bidding process, the Company awarded to First Balfour procurement contracts for various works such as civil, structural and mechanical/piping works in the Company's geothermal, wind and solar power plants.

As of December 31, 2020 and 2019, the outstanding balance amounted to ₱907.6 million and ₱487.1 million, respectively, recorded under "Trade and other payables" account in the consolidated statements of financial position.

iii. Thermaprime

Thermaprime Well Services, Inc. (Thermaprime) is a subsidiary of First Balfour, a wholly-owned subsidiary of First Holdings. Thermaprime provides drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering. Thermaprime provides drilling services and drilling rig preservation services to EDC.

On August 31, 2018, EDC entered into a contract with Thermaprime for the sale of Rigs and its ancillary items for an amount of ₱1.0 million, exclusive of VAT. The loss on sale amounting ₱38.0 million was recognized under "Miscellaneous income".

As of December 31, 2020 and 2019, the outstanding balance payable to Thermaprime amounted to ₱314.5 million and ₱192.6 million, respectively, recorded under "Trade and other payables" account in the consolidated statements of financial position.

iv. Rockwell Land Corporation

In 2019, the Company entered into an agreement with Rockwell Land Corporation (Rockwell) for the lease of an office space in Rockwell Business Center.

As of December 31, 2020 and 2019, the outstanding lease liability related to Rockwell amounted to ₱251.5 million and ₱86.9 million, respectively.

Corporate Governance

As a public company and a registered issuer, EDC must comply with existing laws, as well as regulations issued by the SEC, applicable to public companies and registered issuers. The Company strives to go above and beyond mere compliance, cognizant of its stockholders' and other stakeholders' expectations of high standards of behavior and accountability from the Company and its directors and officers. The Company requires its Management to strictly adhere to the corporate governance principles of transparency, accountability, fairness, and equity. All directors, officers, and employees of the Company are enjoined and expected to carry out their respective duties and responsibilities effectively and in compliance with these governance principles.

EDC's corporate governance culture emanates from the Board of Directors, supported by the Audit and Governance Committee, the Company's Vice-President and Compliance Officer to the SEC, and the Legal Services Division of the Company.

Together with the Articles of Incorporation, By-Laws, and Board Committee Charters, the Manual on Corporate Governance, the Company lays down the basic principles and governance framework that the Board of Directors and the officers of the Company are called to observe and practice alongside efforts to achieve the Company's objectives. The Manual on Corporate Governance contains corporate governance principles, structures, and processes covering the rights of stockholders, the minimum qualifications and disqualifications of directors, and the primary roles and duties of directors and officers, among others.

In addition, other corporate governance practices of the Company are embodied in manuals, policies, and guidelines that help the Company fulfill its corporate responsibility to its stakeholders and contribute to EDC's corporate governance system. The following are some of the corporate governance policies the Company adheres to:

- Code of Conduct and Business Ethics;
- Code of Conduct and Discipline;
- Policies on Conflict of Interest, Protected Disclosures, Giving and Receiving of Corporate Gifts, and Fraud;
- Related Party Transactions Policy; and,
- Enterprise Risk Management Manual.

In line with the Company's thrust of moving beyond compliance, EDC's corporate governance system has been revisited and realigned not only with SEC requirements but also with EDC's corporate direction to ensure the Company's sustainability in the midst of its fast-paced development and organizational growth.

Existing regulations recommend the constitution of Board committees to support the effective performance of the Board's function, particularly with respect to audit, risk management, compliance, and other key corporate governance concerns such as nomination and remuneration. To facilitate the monitoring of the Company's performance and to enhance the effectiveness of the Board in discharging its fiduciary duties, seven (7) Board-level committees have been constituted, namely: the **Audit and Governance Committee**, **Nomination and Compensation Committee**, **Risk Management Committee**, **Corporate Social Responsibility Committee**, the **Operations Committee**, and the **Related Party Transactions Committee**, and the recently established **Health, Safety, and Environment Committee**, which was created by the Board on November 18, 2020.

As required under the Manual on Corporate Governance of the Company, the Board conducts an annual self-assessment of its performance, as well as the performance of the Board Committees, Chairman/Chief Operating Officer, and President/Chief Executive Officer to determine and measure compliance with corporate governance principles for the last fiscal year. This self-assessment is comprised of both quantitative and qualitative assessment items that each director is given an opportunity to rate and comment on, and from which strong areas and development areas are identified. In addition, a compliance monitoring system has also been established, in collaboration with the various units of the Company, to look into the level of compliance by the Company with the Code of Corporate Governance for Public Companies and Registered Issuers (or SEC Memorandum Circular No. 24, Series of 2019) and with its own Manual on Corporate Governance, also on an annual basis.

To ensure that the Company's corporate governance practices remain relevant and effective while the Company works towards the attainment of its corporate objectives, the Manual on Corporate Governance and the various policies, manuals, and guidelines of the Company that promote corporate governance are periodically reviewed.

Most recently, following the delisting of the common shares of the Company from the PSE on November 29, 2018 and in compliance with SEC Memorandum Circular No. 24, Series of 2019, the Company submitted on June 2, 2020 its revised Manual on Corporate Governance, which was approved by the Board of Directors in its regular meeting held on March 20, 2020 and by the Policy Review Committee on May 19, 2020.

FINANCIAL STATEMENTS

Annex A: Audited Consolidated Financial Statements as at December 31, 2019 and 2020 and for the years ended December 31, 2020, 2019, and 2018 and Audited Consolidated Financial Statements as at December 31, 2018 and 2019 and for the years ended December 31, 2019, 2018 and 2017



ENERGY DEVELOPMENT CORPORATION
One Corporate Centre
Julia Vargas corner Meralco Avenues
Ortigas Center, Pasig City 1605, Philippines
Tel. Nos: (+632) 7755-2331/8667-7332

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

March 3, 2021

Securities and Exchange Commission
Philippine International Convention Center (PICC),
Roxas Boulevard, Pasay City

The management of Energy Development Corporation and Subsidiaries (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

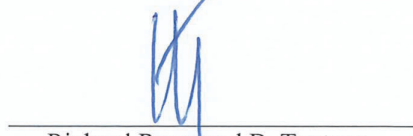
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



Federico R. Lopez
Chairman / CEO

Richard Raymond B. Tantoco
President / COO

Erwin O. Avante
Vice-President / CFO

SUBSCRIBED AND SWORN TO before me this MAR 04 2021 in
PASIG CITY, Metro Manila; affiants exhibiting to me their respective Philippine
passports, as follows:

Name	Passport No.	Date/Place of Issue
Federico R. Lopez	P2499047A	March 28, 2017 / Manila
Richard Raymond B. Tantoco	P1471428A	January 4, 2017 / Manila
Erwin O. Avante	P5645446A	January 17, 2018 / NCR East

Doc. No.: 106
Page No.: 23
Book No.: IV
Series Of: 2021


ATTY. MARITA P. LAGOS
Notary Public - Cities of Pasig, Taguig & San Juan
& Municipality of Pateros until *31 December 2020
Appointment No. 223 (2019-2020)
10th Floor, Rockwell Business Center Tower 3
Ortigas Avenue, Pasig City
IBP No. 1041184 / 5-23-2016 / IBP Rizal Chapter (Lifetime member)
PTR No. 6439675 / 1-3-2020 / Pasig City
JCLE VI-0002225 / 4-14-2019
Roll of Attorneys No. 65937
*Notarial Commission extended until June 30, 2021, as per
Supreme Court En Banc Notice dated 1 December 2020
Re: B.M. No. 3795

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						6	6	3	8	1

COMPANY NAME

E	N	E	R	G	Y	D	E	V	E	L	O	P	M	E	N	T	C	O	R	P	O	R	A	T	I	O	N																														
(	A	S	u	b	s	i	d	i	a	r	y	o	f	R	e	d	V	u	l	c	a	n	H	o	l	d	i	n	g	s	C	o	r	p	o	r	a	t	i	o	n	)	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S

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

O	n	e	C	o	r	p	o	r	a	t	e	C	e	n	t	r	e	,	J	u	l	i	a	V	a	r	g	a	s	c	o	r	.	M	e	r	a	l	c	o	A	v	e	n	u	e	s	,	O	r	t	i	g	a	s	C	e	n	t	e	r	,	P	a	s	i	g	C	i	t	y

Form Type

A	C	F	S

Department requiring the report

C	F	D

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
pubrels@energy.com.ph	7755-2332	09178060835
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
965	First Tuesday of May	12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maribel A. Manlapaz	manlapaz.ma@energy.com.ph	7755-2332	09178060835

CONTACT PERSON'S ADDRESS

One Corporate Centre, Julia Vargas cor. Meralco Avenues, Ortigas Center, Pasig City

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

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



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Energy Development Corporation
One Corporate Centre, Julia Vargas cor. Meralco Avenues
Ortigas Center, Pasig City

Opinion

We have audited the consolidated financial statements of Energy Development Corporation (a subsidiary of Red Vulcan Holdings Corporation) and its subsidiaries (collectively referred to as the Company), 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 Company 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 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 PFRSs, the Company is required to annually test the recoverability of goodwill. As at December 31, 2020, the Company has goodwill amounting to ₱2,603.3 million, of which ₱2,241.7 million resulted from the Company's acquisition of Green Core Geothermal, Inc. This annual recoverability test of goodwill is significant to our audit because the amount of goodwill is material to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically as budgeted gross margin, economic growth rate and discount rate.

The related disclosures on the Company's goodwill are included in Notes 3 and 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the assumptions and methodology used. These assumptions include budgeted gross margin, long-term growth rate and discount rate. We compared the forecasted cash flow assumptions used in the recoverability testing such as budgeted gross margin against the historical performance of the Company, taking into consideration the impact associated with coronavirus pandemic. We also compared the estimated volume and price of electricity to be sold to the contracted customers and to the spot market with historical information. In addition, we compared the long-term growth rate used with those reflected in the published economic forecast, as well as relevant industry outlook. Likewise, we evaluated the discount rate used and assessed whether this is consistent with market participant assumptions for similar assets. We also reviewed the Company's disclosures about those assumptions to which the outcome of the recoverability test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Recoverability of Exploration and Evaluation Assets

The ability of the Company to recover its exploration and evaluation assets depends on the commercial viability of its geothermal reserves. The carrying value of exploration and evaluation assets as at December 31, 2020 amounted to ₱1,955.9 million. This matter is important to our audit because of the substantial amount of exploration and evaluation assets and the significant management judgment required in assessing whether there is any indication that these may not be recoverable.

The related disclosures on the Company's exploration and evaluation assets are included in Notes 3 and 14 to the consolidated financial statements.



Audit Response

We obtained management's assessment on whether there is any indication that the exploration and evaluation assets may not be recoverable. We obtained the status of each exploration project as of December 31, 2020, as certified by the Company's technical group head, and compared it with the disclosures submitted to the regulatory agency. We reviewed the terms of contracts and budget for exploration costs. We inspected the licenses and permits of each exploration project to determine that the period for which the Company has the right to explore in the specific area has not expired or is not expiring in the near future. We also inquired of management about the project areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2020 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2020, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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
Jhoanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-2 (Group A),

October 15, 2019, valid until October 14, 2022

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2019,

November 7, 2019, valid until November 6, 2022

PTR No. 8534302, January 4, 2021, Makati City

March 3, 2021



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 31)	₱21,755,437,366	₱14,254,120,731
Financial assets at fair value through profit or loss (Notes 8 and 31)	922,831,786	1,357,205,907
Trade and other receivables (Notes 3, 7, 20, 31, 32 and 37)	6,888,689,289	8,182,414,415
Due from related parties (Notes 20 and 31)	23,503,563	32,112,916
Parts and supplies inventories (Notes 3 and 10)	5,961,195,111	4,300,433,091
Derivative assets (Note 31)	—	7,281
Other current assets (Note 11)	5,247,473,865	1,442,589,495
Total Current Assets	40,799,130,980	29,568,883,836
Noncurrent Assets		
Property, plant and equipment (Notes 3 and 12)	91,022,399,313	90,559,312,253
Goodwill and intangible assets (Notes 3 and 13)	3,899,398,654	4,054,555,617
Exploration and evaluation assets (Notes 3 and 14)	1,955,939,202	3,117,384,923
Deferred tax assets - net (Notes 3 and 29)	841,649,851	866,108,068
Financial assets at fair value through other comprehensive income (Notes 9 and 31)	576,424,296	517,483,196
Derivative assets (Note 31)	—	42,949,319
Other noncurrent assets (Notes 3, 15 and 31)	7,223,879,158	6,150,245,929
Total Noncurrent Assets	105,519,690,474	105,308,039,305
TOTAL ASSETS	₱146,318,821,454	₱134,876,923,141

LIABILITIES AND EQUITY

Current Liabilities		
Trade and other payables (Notes 3, 16, 20 and 31)	₱16,940,633,921	₱14,902,739,199
Due to related parties (Notes 20 and 31)	4,843,549	2,642,871
Income tax payable	491,445,201	70,835,367
Current portion of:		
Long-term debts (Notes 17 and 31)	14,164,369,802	7,663,234,539
Lease liability (Notes 3, 20, 31 and 32)	122,885,983	133,165,920
Derivative liabilities (Note 31)	76,783,883	21,523,571
Total Current Liabilities	31,800,962,339	22,794,141,467

(Forward)



	December 31	
	2020	2019
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 17 and 31)	₱45,865,904,712	₱47,987,151,602
Long-term lease liability - net of current portion (Notes 3, 20, 31 and 32)	243,827,859	279,789,768
Net retirement and other post-employment benefits (Notes 3 and 28)	2,024,239,812	1,552,793,096
Derivative liabilities - net of current portion (Note 31)	581,827,225	259,526,949
Deferred tax liabilities - net (Note 29)	—	14,503,841
Provisions and other long-term liabilities (Notes 3, 18 and 32)	2,573,102,040	2,184,000,268
Total Noncurrent Liabilities	51,288,901,648	52,277,765,524
Total Liabilities	83,089,863,987	75,071,906,991
Equity		
Equity attributable to equity holders of the Parent Company:		
Preferred stock (Note 19)	93,750,000	93,750,000
Common stock (Note 19)	19,076,250,000	19,076,250,000
Treasury stock (Note 19)	(14,679,307,342)	(14,646,566,916)
Additional paid-in capital (Notes 19)	8,715,108,001	8,715,108,001
Equity reserve (Note 19)	(3,706,430,769)	(3,706,430,769)
Net accumulated unrealized gain on financial assets at fair value through other comprehensive income (Note 9)	220,361,062	159,427,712
Fair value adjustments on hedging transactions (Note 31)	(813,808,947)	(446,886,545)
Cumulative translation adjustments (Note 19)	379,196,253	677,230,994
Retained earnings (Notes 2 and 19):		
Unappropriated	28,498,576,259	21,217,149,607
Appropriated	23,437,184,520	26,699,854,200
	61,220,879,037	57,838,886,284
Non-controlling interests (Note 19)	2,008,078,430	1,966,129,866
Total Equity	63,228,957,467	59,805,016,150
TOTAL LIABILITIES AND EQUITY	₱146,318,821,454	₱134,876,923,141

See accompanying Notes to Consolidated Financial Statements.



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE FROM SALE OF ELECTRICITY			
(Notes 3, 5, 20, 21, 35 and 37)	₱37,616,779,662	₱41,868,417,546	₱37,985,628,450
COSTS OF SALE OF ELECTRICITY			
(Notes 10, 12, 13, 20, 22, 24, 28, 33, 35 and 36)	(17,418,329,056)	(19,848,497,303)	(19,092,818,421)
GENERAL AND ADMINISTRATIVE			
EXPENSES (Notes 10, 12, 13, 15, 23, 24 and 28)	(5,421,340,207)	(7,122,237,373)	(6,189,362,114)
FINANCIAL INCOME (EXPENSE)			
Interest income (Notes 6, 11, 25 and 31)	246,288,135	564,383,055	529,314,456
Interest expense (Notes 17, 18, 25, 31 and 32)	(3,622,746,689)	(3,887,912,305)	(4,095,983,247)
	(3,376,458,554)	(3,323,529,250)	(3,566,668,791)
OTHER INCOME (CHARGES)			
Foreign exchange gains (losses) (Notes 26 and 31)	240,378,453	68,940,401	(518,411,862)
Loss on loan extinguishment (Note 17)	—	(114,648,317)	—
Miscellaneous income (Notes 17, 27 and 35)	1,656,593,603	1,926,955,794	2,241,255,335
	1,896,972,056	1,881,247,878	1,722,843,473
INCOME BEFORE INCOME TAX	13,297,623,901	13,455,401,498	10,859,622,597
PROVISION FOR (BENEFIT FROM)			
INCOME TAX (Note 29)			
Current	1,703,056,342	1,139,387,957	1,040,337,842
Deferred	57,577,041	(36,757,926)	223,736,369
	1,760,633,383	1,102,630,031	1,264,074,211
NET INCOME	₱11,536,990,518	₱12,352,771,467	₱9,595,548,386
Net income attributable to:			
Equity holders of the Parent Company	₱11,494,601,441	₱11,931,208,232	₱9,403,832,344
Non-controlling interests	42,389,077	421,563,235	191,716,042
	₱11,536,990,518	₱12,352,771,467	₱9,595,548,386
Basic/Diluted Earnings Per Share for Net Income			
Attributable to Equity Holders of the Parent Company (Note 30)	₱0.657	₱0.682	₱0.510

See accompanying Notes to Consolidated Financial Statements.



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
NET INCOME	₱11,536,990,518	₱12,352,771,467	₱9,595,548,386
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments on foreign subsidiaries (Note 19)	(298,034,741)	(138,109,841)	338,471,984
Fair value adjustments on hedging transactions, net of tax effect amounting to ₱24,135,525 in 2020, ₱44,652,148 in 2019 and ₱39,246,669 in 2018 (Note 31)	(366,922,402)	(549,485,584)	125,530,596
Changes in fair value of debt instruments at fair value through other comprehensive income (Note 9)	12,811,375	29,105,168	(18,677,436)
NET OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	(652,145,768)	(658,490,257)	445,325,144
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurements of retirement and other post-employment benefits, net of tax effect amounting to ₱20,832,526 in 2020, ₱30,329,292 in 2019 and ₱11,142,063 in 2018 (Note 28)	(187,492,732)	(272,963,625)	(100,278,567)
Changes in fair value of equity instruments designated at fair value through other comprehensive income (Note 9)	52,829,725	54,257,294	54,066,942
NET OTHER COMPREHENSIVE LOSS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	(134,663,007)	(218,706,331)	(46,211,625)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(786,808,775)	(877,196,588)	399,113,519
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱10,750,181,743	₱11,475,574,879	₱9,994,661,905
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱10,708,233,179	₱11,057,447,699	₱9,801,857,630
Non-controlling interests	41,948,564	418,127,180	192,804,275
	₱10,750,181,743	₱11,475,574,879	₱9,994,661,905

See accompanying Notes to Consolidated Financial Statements.



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Preferred Stock (Note 19)	Common Stock (Note 19)	Treasury Stock (Note 19)	Additional Paid-in Capital (Note 19)	Equity Reserve (Note 19)	Net Accumulated Unrealized Gain on Financial Assets at FVOCI (Note 9)	Fair Value Adjustments on Hedging Transactions (Note 31)	Cumulative Translation Adjustments (Note 19)	Unappropriated Retained Earnings (Note 19)	Appropriated Retained Earnings (Note 19)	Subtotal	Non-controlling Interests (Note 19)	Total Equity
Balances, January 1, 2020	₱93,750,000	₱19,076,250,000	(₱14,646,566,916)	₱8,715,108,001	(₱3,706,430,769)	₱159,427,712	(₱446,886,545)	₱677,230,994	₱21,217,149,607	₱26,609,854,200	₱57,838,886,284	₱1,966,129,866	₱59,805,016,150
Total comprehensive income	—	—	—	—	—	—	—	—	11,494,601,441	—	11,494,601,441	42,389,077	11,536,990,518
Cumulative translation adjustments on foreign subsidiaries (Note 19)	—	—	—	—	—	—	—	(298,034,741)	—	—	(298,034,741)	—	(298,034,741)
Fair value adjustments on hedging transactions (Note 31)	—	—	—	—	—	—	(366,922,402)	—	—	—	(366,922,402)	—	(366,922,402)
Changes in fair value of equity instruments at FVOCI recognized in equity (Note 9)	—	—	—	—	—	52,829,725	—	—	—	—	52,829,725	—	52,829,725
Changes in fair value of debt instruments designated at FVOCI recognized in equity (Note 9)	—	—	—	—	—	12,811,375	—	—	—	—	12,811,375	—	12,811,375
Transfer of net accumulated unrealized gain on financial assets at FVOCI to retained earnings (Note 9)	—	—	—	—	—	(4,707,750)	—	—	4,707,750	—	—	—	—
Remeasurements of retirement and other post-employment benefits (Note 28)	—	—	—	—	—	—	—	—	—	—	—	—	—
Total other comprehensive loss	—	—	—	—	—	60,933,350	(366,922,402)	(298,034,741)	(187,052,219)	—	(187,052,219)	(440,513)	(187,492,732)
Appropriations of retained earnings (Note 19)	—	—	—	—	—	60,933,350	(366,922,402)	(298,034,741)	11,312,256,972	2,405,100,000	10,708,233,179	41,948,564	10,750,181,743
Reversal of appropriation of retained earnings (Note 19)	—	—	—	—	—	—	—	—	(2,405,100,000)	—	—	—	—
Cash dividends (Note 19)	—	—	—	—	—	—	—	—	5,667,769,680	(5,667,769,680)	—	—	—
Acquisition of treasury stock (Note 19)	—	—	(32,740,426)	—	—	—	—	—	(7,293,500,000)	—	(7,293,500,000)	—	(7,293,500,000)
Balances, December 31, 2020	₱93,750,000	₱19,076,250,000	(₱14,679,307,342)	₱8,715,108,001	(₱3,706,430,769)	₱220,361,062	(₱813,808,947)	₱379,196,253	₱28,498,576,259	₱23,437,184,520	₱61,220,879,037	₱2,008,078,430	₱63,228,957,467

(Forward)



Equity Attributable to Equity Holders of the Parent Company

	Preferred Stock (Note 19)	Common Stock (Note 19)	Treasury Stock (Note 19)	Common Shares in Employee Trust Account (Note 19)	Additional Paid-in Capital (Note 19)	Equity Reserve (Note 19)	Net Accumulated Unrealized Gain on Financial Assets at FVOCI (Note 9)	Net Accumulated Unrealized Gain on Available-for-sale Investments (Note 9)	Fair Value Adjustments on Hedging Transactions (Note 31)	Cumulative Translation Adjustments (Note 19)	Unappropriated Retained Earnings (Note 19)	Appropriated Retained Earnings (Note 19)	Subtotal	Non-controlling Interests (Note 19)	Total Equity
Balances, January 1, 2018, as previously reported	₱93,750,000	₱18,750,000,000	(₱73,511,508)	(₱44,298,630)	₱6,611,795,220	(₱3,706,430,769)	₱-	₱51,095,368	(₱22,931,557)	₱476,868,851	₱34,621,404,631	₱-	₱56,757,741,606	₱1,838,018,341	₱58,595,799,947
Impact of adoption of PFRS 9	-	-	-	-	-	-	40,675,744	(51,095,368)	-	-	(167,724,678)	-	(178,144,302)	(2,819,930)	(180,964,232)
Balances, January 1, 2018, as adjusted	93,750,000	18,750,000,000	(73,511,508)	(44,298,630)	6,611,795,220	(3,706,430,769)	40,675,744	-	(22,931,557)	476,868,851	34,453,679,953	-	56,579,597,304	1,835,198,411	58,414,795,715
Net income	-	-	-	-	-	-	-	-	-	-	9,403,832,344	-	9,403,832,344	191,716,042	9,595,548,386
Cumulative translation adjustments on foreign subsidiaries	-	-	-	-	-	-	-	-	-	338,471,984	-	-	338,471,984	-	338,471,984
Fair value adjustments on hedging transactions	-	-	-	-	-	-	-	-	125,530,596	-	-	-	125,530,596	-	125,530,596
Changes in fair value of equity instruments at FVOCI recognized in equity	-	-	-	-	-	-	54,066,942	-	-	-	-	-	54,066,942	-	54,066,942
Changes in fair value of debt instruments designated at FVOCI recognized in equity	-	-	-	-	-	-	(18,677,436)	-	-	-	-	-	(18,677,436)	-	(18,677,436)
Remeasurements of retirement and other post-employment benefits	-	-	-	-	-	-	-	-	-	-	(101,366,800)	-	(101,366,800)	1,088,233	(100,278,567)
Total other comprehensive loss	-	-	-	-	-	-	35,389,506	-	125,530,596	338,471,984	(101,366,800)	-	398,025,286	1,088,233	399,113,519
Cash dividends on non-controlling interest (Note 19)	-	-	-	-	-	-	35,389,506	-	125,530,596	338,471,984	9,302,465,544	-	9,801,857,630	192,804,275	9,994,661,905
Appropriation of retained earnings (Note 19)	-	-	-	-	-	-	-	-	-	-	-	-	-	(80,000,000)	(80,000,000)
Acquisition of treasury stock (Note 19)	-	-	(14,566,031,050)	-	-	-	-	-	-	-	(20,001,854,200)	20,001,854,200	-	-	-
Issuance of shares (Note 19)	-	326,250,000	-	-	2,039,062,500	-	-	-	-	-	-	-	(14,566,031,050)	-	(14,566,031,050)
Issuance of shares under common shares in employee trust (Note 19)	-	-	-	44,298,630	67,512,781	-	-	-	-	-	-	-	2,365,312,500	-	2,365,312,500
Documentary stamp tax on common shares subscription (Note 19)	-	-	-	-	(3,262,500)	-	-	-	-	-	-	-	111,811,411	-	111,811,411
Balances, December 31, 2018	₱93,750,000	₱19,076,250,000	(₱14,639,542,558)	₱-	₱8,715,108,001	(₱3,706,430,769)	₱76,065,250	₱-	₱102,599,039	₱815,340,835	₱23,754,391,297	₱20,001,854,200	₱54,289,285,295	₱1,948,002,686	₱56,237,287,981

See accompanying Notes to Consolidated Financial Statements.



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱13,297,623,901	₱13,455,401,498	₱10,859,622,597
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 22 and 23)	6,547,264,747	6,414,869,898	6,228,010,349
Interest expense (Note 25)	3,622,746,689	3,887,912,305	4,095,983,247
Unrealized foreign exchange losses (gains) - net (Note 26)	(382,920,084)	(136,279,776)	289,092,677
Change in net retirement and other post-employment benefits	263,121,458	104,997,008	167,912,479
Provisions for impairment of trade and other receivables, and prepaid taxes (Notes 7, 15 and 23)	253,265,909	848,371,753	243,767,845
Interest income (Notes 6, 11, 25 and 31)	(246,288,135)	(564,383,055)	(529,314,456)
Unrealized derivative losses (gain) (Note 27)	90,379,946	(24,298,301)	59,966,849
Provision (reversal) for impairment of parts and supplies inventories (Notes 10 and 23)	79,960,616	(63,357,171)	96,642,873
Provision for impairment of exploration and evaluation assets and goodwill (Notes 13, 14 and 27)	54,165,823	2,540,807	—
Loss on direct write-off of input VAT claims (Notes 15 and 27)	36,292,033	66,253,553	100,862,942
Mark-to-market loss (gain) on financial assets at fair value through profit or loss (Notes 8 and 27)	(9,069,461)	(119,246,784)	32,881,224
Loss (gain) on disposal and retirement of property, plant and equipment (Notes 12, 20 and 27)	1,985,806	(1,319,631)	35,451,113
Realized income from redemption of financial assets at fair value through profit or loss (Notes 8 and 27)	(130,361)	(241,204)	(4,894,660)
Realized loss from sale of financial assets at fair value through comprehensive income (Note 9)	200,000	—	—
Gain on debt modification (Notes 17 and 27)	—	—	(182,599,863)
Operating income before working capital changes	23,608,598,887	23,871,220,900	21,493,385,216
Decrease (increase) in:			
Trade and other receivables	1,282,909,504	(2,719,481,536)	990,319,930
Parts and supplies inventories	(1,740,722,636)	(264,304,446)	(340,009,725)
Due from related parties	8,609,354	(31,318,181)	2,595,538
Other current assets	(4,561,667,030)	259,191,622	591,693,901
Increase (decrease) in:			
Trade and other payables	1,362,620,902	167,429,591	107,390,564
Due to related parties	2,200,678	(31,981,719)	14,276,621
Provisions and other long-term liabilities	47,946,792	(32,650,320)	34,121,718
Cash generated from operations	20,010,496,451	21,218,105,911	22,893,773,763
Income tax paid, including creditable withholding tax	(1,351,191,812)	(1,112,704,888)	(941,815,685)
Net cash flows from operating activities	18,659,304,639	20,105,401,023	21,951,958,078

(Forward)



	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 12)	(P6,162,329,495)	(P5,737,141,774)	(P4,076,523,198)
Financial assets at FVPL (Note 8)	(710,000,000)	(808,300,000)	(1,000,000)
Intangible assets (Note 13)	(81,089,129)	(134,380,452)	(62,045,048)
Decrease (increase) in:			
Exploration and evaluation assets (Note 14)	(4,886,819)	(43,668,447)	(13,070,404)
Debt service reserve account (Notes 11 and 17)	661,239,713	760,684,816	(16,579,203)
Other noncurrent assets	(1,359,952,344)	1,666,564,170	834,697,981
Interest received	253,864,929	576,411,113	513,369,175
Proceeds from:			
Redemption of financial assets at FVPL (Note 8)	1,153,573,943	372,495,123	513,378,979
Sale of property, plant and equipment (Notes 12, 20 and 27)	25,406,504	12,960,133	13,683,613
Sale of financial assets at FVOCI (Note 9)	6,500,000	—	—
Net cash flows used in investing activities	(6,217,672,698)	(3,334,375,318)	(2,294,088,105)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debts (Notes 17 and 39)	(7,699,266,359)	(9,685,610,939)	(8,646,603,201)
Dividends (Notes 19 and 39)	(6,493,216,395)	(3,700,822,352)	(80,000,000)
Interest and other financial charges (Note 39)	(3,385,447,911)	(3,735,637,571)	(3,777,281,398)
Lease liability (Notes 31, 32 and 39)	(160,448,287)	(313,075,997)	—
Acquisition of treasury stock (Notes 1, 19 and 39)	(32,740,426)	(7,024,358)	(14,566,031,050)
Proceeds from:			
Availment of long-term debts - net of transaction cost (Note 17)	12,933,440,019	—	8,388,845,476
Issuance of common shares (Notes 19 and 39)	—	—	2,365,312,500
Net cash flows used in financing activities	(4,837,679,359)	(17,442,171,217)	(16,315,757,673)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,603,952,582	(671,145,512)	3,342,112,300
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(102,635,947)	(63,241,584)	(49,288,281)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,254,120,731	14,988,507,827	11,695,683,808
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P21,755,437,366	P14,254,120,731	P14,988,507,827

See accompanying Notes to Consolidated Financial Statements.



ENERGY DEVELOPMENT CORPORATION

(A Subsidiary of Red Vulcan Holdings Corporation)

AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

General

Energy Development Corporation (the “Parent Company” or “EDC”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 5, 1976. Beginning December 13, 2006, the common shares of EDC were listed and traded in the Philippine Stock Exchange (PSE).

On August 7, 2018, the Board of Directors (BOD) of the Parent Company approved the voluntary delisting (the Delisting) of its common shares from the Main Board of the PSE and, in accordance with the PSE’s delisting rules and regulations, to conduct a tender offer (the Tender Offer) for up to 2,040,006,713 common shares held collectively by all shareholders of the Parent Company other than Red Vulcan Holdings Corporation (Red Vulcan), First Gen Corporation (First Gen), Northern Terracotta Power Corp. (NTPC), and Philippines Renewable Energy Holdings Corporation (PREHC), at a price of ₱7.25 per common share (the Tender Offer Price).

On September 19, 2018, the Parent Company filed the petition for the Delisting with the PSE.

The Tender Offer began on September 24, 2018 and ended on October 22, 2018.

Following the completion of the Tender Offer, a total of 2,009,107,731 common shares, representing approximately 10.72% of the Parent Company's outstanding voting shares were tendered pursuant to the Tender Offer, accepted and thereafter purchased by the Parent Company via a block sale through the facilities of the PSE on November 5, 2018. The shares were purchased at the Tender Offer Price with a total transaction value of ₱14,566.0 million (see Note 19).

On November 14, 2018, the BOD of the PSE granted the voluntary delisting filed by the Parent Company, and accordingly, ordered the delisting of the Parent Company’s common shares from the official registry of the PSE (electronic board and ticker) effective on November 29, 2018.

The Parent Company and its subsidiaries (collectively referred to as the “Company”) are primarily engaged in the business of exploring, developing and operating geothermal energy and other indigenous renewable energy projects in the Philippines.

Red Vulcan is the parent company of EDC, while Lopez, Inc. is the ultimate parent company.

Red Vulcan and Lopez, Inc. are both incorporated in the Philippines.

As of December 31, 2020 and 2019, Red Vulcan holds the controlling voting interest with 63.9% ownership of EDC’s outstanding voting shares while PREHC owns 34.9%.

Geothermal and Other Renewable Energy Projects

EDC’s geothermal power projects consist of two (2) principal activities: (i) the production of geothermal steam for use at EDC’s and its subsidiaries’ geothermal power plants, and (ii) the generation and sale of electricity through those geothermal power plants pursuant to “take-or-pay and take-and-pay offtake arrangements”. EDC’s steam and electricity sales are



supported by medium-term to long-term offtake agreements in various forms. EDC's steam sales are backed by long-term offtake agreements with its wholly owned subsidiaries: (i) Geothermal Resource Sales Contracts (GRSCs) with Green Core Geothermal Inc. (GCGI); and (ii) Steam Sales Agreement (SSA) with Bac-Man Geothermal Inc. (BGI). EDC has three (3) 25-year Power Purchase Agreements (PPAs) with National Power Corporation (NPC) covering EDC's Unified Leyte and Mindanao Geothermal Power Projects (Mindanao I and Mindanao II). The PPAs for Unified Leyte and Mindanao I are scheduled to expire in 2022, while the PPA for Mindanao II will expire in 2024 (see Notes 3 and 21).

EDC holds service contracts with the Department of Energy (DOE). It has ten (10) geothermal contract areas, each granting EDC exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area (see Note 33). EDC conducts commercial operations in four (4) of its ten (10) geothermal contract areas as follows:

- Tongonan, Kananga, Leyte - EDC operates geothermal steamfield projects in Leyte, which deliver steam to the Tongonan geothermal power plant, owned by EDC's subsidiary GCGI, and the EDC-owned Unified Leyte geothermal power plants.
- Southern Negros, Valencia, Negros Oriental - EDC operates one (1) geothermal steamfield project in Southern Negros, which deliver steam to the two (2) GCGI-owned Palinpinon geothermal power plants, and EDC-owned Nasulo geothermal power plant.
- Bacon-Manito, Albay and Sorsogon - EDC operates one (1) geothermal steamfield project, which deliver steam to two (2) geothermal power plants in Albay and Sorsogon, owned by EDC's subsidiary BGI.
- Mt. Apo, Kidapawan, Cotabato - EDC operates one (1) geothermal steamfield project, which delivers steam to two (2) EDC-owned geothermal power plants in Mt. Apo.

The Company also operates hydroelectric power plant through First Gen Hydro Power Corporation (FG Hydro), a 60%-owned subsidiary of EDC. FG Hydro generates revenue from the sale of electricity generated by its 132-Megawatt (MW) Pantabangan-Masiway hydroelectric plants (PAHEP/MAHEP) located in Nueva Ecija.

EDC Burgos Wind Power Corporation (EBWPC), a wholly owned subsidiary of EDC, operates the 150 MW Burgos Wind Energy Project.

EDC also operates the 6.82 MW Burgos Solar Project (Phases 1 and 2).

These projects of EBWPC and EDC which are located in Ilocos Norte were granted a Feed-In-Tariff (FIT) Certificate of Compliance (FIT COC) by the Energy Regulatory Commission (ERC) that entitles them to an applicable FIT rate, subject to adjustments as may be approved by the ERC, for the entire duration of their FIT eligibility periods.

EDC Siklab Power Corporation (EDC Siklab), a wholly owned subsidiary of EDC, operates solar rooftop systems in various Gaisano Capital's malls located in the provinces of Iloilo, Aklan, Leyte, Southern Leyte and Sorsogon.

Power Supply Agreements (PSAs)

The Parent Company's subsidiaries, namely GCGI, BGI, FG Hydro and Unified Leyte Geothermal Inc. (ULGEI), hold offtake agreements in the form of PSAs with various customers, particularly electric cooperatives and retail electricity suppliers (see Note 21).



Retail Supply Contracts (RSCs)

BGI holds a Retail Electricity Supplier (RES) license effective for a period of five (5) years from February 2017 until February 2022, and has offtake agreements in the form of RSCs with contestable customers.

In June 2020, the Energy Regulatory Commission (ERC) approved GCGI's application for RES license effective for a period of five (5) years from June 2020 to June 2025. As of December 31, 2020, GCGI has no RSC yet with contestable customers.

Ancillary Services Procurement Agreements (ASPAs)

EDC, GCGI and FG Hydro sell electricity through ancillary service to the National Grid Corporation of the Philippines (NGCP) under ASPAs.

Generated electricity in excess of contracted levels is sold to the Wholesale Electricity Spot Market (WESM).

Subsidiaries

The Parent Company and its subsidiaries were separately incorporated and registered with the Philippine SEC, except for its foreign subsidiaries. Below are the Parent Company's voting interests in its subsidiaries:

	December 31, 2020 and 2019	
	Direct	Indirect
EDC Geothermal Corp. (EGC) ²	100.00	—
Green Core Geothermal Inc. (GCGI)	—	100.00
Bac-Man Geothermal Inc. (BGI)	—	100.00
Unified Leyte Geothermal Energy Inc. (ULGEI)	—	100.00
Southern Negros Geothermal, Inc. (SNGI) ^{1/3}	—	100.00
Bac-Man Energy Development Corporation (BEDC) ¹	—	100.00
EDC Chile Limitada ¹	99.99	0.01
EDC Holdings International Limited (EHIL) ²	100.00	—
Energy Development Corporation Hong Kong Limited (EDC HKL) ²	—	100.00
Energy Development Corporation Hong Kong International Investment Limited (EDC HKIIL) ²	—	100.00
EDC Chile Holdings SPA ²	—	100.00
EDC Geotermica Chile SPA ¹	—	100.00
EDC Peru Holdings S.A.C. ²	—	100.00
EDC Geotermica Peru S.A.C. ¹	—	100.00
Energy Development Corporation Peru S.A.C. ¹	—	100.00
EDC Geotermica Del Sur S.A.C. ¹	—	100.00
EDC Energía Azul S.A.C. ¹	—	100.00
Geotermica Crucero Peru S.A.C. ¹	—	70.00
EDC Energía Perú S.A.C. ¹	—	100.00
Geotermica Tutupaca Norte Peru S.A.C. ¹	—	70.00
EDC Energía Geotermica S.A.C. ¹	—	100.00
EDC Progreso Geotermica Perú S.A.C. ¹	—	100.00
Geotermica Loriscota Peru S.A.C. ¹	—	70.00

(Forward)



	December 31, 2020 and 2019	
	Direct	Indirect
EDC Energía Renovable Perú S.A.C. ¹	—	100.00
EDC Soluciones Sostenibles Ltd ²	—	100.00
EDC Energia Verde Chile SpA ¹	—	100.00
EDC Energia de la Tierra SpA ¹	—	100.00
EDC Desarrollo Sostenible Ltd ²	—	100.00
EDC Energia Verde Peru S.A.C. ¹	—	100.00
PT EDC Indonesia ¹	—	95.00
PT EDC Panas Bumi Indonesia ¹	—	95.00
EDC Wind Energy Holdings, Inc. (EWEHI) ²	100.00	—
EDC Burgos Wind Power Corporation (EBWPC)	—	100.00
EDC Pagudpud Wind Power Corporation (EPWPC) ¹	—	100.00
EDC Bayog Burgos Wind Power Corporation (EBWPC) ¹	—	100.00
EDC Pagali Burgos Wind Power Corporation (EPBWPC) ¹	—	100.00
Iloilo 1 Renewable Energy Corporation (I1REC) ¹	—	100.00
Matnog 1 Renewable Energy Corporation (M1REC) ^{1/3}	—	100.00
Matnog 2 Renewable Energy Corporation (M2REC) ^{1/3}	—	100.00
Matnog 3 Renewable Energy Corporation (M3REC) ^{1/3}	—	100.00
Negros 1 Renewable Energy Corporation (N1REC) ^{1/3}	—	100.00
EDC Bright Solar Energy Holdings, Inc. (EBSEHI) ²	100.00	—
EDC Siklab Power Corporation (EDC Siklab)	—	100.00
EDC Sinag Power Corporation (EDC Sinag) ¹	—	100.00
EDC Sinag Iloilo Power Corporation (Sinag Iloilo) ^{1/3}	—	100.00
EDC Siklab Iloilo Power Corporation (Siklab Iloilo) ^{1/3}	—	100.00
EDC Cleansolar Visayas Power Corporation (ECVPC) ^{1/3}	—	100.00
EDC Wind Energy Holdings 2 Inc. (EWEHI2) ²	100.00	—
Calaca Renewable Energy Corporation (CREC) ^{1/3}	—	100.00
Burgos 3 Renewable Energy Corporation (BREC3) ^{1/3}	—	100.00
Burgos 4 Renewable Energy Corporation (BREC4) ^{1/3}	—	100.00
First Gen Hydro Power Corporation (FG Hydro)	60.00	—

¹Has not started commercial operations as of December 31, 2020.

²Serves as an investment holding company.

³Shortened corporate life in 2019

EGC

EGC was incorporated on April 9, 2008 to participate in the bid for a local power plant. The bid was won by and awarded to another local entity not within the Company. Thereafter, EGC became an investment holding company of its wholly owned subsidiaries, namely GCGI, BGI, ULGEI, SNGI and BEDC. EGC also has a 0.01% stake in EDC Chile Limitada.

Further details on EGC's wholly owned subsidiaries follow:

- GCGI was incorporated on June 22, 2009 with primary activities on power generation, transmission, distribution and other energy-related businesses. GCGI is currently operating the 172.5 MW Palinpinon and 123.0 MW Tongonan 1 geothermal power plants in Negros Oriental and Leyte, respectively, following its successful acquisition from the Power Sector Assets and Liabilities Management Corporation (PSALM) in 2009.

On June 8, 2020, the ERC approved GCGI's application for a Retail Electricity Supplier (RES) license. The RES license allows GCGI to engage in the supply of electricity to end-users in the contestable market.



- BGI was incorporated on April 7, 2010 primarily to carry on the general business of generating, transmitting, and/or distributing energy. BGI is currently operating the then 150 MW Bac-Man Geothermal Power Plants (BMGPP) in Bicol, following its successful acquisition from PSALM in 2010. Prior to the acquisition of BGI of the BMGPP in May 2010, the Parent Company supplied and sold steam to NPC under the SSA. Details are as follows:

a. Bacon-Manito I

The SSA for the Bac-Man 110 MW geothermal resources entered in November 1988 provides, among others, that NPC shall pay the Parent Company a base price per kilowatt-hour of gross generation, subject to inflation adjustments and based on a guaranteed take-or-pay rate at 75% plant factor. The SSA is for a period of 25 years, which commenced in May 1993. The SSA expired in May 2018.

On June 1, 2018, the Parent Company and BGI entered an interim arrangement for the supply of steam for Bac-Man I Geothermal Power Plants effective from the date of expiration of the SSA until the new SSA takes effect or December 25, 2020, whichever is earlier. On December 24, 2020, the term of such interim agreement was extended for another three (3) years, or until December 25, 2023.

b. Bacon-Manito II

Bac-Man II's SSA with NPC was signed in June 1996 for its two (2) 20 MW capacity modular plants - Cawayan and Botong. The terms and conditions under the contract contain, among others, NPC's commitment to pay the Parent Company a base price per kilowatt-hour of gross generation, subject to inflation adjustments and based on a guaranteed take-or-pay rate, commencing from the established commercial operation period, using the following plant factors: 50% for the first year, 65% for the second year and 75% for the third and subsequent years. The SSA is for a period of 25 years, which commenced in March 1994 for Cawayan and December 1997 for Botong. The SSA for Cawayan expired in March 2019.

On April 30, 2019, the Parent Company and BGI entered an interim arrangement for the supply of steam for Bac-Man II's Cawayan Unit effective from the date of expiration of the SSA until the new SSA takes effect or December 25, 2020, whichever is earlier. On December 24, 2020, the term of such interim agreement was extended for another three (3) years, or until December 25, 2023.

Following the commercial operations of the Bac-Man Units 1, 2 and 3 on October 1, 2013, January 28, 2014, and June 3, 2014, respectively, PSALM/NPC, EDC and BGI have agreed to allow EDC to bill BGI directly, on behalf of PSALM/NPC.

On February 14, 2017, the ERC approved BGI's application for a Retail Electricity Supplier (RES) license. The RES license allows BGI to engage in the supply of electricity to end-users in the contestable market.

In December 2020, BGI awarded the engineering, procurement and construction (EPC) contract for the 29 MW Palayan Binary Balance of Plant (BOP) work package to First Balfour Inc. BGI has also awarded a contract for the supply of the plant to Turboden S.p.A. and Mitsubishi Power Ltd. for the binary cycle power generation equipment to be installed at Bacman geothermal power plant in Manito, Albay. The 29 MW Palayan Binary Plant Project is expected to be completed by the end of 2022.



On December 7, 2020, the Parent Company issued the Notice of Award to First Balfour for the construction of the Fluid Collection and Recycling System (FCRS) and interconnection works for the Palayan Binary Power Project.

On February 22, 2021, MUFG Bank, Ltd., issued an irrevocable standby letter of credit in favor of Turboden S.P.A (the “Beneficiary”) for the supply contract entered by BGI. The final expiration date of the instrument will be on January 23, 2023 and the beneficiary is entitled for an aggregate maximum amount of US\$34.6 million.

- ULGEI was incorporated on June 23, 2010. ULGEI, a wholly owned subsidiary of EDC, had been declared as one (1) of the seven (7) Highest Ranking Bidders for the maximum allowable 40 MW per bidder in the Selection and Appointment of the Independent Power Producer Administrators (IPPA) for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPPs), and thereafter, as the Highest Ranking Bidder to administer the Bulk Energy of the ULGPPs, which is the capacity in excess of the 240 MW allotted for the Strips of Energy. The bidding was conducted by the PSALM on November 7, 2013, one day before Super Typhoon Yolanda made landfall and severely affected the facilities of EDC, the NGCP, and various distribution utilities in Central Visayas. Consequently, ULGEI has written to PSALM that it cannot accept the award of the winning bids as the physical and economic conditions underlying the bidding process and the IPPA Administration Agreements required to be executed pursuant thereto have been dramatically altered by the severe and widespread destruction caused by Super Typhoon Yolanda in the Eastern and Western Visayas regions.

In February 2014, PSALM has written ULGEI informing it of the following:

1. ULGEI has been selected as the Winning Bidder for 40 MW Strips of Energy of the ULGPP at the bidden rate/price; and,
2. PSALM accepts ULGEI’s decision not to accept the award as Winning Bidder for the Bulk Energy of the ULGPP, subject to subsequent determination/evaluation of the forfeiture of ULGEI’s Bid Security and ULGEI’s qualification to participate further in the rebidding process for said Bulk Energy.

In December 2014, the IPPA Contract for the strips of energy was turned over to ULGEI.

- SNGI and BEDC were incorporated on February 4, 2011 and September 22, 2011, respectively. These companies were incorporated to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On May 9, 2019, the BOD and the stockholders of SNGI approved the amendment of its articles of incorporation to shorten its corporate existence from 50 years to 10 years from the date of incorporation. The Amended Articles of Incorporation of SNGI was approved by the Philippine SEC on August 30, 2019.

As of December 31, 2020, SNGI and BEDC remained non-operating.

EDC Chile Limitada

EDC Chile Limitada is a limited liability company incorporated on February 11, 2010 in Santiago, Chile with the purpose of exploring, evaluating and extracting any mineral or substance to generate geothermal energy. As of December 31, 2020, EDC Chile Limitada remained non-operating.



EHIL and EDC HKL

EHIL was incorporated on August 17, 2011 in British Virgin Islands and serves as an investment holding company of EDC's international subsidiaries. EHIL owns 100% interest in EDC HKL, a company incorporated on November 22, 2011, in Hong Kong. The following entities are the subsidiaries under EDC HKL:

- EDC HKIIL is a wholly owned subsidiary of EDC HKL, a company incorporated on November 18, 2016 in the British Virgin Island.
- EDC Chile Holdings SpA, which was incorporated on January 13, 2012 in Santiago, Chile, is a wholly owned subsidiary of EDC HKL and is the holding company of EDC Geotermica Chile SPA which was also incorporated on January 13, 2012 in Santiago, Chile. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.
- EDC Peru Holdings S.A.C., incorporated on January 19, 2012 in Lima, Peru, is a 99.9%-owned subsidiary of EDC HKL. EDC Peru Holdings S.A.C. holds 99.9% stake in EDC Geotermica Peru S.A.C., which was also incorporated on January 19, 2012 in Lima, Peru. EHIL owns the remaining 0.1% stake in EDC Peru Holdings S.A.C. and EDC Geotermica Peru S.A.C. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On July 17, 2012, Energy Development Corporation Peru S.A.C. was incorporated in Lima, Peru as a 70%-owned subsidiary of EDC Geotermica Peru S.A.C. Its main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives. On January 3, 2014, Energy Development Corporation Peru S.A.C. became 100% indirectly owned subsidiary by the Parent Company through acquisition of Hot Rock Entities.

- On February 27, 2013, EDC Geotermica Del Sur S.A.C., EDC Energía Azul S.A.C., EDC Energía Perú S.A.C., EDC Energía Geotérmica S.A.C., EDC Progreso Geotérmico Perú S.A.C., EDC Energía Renovable Perú S.A.C., were incorporated in Lima, Peru as 99.9%-owned by EDC HKL and 0.1%-owned by EDC Peru Holdings S.A.C. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On July 5, 2013, three (3) entities were incorporated in Lima, Peru. These entities are Geotermica Crucero Peru S.A.C., as 70%-owned by EDC Energia Azul S.A.C.; Geotermica Tutupaca Norte Peru S.A.C. as 70%-owned by EDC Energia Peru S.A.C.; and Geotermica Lorisocota Peru S.A.C., as 70%-owned by EDC Progreso Geotermico S.A.C. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.



- On January 3, 2014, EDC HKL purchased 100% interest in EDC Soluciones Sostenibles Ltd and EDC Desarrollo Sostenible Ltd located in British Virgin Islands (BVI) with a total offer price of US\$3.0 million. This effectively gave EDC HKL a 100% indirect interest to acquirees' subsidiaries EDC Energia Verde Chile SpA, EDC Energia de la Tierra SpA and EDC Energia Verde Peru S.A.C. (see Note 3).

In February 2020, the Internal Revenue Services authorized the closure of EDC Energia Verde Chile SpA and EDC Energia de la Tierra SpA.

- On July 9, 2012, PT EDC Indonesia and PT EDC Panas Bumi Indonesia were incorporated in Jakarta Pusat, Indonesia as 95%-owned subsidiaries of EDC HKL.

As of December 31, 2020, all subsidiaries of EDC HKL remained non-operating.

EWEHI

EWEHI is a holding company incorporated on April 15, 2010. The following entities are the wholly owned subsidiaries of EWEHI:

- EBWPC was incorporated on April 13, 2010 to carry on the general business of generating, transmitting, and/or distributing energy. EBWPC operates the 150 MW Burgos Wind Project located in the Municipality of Burgos, Ilocos Norte.
- EPWPC was incorporated on February 29, 2012 to carry on the general business of generating, transmitting, and/or distributing energy. As of December 31, 2020, EPWPC remained non-operating.
- EBBWPC and EPBWPC were both incorporated on May 22, 2014 to carry on the general business of generating, transmitting, and/or distributing energy. As of December 31, 2020, EBBWPC and EPBWPC remained non-operating.
- M1REC, M2REC, M3REC and I1REC were all incorporated on February 9, 2016, while N1REC was incorporated on March 16, 2016 to carry on the general business of generating, transmitting, and/or distributing energy.

On May 9, 2019, the BOD and the stockholders of M1REC, M2REC, M3REC and N1REC approved the amendment of the articles of incorporation of these companies to shorten their corporate existence from 50 years to five (5) years from the date of their incorporation. The Amended Articles of Incorporation of M1REC, M2REC, M3REC and N1REC were approved by the Philippine SEC on August 23, 2019.

As of December 31, 2020, M1REC, M2REC, M3REC, N1REC and I1REC remained non-operating.

EBSEHI

EBSEHI is a holding company incorporated on May 23, 2014. The following entities are the wholly owned subsidiaries of EBSEHI:

- EDC Siklab was incorporated on May 22, 2014 to carry on the general business of generating, transmitting, and/or distributing energy.



- EDC Sinag was incorporated on November 19, 2014 to carry on the general business of generating, transmitting, and/or distributing energy. As of December 31, 2020, EDC Sinag remained non-operating.
- Sinag Iloilo, Siklab Iloilo and ECSVPC were incorporated on February 4, 2011, September 28, 2011 and June 25, 2014, respectively. These companies were incorporated to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On May 9, 2019, the BOD and the stockholders of Sinag Iloilo, Siklab Iloilo and ECSVPC approved the amendment of the articles of incorporation of these companies which shorten the corporate existence of Sinag Iloilo and Siklab Iloilo from 50 years to 10 years from the date of their incorporation and from 50 years to seven (7) years for ECSVPC. The Amended Articles of Incorporation of Sinag Iloilo, Siklab Iloilo and ECSVPC were approved by the Philippine SEC on August 23, 2019, September 10, 2019 and March 12, 2020, respectively.

As of December 31, 2020, Sinag Iloilo, Siklab Iloilo and ECSVPC remained non-operating.

EWEHI2

EWEHI2 is a holding company incorporated on January 5, 2017. EWEHI2 has 100% ownership over CREC, BREC4 and BREC3. CREC and BREC4 were incorporated on January 27, 2017 while BREC3 was incorporated on January 25, 2017, to carry on the general business of generating, transmitting, and/or distributing energy.

On May 9, 2019, the BOD and the stockholders of CREC, BREC4 and BREC3 approved the amendment of the articles of incorporation of these companies to shorten their corporate existence from 50 years to four (4) years from the date of their incorporation. The Amended Articles of Incorporation of CREC, BREC4 and BREC3 were approved by the Philippine SEC on August 30, 2019.

As of December 31, 2020, CREC, BREC4 and BREC3 remained non-operating.

FG Hydro

FG Hydro was incorporated on March 13, 2006 with primary activities on power generation, transmission, distribution and other energy-related businesses. FG Hydro operates the 132 MW PAHEP/MAHEP located in Nueva Ecija, Philippines. FG Hydro buys from and sells electricity to the WESM and to various privately-owned DUs under the PSAs and PSCs, and to NGCP through ancillary services under the ASPA.

Principal Office Address

The registered principal office address of the Parent Company is One Corporate Centre, Julia Vargas cor. Meralco Avenues, Ortigas Center, Pasig City.



Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements were reviewed and recommended for approval by the Audit and Governance Committee to the Board of Directors (BOD) on February 19, 2021. The same consolidated financial statements were approved and authorized for issuance by the BOD on March 3, 2021.

2. Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments, financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI) that are measured at fair value. The consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company's functional currency. All values are rounded to the nearest ₱, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Company are prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

New Standards, Interpretations and Amendments

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. The Company 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 an impact on the consolidated financial statements of the Company.

- 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.

These amendments may impact future periods should the Company enter into any business combinations.

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

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



- Amendments to 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.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.



Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities in future periods.

Judgments

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

Determination of Functional Currency

Each entity within the Company determines its own functional currency. The respective functional currency of EDC and its subsidiaries is the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the sale of services and the costs of providing services.

The presentation currency of the Company is the Philippine Peso, which is the Parent Company's functional currency. The functional currency of each of the Company's subsidiaries, as disclosed in Note 4 to the consolidated financial statements, is determined based on the economic substance of the underlying circumstances relevant to each subsidiary.

Applicability of Philippine Interpretation IFRIC-12, Service Concession Arrangements on the Geothermal Renewable Energy Service Contract, Wind Energy Service Contract and Solar Energy Service Contract

An arrangement would fall under Philippine Interpretation IFRIC-12 if the two (2) conditions below are met:

- a) the grantor controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and
- b) the grantor controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

Based on management's judgment, the Geothermal Renewable Energy Service Contracts (GRESs), Wind Energy Service Contracts (WESs) and Solar Energy Service Contracts (SESs) entered into by the Company are outside the scope of Philippine Interpretation IFRIC-12 since the Company controls the significant residual interest in the properties (i.e., the estimated useful lives of the assets exceed the service concession periods) at the end of the concession term through ownership.

Joint Venture Agreement between the Company and Alterra Power Corporation on Mariposa Geothermal Project

On May 20, 2013, EDC and Alterra Power Corporation (Alterra, a publicly-traded company and listed at the Toronto Stock Exchange) executed a joint venture agreement (JVA) for the exploration and development of the Mariposa geothermal project in Chile (Mariposa Project). Following the execution of such JVA, EDC, Alterra and their relevant subsidiaries have executed Shareholders' Agreement and other related agreements all with effect on June 17, 2013 for the implementation of the terms of the JVA. Under the Shareholders' Agreement, EDC (through EDC Geotermica SpA, its wholly owned subsidiary in Chile) will subscribe to a 70% interest in Compañía De Energia (Enerco), an Alterra subsidiary in Chile that owns the Mariposa Project. On June 17, 2013, EDC subscribed to a 70% interest in Enerco through a Subscription Deed with Alterra.

While EDC Geotermica owns 70% interest in Enerco, it does not have the sole ability to direct the relevant activities which most significantly affect the returns of Enerco as the key operating and financial decisions of Enerco require the unanimous vote and consent of the parties sharing control. Accordingly, the investment in Enerco has been determined by management to be a joint arrangement to be accounted for as joint venture (see Note 15).



Stored Energy Commitments

Under its addendum agreements with NPC, the Parent Company has a commitment to NPC with respect to certain volume of stored energy that NPC may lift for a specified period, provided that the Parent Company is able to generate such energy over and above the nominated energy for each given year in accordance with the related PPAs. The Company has made a judgment based on historical information that future liftings by NPC from the stored energy is not probable and accordingly, has not deferred any portion of the collected revenues. The stored energy commitments are, however, disclosed in Note 32 to the consolidated financial statements.

Effect of Adoption of PFRS 16 on the Company's PPAs

The Parent Company has three (3) 25-year PPA with NPC covering EDC's Unified Leyte and Mindanao Geothermal Power Projects (Mindanao I and Mindanao II). Prior to the adoption of PFRS 16, these arrangements were accounted as operating leases based on the requirements of Philippine Interpretation IFRIC-4 and PAS 17.

Upon adoption of PFRS 16, the Parent Company evaluated its PPAs with NPC by applying the requirements of PFRS 16. It was concluded that the PPAs with NPC do not contain a lease as the arrangements did not convey to NPC the right to direct the use of the identified asset. Accordingly, starting January 1, 2019, the Parent Company accounted for the consideration received from the PPAs under PFRS 15 (see Note 21).

Operating Leases - Company as a Lessor (Applicable prior to adoption of PFRS 16)

Prior to January 1, 2019, the PPAs of the Parent Company qualify as a lease on the basis that the Parent Company sells significant amount of its output to NPC. This type of arrangement is determined to be an operating lease where a significant portion of the risks and rewards incidental to ownership of the assets are retained by the Parent Company since it does not include transfer of the Parent Company's assets. Accordingly, the power plant assets are recorded as part of the cost of property, plant and equipment, and the capacity fees billed to NPC are recorded as operating revenue based on the terms of the PPAs.

Revenue Recognition

The Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

a) 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 customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

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:

1. each distinct good or services in the series are transferred over time; and
2. 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 revenue contracts under PPAs (upon scoping out of PFRS 16), PSAs, ASPAs including spot market sales to WESM and sale of electricity covered by the FIT scheme in which capacity and energy dispatched are separately identified, these are combined and considered as one (1) performance obligation since these are not distinct within the context of the contract as the



customer cannot benefit from the contracted capacity without the corresponding energy and the customer cannot obtain energy without contracting a capacity. Revenue from sale of electricity through PPAs with NPC are accounted for under PFRS 15 upon adoption of PFRS 16 on January 1, 2019.

Retail electricity supply also qualifies as a series of distinct goods or 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.

b) Revenue Recognition

The Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Company determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Company concluded that revenue from sale of electricity from contracts with customers are to be recognized over time, since customers simultaneously receive and consume the benefits as the Company supplies power.

c) 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 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.

The Company determined that the output method is the best method in measuring progress as actual electricity is supplied to customers. The Company recognizes revenue based on contracted and actual kilowatt hours (kwh) dispatched which are billed on a monthly basis.

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.



Evaluation of Business Model in Managing Financial Instruments

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at financial 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. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Measurement of Expected Credit Losses

ECLs are derived from unbiased and probability-weighted estimates of expected loss. Financial assets that are not credit-impaired at the balance sheet date are measured 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.

The Company leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), 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.

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

The information about the ECLs on the Company's trade and other receivables is disclosed in Note 7.



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 probability of default (PD), loss given default (LGD) and exposure at default (EAD), defined as follows:

- *PD*
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-month 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.
- *LGD*
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 EAD.
- *EAD*
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.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the balance sheet date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by counterparty.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies.



The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

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.

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, gross domestic product (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.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past (5) 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.

Estimating Net Realizable Value of Parts and Supplies Inventories

The Company measures its parts and supplies inventories at net realizable value when such value is lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The carrying amounts of parts and supplies inventories as of December 31, 2020 and 2019 amounted to ₱5,961.2 million and ₱4,300.4 million, respectively (see Note 10). Provision for (reversal of) impairment of parts and supplies inventories amounted to ₱80.0 million, (₱63.4 million) and ₱96.6 million in 2020, 2019 and 2018, respectively (see Notes 10 and 23).



Estimating Useful Lives of Property, Plant and Equipment (excluding Land and Construction in Progress), Water Rights and Other Intangible Assets

The Company estimates the useful lives of property, plant and equipment (excluding land and construction in progress), water rights and other intangible assets based on the period over which each asset is expected to be available for use and on the collective assessment of industry practices, internal evaluation and experience with similar arrangements.

The estimated useful life is revisited at the end of each financial reporting period and updated if expectations differ materially from previous estimates.

No impairment loss on property, plant and equipment was recognized in 2020, 2019 and 2018. The carrying amount of the property, plant and equipment (excluding land and construction in progress) amounted to ₱80,917.3 million and ₱83,820.0 million as of December 31, 2020 and 2019, respectively (see Note 12). The carrying amount of water rights and other intangible assets amounted to ₱1,296.1 million and ₱1,391.8 million as of December 31, 2020 and 2019, respectively (see Note 13).

Impairment of Non-financial Assets other than Goodwill

The Company assesses whether there are any indicators of impairment for all non-financial assets other than goodwill at each balance sheet date. These non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use (VIU) approach. Recoverable amount is estimated for an individual asset or, if it is not possible, for the cash-generating unit (CGU) to which the asset belongs.

In the case of prepaid taxes, where the collection of tax claims is uncertain, the Company provides allowance for impairment of prepaid taxes based on the assessment of management and the Company's legal counsel.

The Company recorded a provision for impairment of prepaid taxes amounting to ₱250.1 million, ₱228.4 million and ₱237.0 million in 2020, 2019 and 2018, respectively (see Notes 15 and 23). The carrying amount of prepaid taxes amounted to ₱3,700.0 million and ₱3,304.3 million as of December 31, 2020 and 2019, respectively (see Note 15).

Loss on direct write-off of input VAT claims amounting to ₱36.3 million, ₱66.3 million and ₱100.9 million in 2020, 2019 and 2018, respectively, are included in "Miscellaneous income" in the consolidated statements of income (see Notes 15 and 27).

For property, plant and equipment and intangible assets, when VIU calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and discounts such cash flows using a pre-tax discount rate that reflects current market assessments of the time value of



money and the risks specific to the asset to calculate the present value as of the financial reporting date.

Management also makes an assessment whether previously recognized impairment loss should be reversed. Reversal of an impairment loss is recognized when there is an increase in the estimated service potential of an asset, either from use or from sale, since the date when the Company last recognized an impairment loss for that asset.

After performing its impairment assessment to reflect management's estimates of the possible impacts of COVID-19 on these key assumptions, the Company has concluded that there are no indicators that the property, plant and equipment, water rights, and intangible assets are impaired as of December 31, 2020 and 2019. The carrying amount of property, plant and equipment as of December 31, 2020 and 2019 amounted to ₱91,022.4 million and ₱90,559.3 million, respectively (see Note 12). The carrying amount of water rights as of December 31, 2020 and 2019 amounted to ₱1,046.1 million and ₱1,142.3 million, respectively (see Note 13). The carrying amount of other intangible assets as of December 31, 2020 and 2019 amounted to ₱250.0 million and ₱249.6 million, respectively (see Note 13).

Recoverability of Goodwill

As of December 31, 2020 and 2019, the Company's goodwill is allocated to the following CGUs:

Entity	CGU	2020	2019
GCGI	Palinpinon power plant complex	₱2,107.5 million	₱2,107.5 million
GCGI	Tongonan power plant complex	134.2 million	134.2 million
FG Hydro	Pantabangan-Masiway hydroelectric plants	293.3 million	293.3 million
EDC HKL*	Hot Rock entities	68.3 million	127.7 million
		₱2,603.3 million	₱2,662.7 million

*Changes in the carrying amount is due to the foreign exchange adjustment.

Goodwill is tested for recoverability annually as at September 30 for GCGI and December 31 for FG Hydro and Hot Rock or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

This requires an estimation of the VIU of the CGUs to which goodwill is allocated. Estimating VIU requires the Company to estimate the expected future cash flows from the CGUs and discounts such cash flows using weighted average cost of capital to calculate the present value of those future cash flows.

The recoverable amounts have been determined based on VIU calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections in 2020 ranges from 8.86% to 8.88%; while in 2019, the pre-tax discount rate applied ranges from 9.38% to 9.60%. The cash flows beyond the remaining term of the existing agreements are extrapolated using the growth rate of 4.6% and 3.2% in 2020 and 2019, respectively.

Following are the key assumptions used:

- *Budgeted Gross Margin*

Budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year, increased for expected efficiency improvements.



- *Discount Rate*

Discount rate reflects the current market assessment of the risk specific to each CGU. The discount rate is based on the average percentage of EDC's weighted average cost of capital. This rate is further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.

- *Growth Rate*

Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at the terminal value of each CGU.

In 2020, the Company recognized impairment loss on goodwill arising from the Company's acquisition of Hot Rock entities amounting to US\$1.1 million (P54.2 million). No impairment loss on goodwill was recognized in 2019 and 2018 (see Notes 13 and 27).

Recoverability of Exploration and Evaluation Assets

Exploration and evaluation costs are recognized as assets in accordance with PFRS 6, *Exploration for and Evaluation of Mineral Resources*. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific geothermal reserve.

The application of the Company's accounting policy for exploration and evaluation assets requires judgment and estimates in determining whether it is likely that the future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after the exploration and evaluation assets are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statements of income in the period when the new information becomes available.

The Company reviews the carrying values of its exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. The factors that the Company considers important which could trigger an impairment review of exploration and evaluation assets include the following:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of geothermal reserve in the specific area is neither budgeted nor planned;
- exploration for and evaluation of geothermal reserve in the specific area have not led to the discovery of commercially viable geothermal reserve and the Company decided to discontinue such activities in the specific area; 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.

The Company determines impairment of projects based on the technical assessment of its resident scientists in various disciplines or based on management's decision not to pursue any further commercial development of its exploration projects.



In 2019, the Company recognized allowance for impairment of exploration and evaluation costs incurred for Balingasag amounting to ₱2.5 million (see Notes 14, 27 and 33). No similar loss was recognized in 2018.

Following the DOE's approval of the surrender of the energy service contracts for Ampiro, Lakewood and Balingasag, the exploration and evaluation costs incurred for these projects totaling to ₱9.0 million and the related allowance for impairment losses were written off in 2020. As of December 31, 2020 and 2019, the carrying amount of exploration and evaluation assets amounted to ₱1,955.9 million and ₱3,117.4 million, respectively (see Notes 14, 27 and 33).

Retirement and Other Post-employment Benefits

The cost of defined benefits retirement plan and other post-employment medical and life insurance benefits are determined using the projected unit credit method of actuarial valuations. An actuarial valuation involves making assumptions about discount rates, future salary increases, medical trend rate, mortality and disability rates and employee turnover rates. 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.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at financial reporting date. 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 in the Philippines.

As of December 31, 2020 and 2019, the net retirement and other post-employment benefits liability amounted to ₱2,024.2 million and ₱1,552.8 million, respectively (see Note 28). The detailed information with respect to the Company's net retirement and other post-employment benefits is presented in Note 28 to the consolidated financial statements.

Provision for Rehabilitation and Restoration Costs

In 2009, with the conversion of its Geothermal Service Contracts (GSCs) to GRESCs, the Company has made a judgment that the GRESCs are subject to the provision for restoration costs. Similarly, under the WESC, the Company has made a judgment that it is responsible for the removal and the disposal of all materials, equipment and facilities installed in the contract area used for the wind energy project. In determining the amount of provisions for rehabilitation and restoration costs, assumptions and estimates are required in relation to the expected cost to rehabilitate and restore sites and infrastructure when such obligation exists.

As of December 31, 2020 and 2019, the Company adjusted its provision for rehabilitation and restoration costs to ₱1,584.8 million and ₱1,256.4 million, respectively, presented under "Provisions and other long-term liabilities" account in the consolidated statements of financial position (see Note 18). The revisions in estimate were mainly attributable to changes in discount rates.

Provision for Liabilities on Regulatory Assessments and Other Contingencies

The Company has pending assessments from various regulatory agencies and outstanding legal cases. The Company's estimate of the probable costs for the resolution of these assessments and legal cases has been developed in consultation with in-house and external legal counsels handling the defense of these cases, and is based upon the thorough analysis of the potential outcomes. Management, in consultation with its in-house and external legal counsels, believe that the Company's positions on these assessments are consistent with the relevant laws, and these assessments would not have a material adverse effect on the Company's consolidated financial position and results of operations.



It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. As of December 31, 2020 and 2019, provisions for these liabilities amounting to ₱583.4 million and ₱575.6 million, respectively, are recorded and recognized as part of “Others” under “Provisions and other long-term liabilities” (see Note 18). Interest on liability from litigation amounted to ₱7.8 million in 2020, 2019 and 2018 (see Note 25).

Estimation of Liability from Shortfall Generation

The Parent Company’s Unified Leyte PPA with NPC requires the annual nomination of capacity that EDC shall deliver to NPC. On a monthly basis, EDC bills a uniform capacity to NPC based on the nominated energy. At the end of the contract year, EDC’s fulfillment of the nominated capacity and the parties’ responsibilities for any shortfall shall be determined. On the other hand, the PPAs for Mindanao I and II provide a minimum offtake energy, which the Parent Company shall meet each contract year. The contract year for the Unified Leyte PPA is for fiscal period ending July 25 while the contract year for the Mindanao I and Mindanao II PPAs is for fiscal period ending December 25 (see Note 21). Assessment is made at every reporting date whether the nominated capacity or minimum offtake energy would be met based on management’s projection of electricity generation covering the entire contract year. If the occurrence of shortfall generation is determined to be probable, the amount of estimated reimbursement to NPC is accounted for as a reduction to revenue for the period and a corresponding liability to NPC is recognized. As of December 31, 2020 and 2019, the Company’s estimated liability arising from such shortfall generation amounted to ₱1,332.1 million and ₱1,679.1 million, respectively, shown under “Trade and other payables” account specifically under “Other payables” (see Note 16).

Moreover, the amount of estimations relating to the shortfall generation under the PPAs may be subsequently adjusted or reported depending on the subsequent reconciliation by the Technical or Steering Committee established in accordance with the PPAs, in view of the parties’ responsibilities in connection with the consequences of typhoons and similar events. As of March 3, 2021, the reconciliation with NPC for the contract years 2013-2014, 2016-2017, 2017-2018 and 2019-2020 for Unified Leyte PPA, and contract years 2019 and 2020 for Mindanao I and II PPAs, is still ongoing.

Recognition of Deferred Income Tax Assets

Deferred income tax assets are recognized to the extent that it is probable that sufficient future taxable profits will be available against which the assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. This includes the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognized deferred tax assets amounted to ₱2,026.8 million and ₱2,128.8 million as of December 31, 2020 and 2019, respectively (see Note 29). The Company’s deductible temporary differences pertaining to carryforward benefits of unused NOLCO and fair value adjustments related to EBWPC’s hedging activities as of December 31, 2020 and 2019 and the fair value loss related to the investment in BGI’s preferred shares for which no deferred income tax asset was recognized are disclosed in Note 29.



4. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2020, 2019 and 2018.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investees 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.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Company's voting rights and potential voting rights.

The Company re-assesses 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 acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Company and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. 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, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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, which is 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 of the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in "General and Administrative Expenses" in the consolidated statement of income.



The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Company acquires a business, it assesses the financial assets and financial 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.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with changes in fair value recognized either in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests 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 reassesses 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 profit or loss.

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 CGUs 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.

Joint Venture

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 the unanimous consent of the parties sharing control.

The considerations made in determining joint control is similar to those necessary to determine control over subsidiaries. The Company's investment in joint venture is accounted for using the equity method (see Note 3).



Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of income reflects the Company's share of the results of operations of the 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 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 joint venture is eliminated to the extent of the interest in the joint venture.

The aggregate of the Company's share of profit or loss of a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture is 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 on joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the 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 joint venture and its carrying value, and then recognizes the loss within profit or loss.

Upon loss of 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 joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Current versus Noncurrent Classification

The Company presents assets and liabilities in statement of financial position based on current/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 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 months after the reporting period.

All other assets are classified as noncurrent.



A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
- The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Foreign Currencies

The Company's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. Each entity within the Company determines its own functional currency and measures items included in their financial statements using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's entities in the respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange prevailing at financial reporting date. All differences are taken to the profit or loss as part of "Foreign exchange gains (losses)" account.

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 date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.



The functional currency of the Company's subsidiaries is Philippine Peso, except for the following subsidiaries:

Subsidiary	Functional Currency
EDC Burgos Wind Power Corporation	US dollar
EDC EHIL	- do -
EDC HKL	- do -
EDC HKIIL	- do -
EDC Soluciones Sostenibles Ltd	- do -
EDC Desarrollo Sostenible Ltd	- do -
EDC Chile Holdings SPA	Chilean peso
EDC Geotermica Chile	- do -
EDC Chile Limitada	- do -
EDC Energia Verde Chile SpA	- do -
EDC Energia de la Tierra SpA	- do -
EDC Peru Holdings S.A.C.	Peruvian nuevo sol
EDC Geotermica Peru S.A.C.	- do -
EDC Peru S.A.C.	- do -
EDC Geotermica Del Sur S.A.C.	- do -
EDC Energía Azul S.A.C.	- do -
Geotermica Crucero Peru S.A.C.	- do -
EDC Energía Perú S.A.C.	- do -
Geotermica Tutupaca Norte Peru S.A.C.	- do -
EDC Energía Geotérmica S.A.C.	- do -
EDC Progreso Geotérmico Perú S.A.C.	- do -
Geotermica Loriscota Peru S.A.C.	- do -
EDC Energía Renovable Perú S.A.C.	- do -
EDC Energia Verde Peru SAC	- do -
PT EDC Indonesia	Indonesian rupiah
PT EDC Panas Bumi Indonesia	- do -

Translation

On consolidation, for subsidiaries whose functional currency is different from the presentation currency, the Company translates the results of their operations and financial position into the presentation currency. As at the financial reporting date, the assets and liabilities presented (including comparatives) are translated into the presentation currency at the closing rate of exchange prevailing at the financial reporting date while the capital stock and other equity balances are translated at historical rates of exchange. The income and expenses for the profit or loss presented (including comparatives) are translated at the exchange rates at the dates of the transactions, where determinable, or at the weighted average rate of exchange during the reporting period. The exchange differences arising on the translation to the presentation currency are recognized as a separate component of equity under the "Cumulative translation adjustments" account in the consolidated statement of financial position.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition date are treated as assets and liabilities of the foreign operation and translated at the closing rate of exchange of financial reporting date.



Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and in banks, and short-term deposits with original maturities of three (3) months or less from dates of acquisition and that are subject to insignificant risk of changes in value. Money market securities with maturity of more than three (3) months but less than 12 months are presented as “Short-term investments” under “Other Current Assets”.

Parts and Supplies Inventories

Parts and supplies inventories are valued at the lower of cost and net realizable value. Cost includes the invoice amount, net of trade and cash discounts. Cost is calculated using the moving average method. Net realizable value represents the current replacement cost.

Prepaid Expenses

Prepayments are expenses paid in advance and recorded as asset before these are utilized. This account comprises prepaid expenses, creditable withholding taxes, tax credit certificates and advances to contractors. The prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in the profit or loss when incurred; creditable withholding taxes are deducted from income tax payable on the same year the revenue was recognized; and the advances to contractors are reclassified to the proper asset or expense account and deducted from the contractor’s billings as specified on the provision of the contract. Prepayments that are expected to be realized for a period of no more than 12 months after the financial reporting period are classified as other current assets; otherwise, these are classified as other noncurrent assets.

Property, Plant and Equipment

Property, plant and equipment, except land, is stated at cost less accumulated depreciation, amortization and impairment in value, if any. The initial cost of property, plant and equipment consist of the purchase price including import duties, borrowing costs (during construction period) and other costs directly attributable to bringing the assets to its working condition and location for its intended use. Cost also includes the cost of replacing part of the property, plant and equipment, and the borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives, depreciation and amortization. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized in the profit or loss as incurred. Property, plant and equipment also include the estimated rehabilitation and restoration costs of the Company’s steam fields and power plants contract areas for which the Company is legally and constructively liable. These costs are included under “Fluid Collection and Recycling System (FCRS) and Production Wells” and “Power Plants” (see Notes 12 and 18).

Land is carried at cost less accumulated impairment losses, if any.

The income generated wholly and necessarily as a result of the process of bringing the asset into the location and condition for its intended use (i.e., net proceeds from selling any items produced while testing whether the asset is functioning properly) is credited to the cost of asset up to the extent of cost of testing capitalized during the testing period. Any excess of net proceeds over costs is recognized in profit or loss and not cost of the property, plant and equipment. When the incidental operations are not necessary to bring an item to the location and condition necessary for it to be capable of operating in the manner intended by management, the income and related expenses of incidental operations are not offset against the cost of the property, plant and equipment but are recognized in profit or loss and included in their respective classifications of income and expense.



Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Power plants	15-30
Fluid Collection and Recycling System (FCRS) and production wells	10-25
Buildings, improvements and other structures	5-35
Exploration, machinery and equipment	2-25
Transportation equipment	5-10
Furniture, fixtures and equipment	3-10
Laboratory equipment	5-10

Depreciation and amortization of an item of property, plant and equipment begin 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 and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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 profit or loss in the year the asset is derecognized.

The useful lives of property, plant and equipment are reviewed at each financial year-end and adjusted, prospectively, if appropriate.

Construction in progress represents structures under construction and is stated at cost, net of accumulated impairment losses, if any. This includes costs of construction and other direct costs. Costs also include interest on borrowed funds and amortization of deferred financing costs on these borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the assets are put into operational use.

Liquidated damages received arising from breach of contract are deducted from the cost of the asset unless these can be directly linked to the amount of lost revenue. Liquidated damages are recognized only when receipt is virtually certain.

Effective January 1, 2019, it is the Company's policy to classify right-of-use (ROU) assets as part of property, plant and equipment. Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the



condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term of 1.3 to 8.2 years. ROU assets are subject to impairment (refer to Impairment of Non-Financial Assets policy).

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment loss, if any. Internally-generated intangible assets, if any, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Water Rights

The cost of water rights of FG Hydro is measured on initial recognition at cost.

Following initial recognition of the water rights, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses, if any. Water rights are amortized using the straight-line method over 25 years, which is the term of the agreement with the National Irrigation Administration (NIA).

Computer Software and Licenses

The costs of acquisition of computer software and licenses are capitalized as intangible asset if such costs are not integral part of the related hardware.



These intangible assets are initially measured at cost. Subsequently, these are measured at cost less accumulated amortization and allowance for impairment losses, if any. Amortization of computer software is computed using the straight-line method over its estimated useful life of five (5) years.

Exploration and Evaluation Assets

The Company follows the full cost method of accounting for its exploration costs determined on the basis of each service contract area. Under this method, all exploration costs relating to each service contract are accumulated and deferred under the “Exploration and evaluation assets” account in the consolidated statement of financial position pending the determination of whether the wells have proved reserves. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in profit or loss when incurred. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalized as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. Capitalized exploration and evaluation expenditures are considered to be intangible assets until the commencement of drilling of exploratory wells.

If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when management decides to use the unproductive wells, for recycling or waste disposal.

Once the technical feasibility and commercial viability of the project to produce proved reserves are established, the exploration and evaluation assets are reclassified to property, plant and equipment.

Exploration and evaluation assets also include the estimated rehabilitation and restoration costs of the Company that are incurred as a consequence of having undertaken the exploration for and evaluation of geothermal resources.

Impairment of Non-financial Assets

For non-financial assets such as property, plant and equipment, intangible assets, exploration and evaluation assets, and prepaid taxes for refund/tax credits, the Company assesses at each financial reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the Company estimates the asset’s recoverable amount.

The recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its VIU and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining VIU, 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in profit or loss in the expense categories consistent with the function of the impaired asset.



For non-financial assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot 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 profit or loss.

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. When the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized immediately in profit or loss. Impairment loss relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Financial Instruments

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 and Measurement

Financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation of each financial reporting date.

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI; FVOCI) and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15 (refer to Revenue Recognition policy).

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.



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.

Subsequent Measurement

Purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial Assets at Amortized Cost (Debt Instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, DSRA, short-term investments and long-term receivables.

Financial Assets at FVOCI (Debt Instruments)

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's debt instruments at FVOCI includes in government securities, government bonds and notes, and corporate bonds.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its quoted equity investments under this category.

Financial Assets at FVPL

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes derivative instruments, financial asset at FVPL and unquoted equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the consolidated statement of income when the right of payment has been established.



A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. 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 the FVPL category.

Derecognition

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 its 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.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Debt instruments at FVOCI Note 9
- Trade and other receivables Note 7

The Company recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).



For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes 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 cash and cash equivalents, the Company 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 Company's policy to measure ECLs on such instruments on a 12-month basis based on available probabilities of defaults and loss given defaults. The Company 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 Company determines the ratings by reference to a comparable bank.

For debt instruments at FVOCI, the Company also applies the low credit risk simplification. The Company's debt instruments at FVOCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by credit rating agencies such as Moody's Corporation (Moody's) and/or Standard & Poor's Financial Services LLC (S&P), and, therefore, are considered to be low credit risk investments.

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'.

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-offs

A financial asset together with the associated allowance is written off either partially or in their entirety when there is no realistic prospect of future recovery.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

The Company's financial liabilities which include trade and other payables, due to related parties, lease liability and long-term debts are classified as loans and borrowings.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as 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 PFRS 9. 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 PFRS 9 are satisfied. The Company has not designated any financial liability as at FVPL.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss 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 as finance costs in the consolidated statement of income.



This category is applied for those issued financial liabilities or their components where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares, which are not designated as financial liabilities at FVPL.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair Value of Financial Instruments

The Company measures financial instruments, such as derivatives, financial assets at FVPL, financial assets at FVOCI and AFS investments, at fair value at each reporting date.

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 to 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.

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 as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable



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 re-assessing 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.

“Day 1” Differences

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 profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss 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.

Derivative Financial Instruments and Hedge Accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments such as cross-currency swaps, interest rate swaps and forwards to manage its interest rate and foreign currency risk exposures in its US dollar-denominated loans. Accrual of interest on the received and pay legs of the interest rate swaps are recorded as adjustments to the interest expense on the related foreign currency-denominated loans. Accrual of interest on the pay legs of the various currency swaps are recognized in the consolidated statements of income as “Interest expense”.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purpose of hedge accounting, derivatives can be designated as cash flow hedges or fair value hedges, depending on the type of risk exposure.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company 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 Company 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 Company actually hedges and the quantity of the hedging instrument that the Company 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 profit or loss 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 profit or loss.

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.

In 2014, EBWPC designated its interest rate swaps as cash flow hedges for its exposure on interest rate risks on portions of its floating rate US\$150 million ECA and US\$37.5 million Commercial Debt Facilities that is benchmarked against US LIBOR (see Notes 17 and 31). In 2018 and 2017, the Parent Company designated its call spread swaps as cash flow hedges for its exposures on its \$80.0 million term loan that is benchmarked against US LIBOR.

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.



Embedded Derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the hybrid or combined contract if all the following conditions are met:

- (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid instrument is not recognized at FVPL.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

Retirement and Other Post-employment Benefits

The Company maintains funded, non-contributory defined benefits retirement plans. The Company also provides post-employment medical and life insurance benefits which are unfunded.

The Company recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to



retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods, but are closed directly to retained earnings at the end of every reporting period.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of an entity's decision to terminate an employee's employment before the normal retirement date for authorized causes under the Labor Code.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Provisions

Provision for Rehabilitation and Restoration Costs

Provision for rehabilitation and restoration costs arose from the Company's obligation under the GRESCs and WESC to restore the existing sites of the Company upon termination of the cooperation period. The nature of these activities includes plugging of drilled wells and restoration of pads and road networks. When the liability is initially recognized, the present value of the estimated costs is capitalized as part of the carrying amount of the related "FCRS and production wells" and "Power Plants" under property, plant and equipment, and exploration and evaluation assets. Provision for rehabilitation and restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows.

The amount of provision for rehabilitation and restoration costs in the consolidated statement of financial position is increased by the accretion expense recognized in profit or loss using the effective interest method. The periodic unwinding of the discount is recognized in the consolidated statement of income as "Interest expense".

For closed sites or areas, changes to estimated costs are recognized immediately in profit or loss. Decrease in rehabilitation and restoration costs that exceeds the carrying amount of the corresponding rehabilitation asset is recognized immediately in profit or loss.



The estimated future costs of rehabilitation and restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the related asset.

Other Provisions

Provisions are recognized when (i) the Company has a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. Where 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 any provision is presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where 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 "Interest expense" in the consolidated statement of income.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Capital Stock

Capital stock is measured at par value for all shares issued. When the Parent Company issues more than one (1) class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" (APIC) account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to the APIC account. If APIC is not sufficient, the excess is charged against the "Equity reserve" account.

Treasury Stock

The Parent Company's own equity instruments that are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent 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 stock.

Common Shares in Employee Trust Account

Common shares in the employee trust account, which consist of common shares irrevocably assigned to the Banco de Oro Trust and Investment Group (BDO Trust) account, are recognized at the amount at which such common shares were reacquired by the Parent Company for the purpose of its executive/employee stock grant or such similar plans, and proportionately reduced upon vesting of



the benefit to the executive/employee grantee of the related number of common shares. This account is shown as a separate line item in the equity section of the consolidated statement of financial position.

Retained Earnings

The amount included in retained earnings includes profit or loss attributable to EDC Group's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are declared by the Parent Company's BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. The remeasurement gains and losses on retirement benefits are also included in the amount of retained earnings.

Retained earnings may also include the effect of changes in accounting policies as may be required by the standards' transitional provisions.

Portions of the retained earnings are restricted from being declared as dividend such as (1) amount pertaining to the treasury stocks; and (2) remeasurement gains on retirement benefits.

Dividend on Preferred and Common Stocks

EDC Group may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the Philippine SEC. EDC Group may declare dividends only out of its unrestricted retained earnings.

Cash and property dividends on preferred and common shares are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to APIC.

Leases

Accounting policy applicable before 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. 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.

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 of the leased item 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 in finance costs in profit or loss.

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 and the lease term.

Operating lease payments are recognized as expense in profit or loss 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.

Accounting policy applicable after adoption of PFRS 16

The Company assesses at contract inception all arrangements to determine whether it is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-Use Assets

Refer to Property, Plant and Equipment policy.

ii) Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term Leases and Leases of Low-value Assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Company as a Lessor

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. The Company will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. 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.

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

The Company has contracts with customers in the form of PSAs, ASPAs, RSCs, sale of electricity to spot market and sale of electricity covered by the feed-in-tariff scheme. Beginning January 1, 2019, upon adoption of PFRS 16, EDC's PPAs with NPC, which were previously considered as operating leases based on the requirements of PAS 17 and Philippine Interpretation IFRIC-4, are now presented as part of "Revenue from contracts with customer" accounted under 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. Revenues from sale of electricity using hydroelectric and geothermal power are based on sales price and are composed of generation fees from spot market sales to the WESM, PSAs with various customers such as distribution utilities, electric cooperatives and industrial customers, and PPAs with NPC (upon adoption of PFRS 16). Revenue from sale of electricity using wind and solar power is based on the applicable FIT rate as approved by the Energy Regulatory Commission (ERC). Revenue from sale of electricity is recognized monthly based on the actual energy delivered.

Meanwhile, revenue from sale of electricity through ancillary services to the NGCP is recognized monthly based on the capacity scheduled and/or dispatched and provided. For RSCs, revenue from sale of electricity 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 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.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Revenue from Sale of Electricity Under Contracts Outside the Scope of PFRS 15 (Applicable after adoption of PFRS 15)

Revenue from sale of electricity under contracts outside the scope of PFRS 15 is based on the PPAs of EDC with NPC. These contracts qualify as leases on the basis that EDC sell all of its output to NPC.



Beginning January 1, 2019, upon adoption of PFRS 16, EDC's PPAs with NPC which were previously considered as operating leases based on the requirements of PAS 17 and Philippine Interpretation IFRIC-4, are now presented as part of "Revenue from contracts with customer" accounted under PFRS 15.

These agreements call for a take-and/or-pay arrangement where payment is made principally on the basis of the availability of the power plant and is recognized monthly based on energy made available. These arrangements are determined to be operating leases where a significant portion of the risks and benefits of ownership of the assets are retained by EDC (see Note 3).

Dividend Income

Revenue is recognized when the Company's right to receive the payment is established.

Interest Income

Interest income is recognized as interest accrues, using the EIR method.

Costs of Sale of Electricity

These include expenses incurred by the departments directly responsible for the generation of revenues from electricity (i.e., Plant Operations, Production, Maintenance, Transmission and Dispatch, Wells Drilling and Maintenance Department) at operating project locations. Costs of sales of electricity are expensed when incurred.

General and Administrative Expenses

General and administrative expenses constitute cost of administering the business and normally include the expenses incurred by the departments in the Head Office (i.e., Management and Services, and Project Location's Administrative Services Department). General and administrative expenses are expensed when incurred.

Income from Insurance Claims

Income from insurance claims are recognized in other income and are recognized only when receipt is virtually certain.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of the assets, until such time that the assets are substantially ready for their intended use or sale, which necessarily take a substantial period of time. Income earned on temporary investment of specific borrowings, pending the expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance the project to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxes

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the financial reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of 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.

Deferred Tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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 profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where 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 tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses [i.e., net operating loss carry-over (NOLCO)], to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred 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 profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 as at the financial reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common shareholders of the Parent Company with the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted EPS is computed in the same manner, with the net income for the year attributable to common shareholders of the Parent Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

As of December 31, 2020, 2019 and 2018, the Company does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

Operating Segments

The Company's operating businesses are organized and managed separately according to the geographical segments. The Company's identified operating segments are consistent with the segments reported to the BOD which is the Company's Chief Operating Decision Maker (CODM). Financial information on the operating segment is presented in Note 5 to the consolidated financial statements.

Events After the Financial Reporting Date

Events after the financial reporting date that provide additional information about the Company's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the financial reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements.

Future Changes in Accounting Policies

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 to have a significant impact on its consolidated financial statements. The Company 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 Company 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 Company is not required to restate prior periods.

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.

- 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 will be applied retrospectively to the Company's items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the Company will first apply the amendment.

- 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 Company 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.

- *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 Company.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 percent' 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 Company 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 entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

- 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 any impact on the Company's consolidated financial statements.



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 Company 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.

5. Operating Segment Information

The Company's operating segments are determined based on geographical segment, with each segment representing a strategic business location that has similar economic and political conditions, proximity of operations and specific risks associated with operations in a particular area.

The Company's identified reportable segments below are consistent with the segments reported to the BOD, which is the CODM of the Company.

- a. Leyte Geothermal Facilities - This segment pertains to Leyte Geothermal Production Field and Power Plants. This includes projects in Tongonan, Mahanagdong, Upper Mahiao, Malitbog, ULGEI and other projects in Leyte Province.
- b. Negros Island Geothermal Facility - This segment refers to Southern Negros Geothermal Production Field and Power Plants. Power plants included in Negros are Palinpinon I, Palinpinon II and Nasulo.
- c. Bacon-Manito Geothermal Facility - This segment relates to Bacon-Manito Geothermal Production Field and Power Plants.
- d. Mt. Apo Geothermal Business Facility - This segment refers to Mt. Apo Geothermal Production Field and Power Plants.
- e. Pantabangan/Masiway - This segment relates to Pantabangan-Masiway hydroelectric complex located in Nueva Ecija Province.
- f. Wind Business Facility - This segment pertains to wind project commercially operating in Northern Luzon.
- g. Solar Business Facility - This segment pertains to solar projects commercially operating in Northern Luzon and Visayas.
- h. Others - This refers to other renewable energy projects including foreign investments and Head Office of the Company.

Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Finance costs, finance income, income taxes and other charges and income are managed on a group basis.

Segment performance is evaluated based on net income for the year and earnings before interest, taxes, and depreciation and amortization (EBITDA). Net income for the year is measured consistent with net income reported in the consolidated financial statements. EBITDA is calculated as revenue from sale of electricity minus costs of sales of electricity and general and administrative expenses, excluding non-cash items such as depreciation and amortization, impairment loss on property, plant and equipment, and loss on disposal of property, plant and equipment, among others.



In 2020, 2019 and 2018, two (2) customers accounted for 35.0% and 11.8%; 33.1% and 20.9%; and 36.0% and 9.8%, respectively, of the total revenue from sale of electricity.

Substantially all of the segment revenues of Leyte, Negros Island, Bacon-Manito and Mt. Apo are derived from the sale of electricity to these customers.

Financial information on the operating segments are summarized as follows:

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Wind	Solar	Others	Total
Year ended December 31, 2020									
Segment revenue	P19,704,228,958	P12,570,869,356	P7,212,218,221	P2,399,353,126	P2,068,365,944	P4,295,301,140	P158,447,369	P-	P48,408,784,114
Intersegment revenue	(4,048,590,989)	(3,861,187,635)	(2,882,225,828)	-	-	-	-	-	(10,792,004,452)
Total segment revenue	15,655,637,969	8,709,681,721	4,329,992,393	2,399,353,126	2,068,365,944	4,295,301,140	158,447,369	-	37,616,779,662
Segment expenses	(11,436,848,788)	(4,042,565,425)	(3,546,454,128)	(2,025,583,145)	(1,629,900,545)	(1,530,745,527)	(67,237,538)	-	(24,279,335,096)
Unallocated expenses	-	-	-	-	-	-	-	1,439,665,833	1,439,665,833
Interest income	126,000,430	50,019,613	38,398,079	20,463,957	3,058,386	8,029,565	223,752	94,353	246,288,135
Interest expense	(1,403,264,493)	(532,287,469)	(393,399,476)	(254,251,357)	(1,736,722)	(667,394,819)	(14,470,364)	(355,941,989)	(3,622,746,689)
Other income	-	-	-	-	-	-	-	-	-
(charges) - net	2,066,608,399	111,532,931	147,227,355	25,694,751	(288,222,717)	(134,915,212)	76,181	(31,029,632)	1,896,972,056
Benefit from (provision for) income tax	(651,276,566)	(469,952,578)	(163,860,784)	3,773,587	(38,811,971)	41,284,736	(2,647,824)	(479,141,983)	(1,760,633,383)
Segment result	P4,356,856,951	P3,826,428,793	P411,903,439	P169,450,919	P112,752,375	P2,011,559,883	P74,391,576	P573,646,582	P11,536,990,518
EBITDA	P8,280,131,017	P5,914,798,241	P1,740,846,533	P1,247,766,830	P889,335,721	P3,634,887,560	P135,381,741	P-	P21,843,147,643
Unallocated Expenses	-	-	-	-	-	-	-	-	(185,545,972)
									P21,657,601,671

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Wind	Solar	Others	Total
Year ended December 31, 2019									
Segment revenue	P21,688,884,689	P14,495,867,682	P8,942,084,903	P2,496,425,619	P2,391,251,080	P2,908,214,450	P126,138,282	P-	P53,048,866,705
Intersegment revenue	(4,466,722,637)	(3,779,147,525)	(2,934,578,997)	-	-	-	-	-	(11,180,449,159)
Total segment revenue	17,222,162,052	10,716,720,157	6,007,505,906	2,496,425,619	2,391,251,080	2,908,214,450	126,138,282	-	41,868,417,546
Segment expenses	(12,212,533,314)	(5,734,426,243)	(4,515,153,178)	(2,139,034,091)	(1,245,121,800)	(1,542,245,410)	(70,650,035)	-	(27,459,164,071)
Unallocated expenses	-	-	-	-	-	-	-	488,429,395	488,429,395
Interest income	317,033,142	84,276,486	59,483,590	55,639,715	21,812,398	25,436,320	667,191	34,213	564,383,055
Interest expense	(1,545,624,326)	(557,071,194)	(439,327,156)	(266,141,471)	(1,303,385)	(745,787,486)	(15,771,030)	(316,886,257)	(3,887,912,305)
Other income	-	-	-	-	-	-	-	-	-
(charges) - net	2,013,027,627	44,888,040	350,880,364	24,670,523	3,392,106	(137,958,062)	170,591	(417,823,311)	1,881,247,878
Benefit from (provision for) income tax	(505,793,992)	(410,574,729)	(26,591,750)	35,147,462	(112,581,904)	184,382,102	(3,960,094)	(262,657,126)	(1,102,630,031)
Segment result	P5,288,271,189	P4,143,812,517	P1,436,797,776	P206,707,757	P1,057,448,495	P692,041,914	P36,594,905	(P508,903,086)	P12,352,771,467
EBITDA	P8,678,968,536	P6,069,457,743	P2,670,012,334	P1,044,461,779	P1,594,815,556	P2,184,088,328	P98,357,469	P-	P22,340,161,745
Unallocated Expenses	-	-	-	-	-	-	-	-	(242,594,393)
									P22,097,567,352

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Wind	Solar	Others	Total
Year ended December 31, 2018									
Segment revenue	P19,579,422,614	P12,154,853,857	P8,245,768,063	P2,801,791,101	P1,864,286,646	P3,208,827,398	P116,855,674	P7,147,452	P47,978,952,805
Intersegment revenue	(3,418,735,602)	(3,523,948,591)	(3,003,814,712)	-	(46,825,450)	-	-	-	(9,993,324,355)
Total segment revenue	16,160,687,012	8,630,905,266	5,241,953,351	2,801,791,101	1,817,461,196	3,208,827,398	116,855,674	7,147,452	37,985,628,450
Segment expenses	(12,363,614,098)	(4,565,559,790)	(3,730,047,074)	(2,035,542,701)	(1,212,285,011)	(1,512,218,940)	(60,415,499)	-	(25,479,683,113)
Unallocated expenses	-	-	-	-	-	-	-	197,502,578	197,502,578
Interest income	256,109,615	71,826,227	42,420,532	45,903,409	13,417,981	97,164,174	2,330,567	141,951	529,314,456
Interest expense	(1,525,467,886)	(653,731,843)	(480,204,079)	(258,613,250)	(27,933,628)	(806,343,460)	(16,891,930)	(326,797,171)	(4,095,983,247)
Other income	-	-	-	-	-	-	-	-	-
(charges) - net	1,877,029,613	(165,782,788)	(71,743,998)	(68,601,942)	2,272,339	157,841,541	(361,537)	(7,809,755)	1,722,843,473
Benefit from (provision for) income tax	(550,204,441)	(394,466,801)	(50,120,718)	(2,758,122)	(112,100,631)	(154,776,258)	(3,736,906)	4,089,666	(1,264,074,211)
Segment result	P3,854,539,815	P2,923,190,271	P952,258,014	P482,178,495	P480,832,246	P990,494,455	P37,780,369	(P125,725,279)	P9,595,548,386
EBITDA	P6,761,821,305	P5,188,887,845	P2,520,459,164	P1,403,595,354	P1,049,087,080	P2,548,372,127	P92,445,912	P7,147,452	P19,571,816,239
Unallocated Expenses	-	-	-	-	-	-	-	-	(299,947,257)
									P19,271,868,982



	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Wind	Solar	Elimination	Total
As of and for the year ended December 31, 2020									
Segment assets	P92,407,246,194	P29,106,644,391	P11,453,840,391	P11,680,010,334	P5,564,980,762	P17,646,322,885	P861,172,414	(P72,890,565,483)	P95,829,651,888
Unallocated corporate assets									50,489,169,566
Total assets									P146,318,821,454
Segment liabilities	P44,833,698,812	P16,635,941,638	P11,073,416,708	P6,113,967,733	P527,503,414	P11,469,620,458	P695,281,957	(P75,295,528,151)	P83,089,863,987
Unallocated corporate liabilities									67,035,961,418
Total liabilities									P150,125,825,405
Capital expenditure	P4,615,824,577	P506,528,719	P107,771,602	P166,055,826	P113,771,530	P11,129,902	P524,495	P-	P5,521,606,651
Unallocated capital expenditure									667,693,517
Total capital expenditure									P6,189,300,168
Depreciation and amortization	P2,825,826,695	P934,671,669	P785,165,473	P654,730,731	P450,870,322	P786,064,142	P42,768,992	P26,526,212	P6,506,624,236
Unallocated depreciation and amortization									40,640,511
Total depreciation and amortization									P6,547,264,747
Other non-cash items	P1,235,515,141	P313,010,276	P172,142,794	P219,266,118	P-	P84,267,804	P1,402,915	(P1,692,378,523)	P333,226,525

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Wind	Solar	Elimination	Total
As of and for the year ended December 31, 2019									
Segment assets	P81,661,671,968	P24,184,259,618	P12,070,610,955	P10,289,442,183	P5,137,297,807	P18,190,789,548	P1,163,927,665	(P60,804,235,229)	P91,893,764,515
Unallocated corporate assets									42,983,158,626
Total assets									P134,876,923,141
Segment liabilities	P33,988,666,526	P12,915,097,654	P11,567,415,376	P4,713,149,175	P213,758,740	P12,433,918,577	P767,822,228	(P62,760,117,465)	P13,839,710,811
Unallocated corporate liabilities									61,232,196,180
Total liabilities									P75,071,906,991
Capital expenditure	P4,380,639,453	P877,692,527	P77,934,824	P87,668,362	P83,634,890	P190,246,175	P2,267,588	P-	P5,700,083,819
Unallocated capital expenditure									168,350,142
Total capital expenditure									P5,868,433,961
Depreciation and amortization	P2,706,257,821	P912,283,678	P772,091,540	P630,624,653	P448,686,277	P817,197,879	P42,572,486	P26,526,213	P6,356,240,547
Unallocated depreciation and amortization									58,629,351
Total depreciation and amortization									P6,414,869,898
Other non-cash items	P963,081,978	P174,880,151	P405,568,066	P56,445,599	P-	P921,409	P296,736	(P816,179,358)	P785,014,581

The following table shows the Company's reconciliation of EBITDA to the consolidated net income for the years ended December 31, 2020, 2019 and 2018.

	2020	2019	2018
EBITDA	P21,657,601,671	P22,097,567,352	P19,271,868,982
Add (deduct):			
Depreciation and amortization (Notes 12, 13, 22 and 23)	(6,547,264,747)	(6,414,869,898)	(6,228,010,349)
Interest expense (Notes 17, 25 and 31)	(3,622,746,689)	(3,887,912,305)	(4,095,983,247)
Income from insurance claims (Notes 27 and 32)	1,830,683,777	2,263,416,199	2,306,996,910
Provision for income tax (Note 29)	(1,760,633,383)	(1,102,630,031)	(1,264,074,211)
Provisions for impairment of trade and other receivables, and prepaid taxes (Notes 7, 15 and 23)	(253,265,909)	(848,371,753)	(243,767,845)
Interest income (Notes 6, 11, 25 and 31)	246,288,135	564,383,055	529,314,456
Foreign exchange gains (losses) (Notes 26 and 31)	240,378,453	68,940,401	(518,411,862)
Reversal of (provision for) impairment of parts and supplies inventories (Notes 3, 10 and 23)	(79,960,616)	63,357,171	(96,642,873)
Impairment of goodwill	(54,165,823)	-	-
Loss on loan extinguishment (Note 17)	-	(114,648,317)	-
Miscellaneous income (Note 27)	(119,924,351)	(336,460,407)	(65,741,575)
Consolidated net income	P11,536,990,518	P12,352,771,467	P9,595,548,386

In the normal course of business, entities within the Company engage in intercompany sale and purchase of steam and electricity. Intersegment revenues are all eliminated in consolidation.



Segment information is measured in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Unallocated expenses pertain to expenses of the corporate, technical and administrative support groups, while unallocated corporate assets and liabilities, which include among others certain cash and cash equivalents, property, plant and equipment, parts and supplies inventories, trade and other payables and retirement and post-retirement benefits, pertain to the Head Office and are managed on a group basis. Capital expenditure consist of additions to property, plant and equipment.

Disaggregation of revenues

	2020	2019	2018
Revenue from:			
Sale of electricity from contracts with customers	₱37,616,779,662	₱41,868,417,546	₱24,266,213,460
Sale of electricity from contracts outside the scope of PFRS 15	—	—	13,719,414,990
	₱37,616,779,662	₱41,868,417,546	₱37,985,628,450

Set out below is the disaggregation of the Company's revenue from contracts with customers for the years ended December 31, 2020 and 2019

Type of contracts	2020	2019
Revenue from PPAs	₱13,159,941,314	₱13,847,359,302
Revenue from PSAs	12,276,607,986	12,871,186,695
Revenue from sales under FIT	4,420,169,316	2,994,981,758
Revenue from RES and other customer contracts	7,760,061,046	12,154,889,791
	₱37,616,779,662	₱41,868,417,546

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information for the years ended December 31, 2020 and 2019:

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Wind	Solar	Total
Year ended December 31, 2020								
Segment revenue	₱19,704,228,958	₱12,570,869,356	₱7,212,218,221	₱2,399,353,126	₱2,068,365,944	₱4,295,301,140	₱158,447,369	₱48,408,784,114
Intersegment revenue	(4,048,590,989)	(3,861,187,635)	(2,882,225,828)	—	—	—	—	(10,792,004,452)
Revenue from contracts with customers	₱15,655,637,969	₱8,709,681,721	₱4,329,992,393	₱2,399,353,126	₱2,068,365,944	₱4,295,301,140	₱158,447,369	₱37,616,779,662
Year ended December 31, 2019								
Revenue from PPAs	₱10,751,572,524	—	—	₱2,399,353,126	—	—	₱9,015,664	₱13,159,941,314
Revenue from PSAs	3,792,017,732	6,199,324,295	1,087,275,599	—	1,197,990,360	—	—	12,276,607,986
Revenue from sales under FIT	—	—	—	—	—	4,295,301,140	124,868,176	4,420,169,316
Revenue from RES and other customers	1,112,047,713	2,510,357,426	3,242,716,794	—	870,375,584	—	24,563,529	7,760,061,046
Revenue from contracts with customers	₱15,655,637,969	₱8,709,681,721	₱4,329,992,393	₱2,399,353,126	₱2,068,365,944	₱4,295,301,140	₱158,447,369	₱37,616,779,662



Year ended	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Wind	Solar	Total
December 31, 2019								
Segment revenue	P21,688,884,689	P14,495,867,682	P8,942,084,903	P2,496,425,619	P2,391,251,080	P2,908,214,450	P126,138,282	P53,048,866,705
Intersegment revenue	(4,466,722,637)	(3,779,147,525)	(2,934,578,997)	—	—	—	—	(11,180,449,159)
Revenue from contracts with customers	P17,222,162,052	P10,716,720,157	P6,007,505,906	P2,496,425,619	P2,391,251,080	P2,908,214,450	P126,138,282	P41,868,417,546

Year ended	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Wind	Solar	Total
December 31, 2019								
Revenue from PPAs	P11,341,275,853	P—	P—	P2,496,425,619	P—	P—	P9,657,830	P13,847,359,302
Revenue from PSAs	4,320,334,448	6,689,585,253	1,555,462,195	—	305,804,799	—	—	12,871,186,695
Revenue from sales under FIT	—	—	—	—	—	2,908,214,450	86,767,308	2,994,981,758
Revenue from RES and other customers	1,560,551,751	4,027,134,904	4,452,043,711	—	2,085,446,281	—	29,713,144	12,154,889,791
Revenue from contracts with customers	P17,222,162,052	P10,716,720,157	P6,007,505,906	P2,496,425,619	P2,391,251,080	P2,908,214,450	P126,138,282	P41,868,417,546

6. Cash and Cash Equivalents

	2020	2019
Cash on hand and in banks	P4,103,609,160	P2,794,809,389
Cash equivalents	17,651,828,206	11,459,311,342
	P21,755,437,366	P14,254,120,731

Cash in banks earns interest at the respective bank deposit rates ranging from 0.10% to 0.25% for the years ended December 31, 2020, 2019 and 2018. Cash equivalents consist of money market placements, which are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company. Total interest earned on cash and cash equivalents, net of final tax, amounted to P197.3 million, P526.2 million and P403.0 million in 2020, 2019 and 2018, respectively (see Note 25).

7. Trade and Other Receivables

	2020	2019
Trade receivables:		
Third parties (Note 37)	P6,481,039,731	P7,471,005,431
Related parties (Note 20)	72,214,901	92,193,384
Others:		
Non-trade accounts receivable (Note 32)	1,209,799,193	1,497,038,668
Loans and notes receivables	56,844,161	55,016,751
Advances to employees	24,912,516	20,128,677
	1,291,555,870	1,572,184,096
	7,844,810,502	9,135,382,911
Less allowance for impairment	956,121,213	952,968,496
	P6,888,689,289	P8,182,414,415

Trade receivables are non interest-bearing and are generally collectible in 30 to 60 days. Non-trade receivables are non interest-bearing and include receivable from insurance claims, accrued interest and other receivables arising from transactions not in the usual course of the Company's business.



The table below shows the rollforward analysis of the allowance for impairment of trade and other receivables as of December 31, 2020 and 2019:

	2020	2019
Balances at beginning of year	₱952,968,496	₱333,062,905
Provision for impairment (Note 23)	3,238,828	619,969,714
Foreign exchange translation adjustment	(86,111)	(64,123)
Balances at end of year	₱956,121,213	₱952,968,496

8. Financial Asset at Fair Value Through Profit or Loss

The Company entered into various investment management agreement (IMA) with various Investment Managers, whereby the Company availed the service of the Investment Manager relative to the management and investment of funds.

Among others, following are the significant provisions of the IMA:

- The Investment Manager shall administer and manage the fund as allowed and subject to the requirements of the Bangko Sentral ng Pilipinas and in accordance with the written investment policy and guidelines mutually agreed upon and signed by the Investment Manager and the Company.
- The agreement is considered as an agency and not a trust agreement. The Company, therefore, shall at all times retain legal title to the fund.
- The IMA does not guaranty a yield, return, or income on the investments or reinvestments made by the Investment Manager. Any loss or depreciation in the value of the assets of the fund shall be for the account of the Company.

In addition, the Company has investments in various money unit investment trust fund.

Fund investments include quoted government securities and other quoted securities.

The Company accounts for the entire investment as a financial asset to be carried at fair value through profit or loss. Mark-to-market gain (loss) adjustment on the securities taken up in profit or loss amounted to ₱9.1 million, ₱119.2 million and (₱32.9) million in 2020, 2019 and 2018, respectively (see Note 27).

As of December 31, 2020 and 2019, the movements of the financial assets at FVPL account are as follows:

	2020	2019
Balances at beginning of year	₱1,357,205,907	₱801,650,104
Additions for the year	710,000,000	808,300,000
Redemptions for the year	(1,153,573,943)	(372,495,123)
Mark-to-market gain on financial assets at FVPL (Note 27)	9,069,461	119,246,784
Realized income from redemption (Note 27)	130,361	241,204
Realized foreign exchange gain (Note 26)	—	262,938
Balances at end of year	₱922,831,786	₱1,357,205,907



9. Financial Assets at Fair Value Through Other Comprehensive Income

As at December 31, 2020 and 2019, the movements in the financial assets at FVOCI are as follows:

	2020	2019
Balances at beginning of year	₱517,483,196	₱434,120,734
Changes in fair value of equity instruments at FVOCI	52,829,725	54,257,294
Changes in fair value of debt instruments at FVOCI	12,811,375	29,105,168
Sale during the year	(6,500,000)	—
Realized loss from sale	(200,000)	—
Balances at end of year	₱576,424,296	₱517,483,196

Financial assets at FVOCI consists of the following as of December 31, 2020 and 2019:

	2020	2019
Equity instruments designated at FVOCI		
<i>Quoted equity instruments</i>		
First Gen Corporation (Note 20)	₱346,752,840	₱296,953,230
Wack Wack Golf & Country Club	37,500,000	35,000,000
Alabang Country Club	12,500,000	14,200,000
Others	9,848,151	14,318,036
	406,600,991	360,471,266
Debt instruments at FVOCI		
<i>Quoted debt instruments</i>		
Government bonds and notes	134,170,450	121,914,350
Corporate bonds	35,652,855	35,097,580
	169,823,305	157,011,930
Total	₱576,424,296	₱517,483,196

The movements of the net accumulated unrealized gain related to financial assets at FVOCI in 2020 and 2019 are presented in the consolidated statements of comprehensive income with details as follows:

	2020	2019
Balances at beginning of year	₱159,427,712	₱76,065,250
Changes in fair value of equity instruments at FVOCI	52,829,725	54,257,294
Changes in fair value of debt instruments at FVOCI	12,811,375	29,105,168
Transfer of net accumulated unrealized gain on financial assets at FVOCI to retained earnings	(4,707,750)	—
Balances at end of year	₱220,361,062	₱159,427,712

Investments in quoted equity securities consist mainly of shares traded in the PSE and investments in golf and country club shares.

Quoted government debt securities consist of investments in fixed rate bonds, fixed rate treasury notes and retail treasury bonds with maturities between 2022 and 2037 as of December 31, 2020 and 2019, and interest rates ranging from 4.6% to 6.1% for both years (see Note 25).



Changes in fair value recognized in the consolidated statements of comprehensive income pertain to the unrealized gains and losses during the period brought about by the temporary increase or decrease in the fair value of the debt and equity securities.

10. Parts and Supplies Inventories

	2020	2019
Parts and supplies inventories:		
At Cost	₱4,225,110,501	₱3,458,831,239
At NRV	1,736,084,610	841,601,852
	₱5,961,195,111	₱4,300,433,091

Allowance for inventory obsolescence:

	2020	2019
Balances at beginning of year	₱448,759,161	₱512,116,332
Provision for (reversal of) impairment (Note 23)	79,960,616	(63,357,171)
Balances at end of year	₱528,719,777	₱448,759,161

Parts and supplies inventories include items that are carried at net realizable value amounting to ₱1,736.1 million and ₱841.6 million as of December 31, 2020 and 2019, respectively, and have costs amounting to ₱2,264.8 million and ₱1,290.4 million, respectively. The rest of the parts and supplies inventories are carried at cost.

The amount of parts and supplies inventories charged to expense amounted to ₱1,213.3 million, ₱1,173.9 million and ₱1,209.0 million in 2020, 2019 and 2018, respectively (see Notes 22 and 23).

Details of parts and supplies inventories issued are as follows:

	2020	2019	2018
Costs of sales of electricity (Note 22)	₱1,047,926,909	₱1,087,312,417	₱1,103,309,646
General and administrative expenses (Note 23)	165,351,167	86,593,849	105,673,705
	₱1,213,278,076	₱1,173,906,266	₱1,208,983,351

11. Other Current Assets

	2020	2019
Short-term investments	₱4,013,787,748	₱—
Prepaid expenses	659,717,154	663,062,260
Advances to contractors	446,585,096	39,763,163
Tax credit certificates (Note 15)	—	18,262,231
Debt service reserve account (Note 17)	—	661,239,713
Others	127,383,867	60,262,128
	₱5,247,473,865	₱1,442,589,495



Short-term investments consist of money market securities with maturity of more than three (3) months but less than 12 months. Total interest earned on short-term investments, net of final tax, amounted to ₱37.7 million, ₱10.6 million and ₱15.6 million in 2020, 2019 and 2018 respectively (see Note 25).

The debt service reserve account (DSRA) pertains to the restricted peso interest-bearing accounts opened and established by the Company in accordance with certain loan agreements that will serve as a cash reserve or deposit to service the principal and/or interest payments due on the loans (see Note 17). Total interest earned on DSRA, net of final tax, amounted to ₱5.1 million, ₱21.1 million and ₱44.0 million in 2020, 2019 and 2018, respectively (see Notes 17 and 25). In 2020, the Parent Company entered into various surety agreements with the lenders to guarantee the funding of the DSRA in accordance with the loan agreements for the benefit of GCGI and BGI, in lieu of the cash deposit standing in DSRA.

Prepaid expenses include prepaid insurance and rentals while advances to contractors pertains mainly to the advances made by the Company for the purchase of parts and supplies, and other goods and services.



12. Property, Plant and Equipment

	2020										
	Land	Power Plants	Production Wells	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Assets - Buildings, Improvements and Other Structures	Construction in Progress	Total
Cost											
Balances at January 1	¥632,190,335	¥74,155,848,626	¥48,319,836,807	¥8,090,472,747	¥3,301,435,346	¥93,611,344	¥1,504,721,254	¥751,594,199	¥696,484,033	¥6,148,111,200	¥143,694,305,891
Additions	157,516,180	3,470,937	-	7,981,427	49,832,727	14,655,461	54,282,150	57,136,142	26,970,673	5,817,454,471	6,189,300,168
Disposals/retirements (Note 27)	-	(7,033,016)	-	(591,375)	(13,872,801)	(1,279,593)	(4,639,848)	(363,572)	(41,124,851)	-	(68,905,056)
Reclassifications/adjustments (Note 18)	-	482,375,781	3,315,262,546	160,713,957	59,898,059	(1,955,735)	9,977,196	18,529,766	69,862,597	(2,609,222,287)	1,505,441,880
Foreign exchange adjustments	-	(1,009,639,855)	-	(63,243,043)	(62,923)	-	(252,401)	(94,010)	(7,928,346)	(3,861)	(1,081,224,439)
Balances at December 31	789,706,515	73,625,022,473	51,635,099,353	8,195,333,713	3,397,230,408	105,031,477	1,564,088,351	826,802,525	744,264,106	9,356,339,523	150,238,918,444
Accumulated Depreciation, Amortization and Impairment											
Balances at January 1	17,627,581	29,624,464,071	15,935,219,348	2,860,098,855	2,703,978,332	67,950,038	1,233,005,859	519,769,043	149,558,078	23,322,433	53,134,993,638
Depreciation and amortization (Notes 22 and 23)	-	3,644,305,918	1,702,337,413	532,703,412	103,065,934	12,402,771	140,914,079	93,197,485	145,256,205	-	6,374,183,217
Disposals/retirements (Note 27)	-	(6,159,871)	-	(299,464)	(12,197,664)	(1,279,593)	(4,406,816)	(356,466)	(16,812,872)	-	(41,512,746)
Reclassifications	-	4,339,058	(3,774,518)	(6,106,812)	12,607,923	(736,829)	(7,318,705)	5,008,373	(7,793,008)	-	(3,774,518)
Foreign exchange adjustments	-	(227,131,589)	-	(18,576,751)	(46,874)	-	(242,845)	(38,727)	(1,333,674)	-	(247,370,460)
Balances at December 31	17,627,581	33,039,817,587	17,633,782,243	3,367,819,240	2,807,407,651	78,336,387	1,361,951,572	617,579,708	268,874,729	23,322,433	59,216,519,131
Net Book Value	¥772,078,934	¥40,585,204,886	¥34,001,317,110	¥4,827,514,473	¥589,822,757	¥26,695,090	¥202,136,779	¥209,222,817	¥475,389,377	¥9,333,017,090	¥91,022,399,313

(Forward)



2019

	Land	Power Plants	Production Wells	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Assets - Buildings, Improvements and Other Structures	Construction in Progress	Total
Cost											
Balances at January 1, as restated	₱631,964,195	₱73,771,018,039	₱45,075,729,780	₱7,590,979,406	₱3,391,351,970	₱118,778,644	₱1,445,513,004	₱693,182,275	₱621,072,094	₱5,242,995,938	₱138,582,585,345
Additions	226,140	17,755,592	-	12,264,104	18,643,974	4,890,634	36,162,604	19,863,072	131,292,187	5,627,335,654	5,868,433,961
Disposals/retirements (Note 27)	-	(1,871,308)	-	(2,566,665)	(140,942,245)	(26,650,391)	(77,773,851)	(19,259,467)	-	-	(269,063,927)
Reclassifications/adjustments (Note 18)	-	1,061,092,628	3,244,107,027	536,889,209	32,415,627	(3,407,543)	100,999,230	57,872,297	(50,041,779)	(4,722,220,392)	257,706,304
Foreign exchange adjustments	-	(692,146,325)	-	(47,093,307)	(33,980)	-	(179,733)	(63,978)	(5,838,469)	-	(745,355,792)
Balances at December 31	632,190,335	74,155,848,626	48,319,836,807	8,090,472,747	3,301,435,346	93,611,344	1,504,721,254	751,594,199	696,484,033	6,148,111,200	143,694,305,891
Accumulated Depreciation, Amortization and Impairment											
Balances at January 1	17,627,581	26,093,798,785	14,368,998,995	2,438,512,735	2,646,130,081	72,506,236	1,121,734,069	476,804,281	-	23,322,433	47,259,435,196
Depreciation and amortization Note (22 and 23)	-	3,650,080,644	1,568,484,194	432,200,507	202,749,838	22,212,771	188,706,733	60,892,430	149,873,730	-	6,275,200,847
Disposals/retirements (Note 27)	-	(1,580,481)	-	(1,631,347)	(136,316,763)	(22,956,998)	(75,503,214)	(19,434,622)	-	-	(257,423,425)
Reclassifications	-	11,019,490	(2,263,841)	1,568,683	(8,550,012)	(3,811,971)	(1,752,262)	1,525,911	-	-	(2,264,002)
Foreign exchange adjustments	-	(128,854,367)	-	(10,551,723)	(34,812)	-	(179,467)	(18,957)	(315,652)	-	(139,954,978)
Balances at December 31	17,627,581	29,624,464,071	15,935,219,348	2,860,098,855	2,703,978,332	67,950,038	1,233,005,859	519,769,043	149,558,078	23,322,433	53,134,993,638
Net Book Value	₱614,562,754	₱44,531,384,555	₱32,384,617,459	₱5,230,373,892	₱597,457,014	₱25,661,306	₱271,715,395	₱231,825,156	546,925,955	₱6,124,788,767	₱90,559,312,253



Construction in Progress

The Company's construction in progress account includes steam assets and other ongoing construction projects. Steam assets are mainly composed of in-progress production wells and FCRS, while other construction projects include ongoing rehabilitation activities in the plants, Control Systems Integration (CSI), retrofitting projects and other constructions.

Estimated Rehabilitation and Restoration Costs

FCRS and production wells include the estimated rehabilitation and restoration costs of the Company's steam fields and power plants' contract areas at the end of the contract period. These were based on technical estimates of probable costs, which may be incurred by the Company in the rehabilitation and restoration of the said steam fields' and power plants' contract areas, using a risk-free discount rate and adjusted the cash flows to settle the provision.

Also, the Company has recorded an estimated provision for asset retirement obligation relating to the removal and disposal of all wind farm materials, equipment and facilities from the contract areas at the end of contract period. The amount of provision was recorded as part of the costs of power plants.

Depreciation and Amortization

Details of depreciation and amortization charges recognized in profit or loss are shown below:

	2020	2019	2018
Property, plant and equipment	₱6,374,183,217	₱6,275,200,847	₱6,129,647,634
Intangible assets (Note 13)	176,856,048	141,933,053	119,271,229
Capitalized depreciation	(3,774,518)	(2,264,002)	(20,908,514)
	₱6,547,264,747	₱6,414,869,898	₱6,228,010,349

	2020	2019	2018
Costs of sales of electricity (Note 22)	₱6,029,979,784	₱5,943,540,328	₱5,935,783,921
General and administrative expenses (Note 23)	517,284,963	471,329,570	292,226,428
	₱6,547,264,747	₱6,414,869,898	₱6,228,010,349

Additions

Additions in the property, plant and equipment include non-cash additions on the right of use of assets - buildings, improvements and other structures amounting to ₱27.0 million and ₱131.3 million in 2020 and 2019, respectively.

Reclassifications

The reclassifications in the cost of property, plant and equipment include adjustments to the provision for rehabilitation and restoration costs amounting to ₱267.8 million and ₱315.9 million in 2020 and 2019, respectively (see Note 18), and reclassification from Mindanao III exploration and evaluation assets ₱1,177.7 million (see Note 14) and adjustments to ROU assets arising from the amendments of certain lease contract (see Note 32). Meanwhile, the reclassifications in the accumulated depreciation of property, plant and equipment include capitalized depreciation charges amounting to ₱3.8 million, ₱2.3 million and ₱20.9 million in 2020, 2019 and 2018, respectively. Other reclassifications were due to the results of reassessment made by the Company on the nature of the assets.



13. Goodwill and Intangible Assets

2020				
	Goodwill	Water Rights	Other Intangible Assets	Total
Cost				
Balances at January 1	₱2,662,725,765	₱2,404,778,918	₱524,559,969	₱5,592,064,652
Additions	—	—	81,089,129	81,089,129
Foreign exchange translation adjustment	(6,658,278)	—	—	(6,658,278)
Balances at December 31	2,656,067,487	2,404,778,918	605,649,098	5,666,495,503
Accumulated Amortization and Allowance for Impairment				
Balances at January 1	—	1,262,508,933	275,000,102	1,537,509,035
Amortization (Notes 12, 22 and 23)	—	96,191,157	80,664,891	176,856,048
Impairment of goodwill (Notes 3 and 27)	54,165,823	—	—	54,165,823
Foreign exchange translation adjustment	(1,434,057)	—	—	(1,434,057)
Balances at December 31	52,731,766	1,358,700,090	355,664,993	1,767,096,849
Net Book Value	₱2,603,335,721	₱1,046,078,828	₱249,984,105	₱3,899,398,654

2019				
	Goodwill	Water Rights	Other Intangible Assets	Total
Cost				
Balances at January 1	₱2,667,683,785	₱2,404,778,918	₱390,179,517	₱5,462,642,220
Additions	—	—	134,380,452	134,380,452
Foreign exchange translation adjustment	(4,958,020)	—	—	(4,958,020)
Balances at December 31	2,662,725,765	2,404,778,918	524,559,969	5,592,064,652
Accumulated Amortization				
Balances at January 1	—	1,166,317,776	229,258,206	1,395,575,982
Amortization (Notes 12, 22 and 23)	—	96,191,157	45,741,896	141,933,053
Balances at December 31	—	1,262,508,933	275,000,102	1,537,509,035
Net Book Value	₱2,662,725,765	₱1,142,269,985	₱249,559,867	₱4,054,555,617

Goodwill

GCGI

On September 2, 2009, GCGI acquired the then 192.5 MW Palinpinon (in Negros Oriental) and 112.5 MW Tongonan 1 (in Leyte) geothermal power plants in an auction conducted by PSALM where GCGI submitted the highest complying financial bid of US\$220.0 million. This financial bid was subsequently reduced by US\$6.7 million as PSALM agreed that the Company will directly assume the obligations to procure the equipment/services indicated in the Purchase Requisitions being processed by NPC under Schedule R-Purchase Orders in the Asset Purchase Agreement (APA). The total acquisition cost incurred by the Company amounted to ₱10,165.3 million resulting to goodwill of ₱2,241.7 million.

FG Hydro

On September 8, 2006, FG Hydro participated and won the bid for the 112 MW PAHEP/MAHEP facility conducted by PSALM in connection with the privatization of NPC assets. FG Hydro paid a total consideration of US\$129.0 million (₱6,448.2 million) and recognized goodwill amounting to ₱293.3 million.



EDC HKL

As discussed in Note 3 to the consolidated financial statements, EDC HKL, a wholly owned subsidiary of EDC purchased 100% interest in Hot Rock companies, namely: EDC Soluciones Sostenibles Ltd, EDC Desarrollo Sostenible Ltd, EDC Energia Verde Chile SpA, EDC Energia de la Tierra SpA and EDC Energia Verde Peru SAC. The total consideration amounting to US\$3.0 million (P133.2 million) was paid in cash which resulted to the recognition of goodwill amounting to US\$2.5 million (P134.0 million). In 2020, the Company recognized impairment of goodwill from the purchase of EDC Energia Verde Chile SpA and EDC Energia de la Tierra SpA amounting to US\$1.1 million (P54.2 million).

Breakdown of the goodwill per CGU and the details of the goodwill impairment review are shown in Note 3 to the consolidated financial statements.

Water rights

Water rights pertain to FG Hydro's right to use water from the Pantabangan reservoir to generate electricity. NPC through a certification issued to FG Hydro dated July 27, 2006, gave its consent to the transfer to FG Hydro, as the winning bidder of the PAHEP/MAHEP, of the water permit for Pantabangan river issued by the National Water Resources Council on March 15, 1997.

Water rights are amortized using the straight-line method over 25 years, which is the term of the Agreement with National Irrigation Administration (NIA). The remaining amortization period of water rights is 10.9 years and 11.9 years as of December 31, 2020 and 2019, respectively.

Other intangible assets

Other intangible assets pertain to the Parent Company's and BGI's computer software and licenses.

14. Exploration and Evaluation Assets

	2020	2019
Cost		
Balances at January 1	P3,126,378,625	P3,082,710,178
Additions	4,886,819	33,952,955
Reclassification (Note 12)	(1,177,683,284)	—
Adjustments (Note 18)	11,350,744	9,715,492
Write off	(8,993,702)	—
Balances at December 31	1,955,939,202	3,126,378,625
Allowance for impairment		
Balances at January 1	8,993,702	6,452,895
Provision for impairment (Note 27)	—	2,540,807
Write-off	(8,993,702)	—
Balances at December 31	—	8,993,702
Carrying Amount	P1,955,939,202	P3,117,384,923



Carrying amount of exploration and evaluation assets per project are as follows:

	2020	2019
Rangas/Kayabon	₱1,735,642,809	₱1,732,449,009
Dauin/Bacong	81,018,053	79,396,649
Mindanao III (Note 12)	—	1,174,594,721
Others	139,278,340	130,944,544
	₱1,955,939,202	₱3,117,384,923

In 2019, the Company recognized allowance for impairment of exploration and evaluation costs incurred for Balingasag amounting to ₱2.5 million (see Notes 3, 27 and 33). No similar loss was recognized in 2020 and 2018.

Following the DOE's approval of the surrender of the energy service contracts for Ampiro, Lakewood and Balingasag, the exploration and evaluation costs incurred for these projects totaling to ₱9.0 million and the related allowance for impairment losses were written off in 2020.

15. Other Noncurrent Assets

	2020	2019
Prepaid taxes	₱4,685,724,258	₱4,063,415,976
Long-term receivables (Notes 31 and 37)	1,176,906,753	211,527,648
Tax credit certificates	909,659,739	1,340,542,608
Special deposits	216,495,188	193,356,451
Prepaid expenses - net of current portion	10,626,444	14,676,777
Others	1,308,628,349	1,184,281,892
	8,308,040,731	7,007,801,352
Less allowance for impairment	1,084,161,573	857,555,423
	₱7,223,879,158	₱6,150,245,929

Prepaid Taxes

Prepaid taxes include input VAT, real property tax (RPT) payments under protest and creditable withholding taxes (CWTs).

Input VAT

Input VAT represents VAT from purchases of goods or services that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT from sale of goods and services. As of December 31, 2020 and 2019, this input VAT amounted to ₱2,561.3 million and ₱2,324.4 million, respectively.

Input VAT also includes the outstanding input VAT claims that were applied by the Company for refund with the BIR/Supreme Court (SC). As of December 31, 2020 and 2019, the outstanding input VAT claims which are still pending with the BIR/SC amounted to ₱982.8 million and ₱755.2 million, respectively.

RPT payments under protest

RPT payments under protest to certain local government units amounted to ₱1,033.0 million and ₱891.6 million as of December 31, 2020 and 2019, respectively.



The amounts paid in protest were in excess of the amounts determined using the 1.5% RPT rate stated in the Renewable Energy (RE) Law, and are pending with the Local Board of Assessment Appeals and Central Board of Assessment Appeals.

Long-term receivables

Long-term receivables include receivable from TransCo arising from FIT rate adjustments (see Note 37).

Tax Credit Certificates (TCC)

As of December 31, 2020 and 2019, the Company classified a portion of their TCCs as current assets totaling to nil and ₱18.3 million, respectively, and presented under “Other Current Assets” (see Note 11). These are expected to be utilized for payment of various taxes within 12 months from the end of the reporting date.

TCCs that remain unutilized after five (5) years from the date of original issuance are still valid provided that these are duly revalidated by the BIR within the period allowed by law.

Others

Others include investment in Enerco amounting to ₱1,248.1 million and ₱1,155.3 million as of December 31, 2020 and 2019, respectively, which is accounted for as an investment in joint venture (see Note 3).

As of December 31, 2020, basic surface studies as well as civil works, road rehabilitation, base camp and avalanche controls have already been completed. Additional roads, drilling pad construction, base camp expansion and water supply system have been installed and completed. Exploration drilling program is intended to resume as soon as power supply agreements have been secured, access to transmission line has been negotiated and all the relevant permits have been obtained.

As of December 31, 2020 and 2019, the total assets of Enerco amounted to ₱2,037.1 million (US\$42.4 million) and ₱1,902.5 million (US\$37.6 million), respectively, of which current assets amounted to ₱3.3 million (US\$0.1 million) and ₱2.2 million (US\$0.0 million) as of December 31, 2020 and 2019, respectively. Enerco also has current liabilities amounting to ₱108.3 million (US\$2.3 million) and ₱1,446.6 million (US\$28.6 million) as of December 31, 2020 and 2019, respectively.

In 2020, 2019 and 2018, Enerco incurred total comprehensive income (loss) amounting to ₱12.9 million (US\$0.3 million), (₱512.4) million (US\$10.2 million) and (₱6.2) million (US\$0.1 million), respectively, which include depreciation and amortization expenses amounting to ₱22.9 million (US\$0.5 million), ₱85.8 million (US\$1.7 million) and ₱19.5 million (US\$0.4 million) in 2020, 2019 and 2018, respectively .

In 2020 and 2019, the Company recognized its share in net income (losses) amounting to ₱10.0 million (US\$2.0 million) and (₱377.2 million) (US\$7.3 million), which includes the unrecognized share in net losses as of December 31, 2018 amounting to ₱18.5 million (US\$0.4 million), (see Notes 3 and 27). No share in net losses has been recognized in prior years given that the project is still in its early stages and the share in net losses to be taken up is not yet significant.



Allowance for impairment

The rollforward analysis of the allowance for impairment pertaining to prepaid taxes and long-term receivables is presented below.

	2020		
	Prepaid Taxes	Long-term receivables	Total
Beginning of year	₱759,128,192	₱98,427,231	₱857,555,423
Provision for impairment (Note 23)	250,027,081	—	250,027,081
Write-off	(23,420,931)	—	(23,420,931)
End of year	₱985,734,342	₱98,427,231	₱1,084,161,573

	2019		
	Prepaid Taxes	Long-term receivables	Total
Beginning of year	₱591,342,724	₱98,427,231	₱689,769,955
Provision for impairment (Note 23)	228,402,039	—	228,402,039
Write-off	(60,616,571)	—	(60,616,571)
End of year	₱759,128,192	₱98,427,231	₱857,555,423

Loss on direct write-off of input VAT claims amounting to ₱36.3 million, ₱66.3 million and ₱100.9 million in 2020, 2019 and 2018, respectively, were recognized as part of “Miscellaneous income” in the consolidated statements of income (see Note 27).

16. Trade and Other Payables

	2020	2019
Trade payables:		
Third parties	₱7,380,972,116	₱6,243,091,235
Related parties (Note 20)	1,367,491,576	699,191,255
Others:		
Dividends payable (Notes 19 and 20)	5,007,752,699	4,207,469,094
Accrued interest on long-term debts (Note 17)	806,489,990	777,441,934
Withholding and other taxes payable	307,898,108	357,715,155
Government share payable (Note 33)	70,157,455	66,050,486
SSS and other contributions payable	8,140,919	7,290,935
Other payables (Note 3)	1,991,731,058	2,544,489,105
	8,192,170,229	7,960,456,709
	₱16,940,633,921	₱14,902,739,199

Trade payables are non-interest bearing and are normally settled on a 30 to 60 days payment term.

“Government share payable” pertains to outstanding payable to the government for its share on certain earnings of the Company generated from renewable energy.

Under the RE Law, the Parent Company shall pay government share equivalent to 1.5% of its gross income. Such fiscal incentive was applied by the Parent Company beginning February 1, 2009 (see Note 33).



On May 8, 2012, upon execution of their respective Geothermal Operating Contracts with the DOE, GCGI and BGI also became subject to government share of 1.5% of their gross income (see Note 33).

In 2014, upon receipt of COE for FIT eligibility, EBWPC became subject to government share of 1% of its gross income.

On February 22, 2017 and February 27, 2017, upon approval of FG Hydro's application for registration as an RE developer and Hydropower Operating Contracts for PAHEP and MAHEP, respectively, FG Hydro became subject to 10% statutory income tax rate and government share of 1% of its gross income.

Government share is allocated between the DOE and Local Government Units (LGUs) where the geothermal and hydro resources are located and payable within 60 days after the end of each quarter in the case of EDC, GCGI, BGI, EBWPC, and EDC Siklab (for the Gaisano La Paz Solar Rooftop Project). For FG Hydro, government share is paid to DOE (60%) and LGU (40%) within 60 days after the end of each quarter. Government share amounted to ₱277.0 million, ₱301.6 million and ₱245.0 million in 2020, 2019 and 2018, respectively (see Note 22).

"Other payables" account includes provision for shortfall generation amounting to ₱1,332.1 million and ₱1,679.1 million as of December 31, 2020 and 2019, respectively (see Note 3), and deferred output VAT amounting to ₱119.0 million and ₱67.0 million as of December 31, 2020 and 2019, respectively, and other accruals.

17. Long-term Debts

The details of the Company's long-term debts are as follows:

Creditor/Project	Maturities	Interest Rate	December 31, 2020 (Audited)	December 31, 2019 (Audited)
EDC Loans				
US\$181.1 Million Notes	January 20, 2021	6.50%	₱8,697,225,400	₱9,158,188,689
International Finance Corporation (IFC)				
▪ IFC 1 - ₱4.1 Billion	2012-2023	6.07% per annum from April 16, 2014 to June 21, 2018; 4.52% from June 22, 2018 to October 15, 2018; and 6.37% from October 16, 2018 until maturity	832,874,177	1,158,050,000
▪ IFC 2 - ₱3.3 Billion	2013-2025	6.98% per annum from April 16, 2016 to June 21, 2018; and 4.78% from June 22, 2018 until next repricing date	1,183,786,508	1,406,981,187
▪ IFC 3 - ₱4.8 Billion	March 15, 2033	7.804%	4,077,620,452	4,399,895,798
Fixed Rate Note Facility (FXCN)				
▪ ₱4.0 Billion	2012-2022	5.25%	3,073,175,521	3,205,846,687
▪ ₱3.0 Billion	2012-2022	5.25%	2,304,651,526	2,403,979,790
2013 Peso Fixed-Rate Bonds				
▪ ₱4.0 billion	May 3, 2023	4.7312%	3,985,467,985	3,949,243,196
▪ ₱3.0 billion	May 3, 2020	4.1583%	—	2,997,814,350
DBP ₱291.2 Million Term Loan	December 17, 2030	5.50%	222,867,859	245,058,657
UBP ₱1.5 Billion Term Loan	December 5, 2026	5.25%	1,225,932,454	1,345,116,386

(Forward)



Creditor/Project	Maturities	Interest Rate	December 31, 2020 (Audited)	December 31, 2019 (Audited)
SBC ₱1.0 Billion Term Loan	December 5, 2031	5.5788%	₱964,869,997	₱974,280,295
UBP ₱2.0 Billion Term Loan	April 12, 2032	5.44%	1,525,936,266	1,658,071,152
SBC ₱3.0 Billion Term Loan	May 4, 2027	5.32%	2,151,346,410	2,388,954,069
SBC ₱1.0 Billion Term Loan	May 4, 2032	5.43%	762,910,147	828,971,888
BPI ₱1.0 Billion Term Loan	June 1, 2027	5.21%	717,558,304	796,891,118
PNB ₱500.0 Million Term Loan	June 1, 2022	4.74%	149,731,339	249,317,710
SBC ₱500.0 Million Term Loan	May 4, 2032	5.49%	381,424,849	414,451,225
US\$50 Million Mizuho Loan	March 24, 2022	0.87988%	2,381,249,004	—
BPI				
▪ ₱3.0 Billion Term Loan	April 15, 2030	5.1323%	2,979,917,340	—
▪ ₱3.0 Billion Term Loan	April 15, 2030	3.56%	2,979,067,344	—
BDO ₱4.5 Billion Loan	September 10, 2030	4.25% until next repricing date	4,468,510,776	—
EBWPC Loans				
• Commercial Debt Facility US\$37.5 Million	October 23, 2029	2% margin plus LIBOR	1,269,340,305	1,456,354,537
• ECA Debt Facility US\$150 Million	October 23, 2029	2.35% margin plus LIBOR	5,048,269,447	5,788,111,406
• Commercial Debt Facility ₱5.6 Billion	October 23, 2029	2% + PDST-F rate	3,988,760,108	4,340,746,817
GCGI Loan				
• ₱8.5 Billion Term Loan	March 18, 2022	5.25%	2,713,909,376	3,895,935,779
BGI Loan				
• ₱5.0 Billion Term Loan	October 7, 2025	5.65412%	1,943,871,620	2,588,125,405
Total			60,030,274,514	55,650,386,141
Less current portion			14,164,369,802	7,663,234,539
Noncurrent portion			₱45,865,904,712	₱47,987,151,602

The Company's foreign-currency denominated long-term debts were translated into Philippine pesos based on the prevailing foreign exchange rates as at financial reporting date (US\$1= ₱48.02 on December 31, 2020 and US\$1= ₱50.64 on December 31, 2019).

The long-term debts are presented net of unamortized transaction costs. A rollforward analysis of unamortized transactions costs follows:

	2020	2019
Balances at beginning of year	₱494,350,756	₱659,876,005
Additions	110,559,981	—
Amortization (Note 25)	(128,859,539)	(139,525,248)
Write-off (Note 27)	—	(26,000,001)
Balances at end of year	₱476,051,198	₱494,350,756

Parent Company Loans

The Parent Company entered into unsecured long-term loan arrangements with domestic and international financial institutions for its various development projects and working capital requirements.

US\$181.1 Million Notes

On January 20, 2011, the Parent Company issued a 10-year US\$300.0 million notes (₱13,350.0 million) at 6.50% interest per annum which will mature in January 2021. The notes are intended to be used by the Company to support the business expansion plans, finance capital expenditures, service debt obligations and for general corporate purposes. Such notes were listed and quoted on the Singapore Exchange Securities Trading Limited (SGX-ST).

On February 11, 2019, EDC issued an invitation to holders of its remaining US\$211.0 million 6.50% Notes due in 2021, to tender Notes up to an aggregate amount of US\$50.0 million for purchase by EDC for cash. On February 20, 2019, EDC accepted valid tender offers of Notes representing an aggregate of US\$29.9 million in the nominal amount of the Notes at a purchase price of US\$1,057 per



US\$1,000 principal amount of the Notes. The Company recognized loss on redemption amounting to ₱92.4 million which includes ₱3.8 million worth of transaction cost arising from the valid tender offers.

Notes redeemed were cancelled and subsequently de-listed from the SGX-ST in accordance with the procedures thereof.

On January 20, 2021, the Parent Company fully paid its \$181.1 Million Notes listed and quoted on the SGX-ST. The notes were subsequently de-listed from the SGX-ST in accordance with the procedures thereof.

IFC

The Parent Company entered into a loan agreement with IFC, a shareholder of the Parent Company, on November 27, 2008 for US\$100.0 million or its Peso equivalent of ₱4.1 billion.

On January 7, 2009, the Parent Company opted to draw the loan in Peso and received the proceeds amounting to ₱4,048.8 million, net of ₱51.5 million front-end fee. The loan is payable in 24 equal semi-annual installments after a three-year grace period at an interest rate of 7.4% per annum for the first five (5) years subject to repricing for another five (5) to 10 years.

On May 20, 2011, the Parent Company signed a 15-year US\$75.0 million loan facility with the IFC to fund its medium-term capital expenditures program. The loan was drawn in Peso on September 30, 2011 amounting to ₱3,262.5 million. The loan is payable in 24 equal semi-annual installments after a two-year grace period at an interest rate of 6.657% per annum subject to repricing for another five (5) to 10 years.

On March 22, 2018, the Parent Company signed a 15-year US\$90.0 million loan facility with IFC to fund its 2018 capital expenditures and other general corporate requirements of its existing geothermal operations. The loan was drawn in Peso on June 22, 2018 amounting to ₱4,804.0 million at an interest rate of 7.804%.

Following the consummation of this financing agreement, EDC and IFC have agreed to amend and reduce the spread of the first two (2) loans to 1.30%. All the other terms and conditions of the loans remained the same.

The reduction in the interest rate resulted to a gain totaling to ₱182.6 million in 2018 which is the difference between the original contractual cash flows and modified cash flows discounted using the original effective interest rate (see Note 27).

FXCN

On April 4, 2012, EDC signed a 10-year FXCN facility agreement amounting to ₱7.0 billion which is divided into two (2) tranches. The proceeds were used by EDC to prepay in full the previously issued FRCN amounting to ₱7.0 billion. The FXCN tranches 1 and 2 bears a coupon rate of 6.6173% and 6.6108% per annum, respectively.

Debt issuance costs amounting to ₱100.2 million was capitalized as part of the new FXCN.



On April 30, 2015, EDC and the Noteholders amended the FXCN loan agreement to reduce the interest rate to 5.25% for both Tranche 1 and Tranche 2 as well as to effect other amendments in order to align the same with the other loan covenants of EDC.

Transaction costs related to the amended FXCN amounting to ₱64.7 million were capitalized to the carrying amount of the FXCN loan.

2013 Peso Fixed-Rate Bonds

On May 3, 2013, EDC issued fixed-rate peso bonds with an aggregate principal amount of ₱7.0 billion. The bonds, which have been listed on the PDEX, are comprised of ₱3.0 billion 7-year bonds at 4.1583% and ₱4.0 billion 10-year bonds at 4.7312% due on May 3, 2020 and May 3, 2023, respectively. Interest is payable semi-annually starting November 3, 2013. Transaction costs incurred in connection with the issuance of the 7-year bonds and 10-year bonds amounted to ₱39.1 million and ₱52.1 million, respectively. The net proceeds were used by the Parent Company to partially fund the Burgos wind project located in the municipality of Burgos, Ilocos Norte with estimated project cost of US\$300.0 million.

On May 4, 2020, the Parent Company fully settled the ₱3.0 billion 7-year bonds.

₱291.2 Million Term Loan

On December 8, 2015, EDC signed a ₱291.2 million loan at 5.75% per annum maturing on December 17, 2030 with Development Bank of the Philippines. The ₱291.2 million term loan was used to finance the Burgos Solar Phase I Project. On December 17, 2017, the loan agreement was amended to reduce the interest rate to 5.50% per annum.

₱1.5 Billion Term Loan

On June 24, 2016, EDC secured a ₱1.5 billion loan at 5.25% per annum maturing on December 5, 2026 with Union Bank of the Philippines. The ₱1.5 billion term loan was used to refinance the outstanding ₱3.5 billion fixed rate bonds which matured on December 4, 2016 and to fund other general corporate purposes.

₱1.0 Billion Term Loan

On December 1, 2016, EDC secured a ₱1.0 billion loan at 5.58% per annum maturing on December 5, 2031 with Security Bank Corporation. The ₱1.0 billion term loan was used to refinance the outstanding ₱3.5 billion fixed rate bonds which matured on December 4, 2016 and to fund other general corporate purposes.

UBP ₱2.0 Billion Term Loan

On April 5, 2017, EDC secured a ₱2.0 billion loan at 5.44% per annum maturing on April 12, 2032 with Union Bank of the Philippines.

SBC ₱3.0 and ₱1.0 Billion Term Loans

On April 26, 2017, EDC secured ₱3.0 billion loan at 5.32% per annum and ₱1.0 billion loan at 5.43% with Security Bank Corporation maturing on May 4, 2027 and May 4, 2032, respectively.

BPI ₱1.0 Billion Term Loan

On May 26, 2017, EDC secured a ₱1.0 billion loan at 5.21% per annum maturing on June 1, 2027 with Bank of the Philippine Islands.

PNB ₱500.0 Million Term Loan

On May 26, 2017, EDC secured a ₱500.0 million loan at 4.74% per annum maturing on June 1, 2022 with Philippine National Bank.



SBC ₱500.0 Million Term Loan

On July 26, 2017, EDC secured a ₱500.0 million loan at 5.49% per annum maturing on May 4, 2032 with Security Bank Corporation.

BOC ₱2.0 Billion Term Loan

On July 19, 2018, EDC secured a ₱2.0 billion floating loan maturing on October 29, 2021 with Bank of Commerce. On March 28, 2019, EDC prepaid this term loan and recognized loss on prepayment amounting to ₱4.6 million which pertains to unamortized transaction cost (see Note 27).

BPI ₱5.0 Billion Term Loan

On July 20, 2018, EDC secured a ₱5.0 billion floating loan maturing on October 29, 2021 with Bank of the Philippine Islands. On April 1, 2019, EDC prepaid this term loan and recognized loss on prepayment amounting to ₱8.6 million which pertains to unamortized transaction cost (see Note 27).

BDO ₱4.0 Billion Term Loan

On July 25, 2018, EDC secured a ₱4.0 billion floating loan maturing on October 29, 2021 with BDO Unibank, Inc. On April 29, 2019, EDC prepaid this term loan and recognized loss on prepayment amounting to ₱7.7 million which pertains to unamortized transaction cost (see Note 27).

MBL ₱500.0 Million Term Loan

On November 21, 2018, EDC secured a ₱500.0 million loan at 6.59% per annum maturing on November 26, 2021 with Mizuho Bank, Ltd. On May 27, 2019, EDC prepaid this term loan and recognized loss on prepayment amounting to ₱1.3 million which pertains to unamortized transaction cost (see Note 27).

US\$50.0 Million Mizuho Loan

On March 24, 2020, EDC signed a US\$50.0 million two-year loan facility with Mizuho Bank, Ltd. On April 1, 2020, EDC has fully drawn the US\$50.0 million loan at an interest rate of 0.65% margin plus LIBOR. The proceeds are intended to be used to refinance maturing obligations and for general corporate purposes.

BPI ₱6.0 Billion Term Loan

On April 2, 2020, EDC signed a ₱6.0 billion 10-year term loan facility with Bank of the Philippine Islands. On April 15, 2020, EDC has drawn ₱3.0 billion from the loan facility at a fixed interest rate of 5.13% per annum. On July 29, 2020, EDC has drawn the remaining ₱3.0 billion at a fixed interest rate of 3.56% per annum.

BDO ₱4.5 Billion Loan

On August 28, 2020, EDC signed a ₱11.5 billion 10-year term loan facility with BDO Unibank, Inc. On September 10, 2020, EDC has drawn ₱4.5 billion from the loan facility at a fixed rate of 4.25% per annum.

On February 18, 2021, EDC has drawn additional ₱2.0 billion from the loan facility at a fixed rate of 4.25% per annum.

The interest rates are subject to repricing after five (5) years from the date of initial drawdown.

EBWPC Loan

On October 17, 2014, EDC has signed a secured US\$315.0 million loan for Burgos Wind Project (Commercial Debt Facility US\$37.5 million, ECA Debt Facility US\$150 million, Commercial Debt Facility ₱5.6 billion). This is a financing facility for the construction of the 150 MW Burgos Wind Project (BWP) in Ilocos Norte. The facility, which consists of US dollar and Philippine peso



tranches, will mature in 15 years. Portion of the proceeds received from the financing facility was used to settle the outstanding bridge loans in October 2014.

On June 15, 2015, EBWPC has fully drawn the US\$315.0 million financing agreement in ECA Debt Facility, USD Commercial Debt Facility, and Peso Commercial Debt Facility with various banks. As of December 31, 2020, EBWPC has seven (7) interest rate swaps (IRS) with aggregate notional amount of US\$130.5 million. This is to partially hedge the interest rate risks on its ECA and USD Commercial Debt Facility (Hedged Loan) that is benchmarked against six (6) months US LIBOR (see Note 31).

Under the agreement of the EBWPC's Project Financing, EBWPC entered into Mortgage Agreement with Philippine National Bank, the Onshore Collateral Agent. The Mortgage shall cover all of the assets of EBWPC whether such assets now exist or at any time hereafter come into existence, or are now at any time hereafter acquired, and whether any such later acquisition is by way of addition thereto or substitution of any component part thereof, together with all the rights and interests therein.

Under the agreement of the EBWPC's Project Financing, EBWPC's debt service is guaranteed by the Parent Company.

In August 2019, pursuant to the "reserve support instruments" clause of the loan agreement, EBWPC secured an acceptable credit support instrument issued by Sumitomo Mitsui Banking Corporation in lieu of the cash deposit standing in DSRA.

₱8.5 Billion GCGI Term Loan

On March 6, 2015, GCGI completed the execution of separate loan agreement each with Asia United Bank Corporations, Bank of the Philippine Islands, BDO Unibank Inc., Development Bank of the Philippines, Land Bank of the Philippines, Rizal Commercial Banking Corporation, Robinsons Bank Corporation and Union Bank of the Philippines for the total amount of ₱8.5 billion at 5.25% per annum maturing on March 6, 2022. BDO Capital and Investment Corporation acted as sole arranger.

As part of the agreement, GCGI has provided a DSRA for the principal and interest payment of the loan amounting to ₱467.5 million as of December 31, 2019 (see Note 11).

On January 22, 2020, GCGI entered into a surety agreement with Parent Company and the lenders whereby Parent Company, as a surety, guarantees the funding of the DSRA in accordance with the loan agreement for the benefit of GCGI, in lieu of the cash deposit standing in DSRA.

₱5.0 Billion BGI Term Loan

On September 9, 2015, BGI completed the execution of separate loan agreements with BDO Unibank, Inc, Bank of the Philippine Islands and Security Bank Corporation for the total amount of ₱5.0 billion with maturity period of 10 years.

The initial drawdown amounting to ₱2.5 billion was made on October 7, 2015 while the remaining ₱2.5 billion was drawn on December 7, 2015.

BDO Capital and Investment Corporation acted as a structuring supervisor and sole bookrunner.



As part of the agreement, BGI has provided a DSRA for the principal and interest payment of the loan amounting to ₱193.7 million as of December 31, 2019 (see Note 11).

On July 3, 2020, BGI entered into a surety agreement with Parent Company and the lenders whereby Parent Company, as a surety, guarantees the funding of the DSRA in accordance with the loan agreement for the benefit of BGI, in lieu of the cash deposit standing in DSRA.

FG Hydro Loan

On May 7, 2010, FG Hydro signed a 10-year ₱5.0 billion loan agreement with PNB and Allied Bank, maturing on May 7, 2020. The loan is secured by a real estate chattel mortgages on all present and future mortgageable assets of FG Hydro. The loan carries an interest rate of 9.025% subject to repricing after five years. Loan repayment is semi-annual based on increasing percentages yearly with the first payment made on November 8, 2010. The loan proceeds were used to finance the full payment of the Deferred Payment Facility and the PRUP, and fund general corporate and working capital requirements of FG Hydro.

On November 7, 2012, FG Hydro's outstanding loan amounting to ₱4.3 billion was restructured by way of an amendment to the loan agreement. The amended agreement provided for a change in the determination of the applicable interest rates and extended the maturity date of the loan by two years with the last repayment to be made on November 7, 2022. FG Hydro has the option to select its new applicable interest rate between a fixed or a floating interest rate. FG Hydro initially opted to avail of the loan at the floating rate which is the higher of the 6-month PDST-F rate plus a margin of 1.50% per annum or the BSP overnight rate plus a margin of 1% per annum as determined on the interest rate setting date. On May 7, 2015, both parties agreed to replace the six-month PDST-F rate with the six-month PDST-R2 rate as the floating benchmark rate going forward, while the floor rate for a floating loan was pegged at the BSP overnight rate. FG Hydro had a one-time option to convert to a fixed interest rate for the remaining life of the loan at least seven (7) banking days before any interest setting date. The principal and the interest on the loan are payable on a semi-annual basis. On February 29, 2016, the loan agreement was amended to release from the loan security all present and future chattel and non-critical real assets as specified under the amendment.

On May 7, 2018 and May 8, 2017, FG Hydro made voluntary partial prepayments of the principal loan balance amounting to ₱0.5 billion and ₱0.6 billion, respectively.

On November 7, 2018, FG Hydro fully paid the remaining outstanding loan amounting to ₱0.3 billion.

On November 16, 2018, following the full repayment of the loan, PNB Trust Banking Group executed a release of mortgage in favor of FG Hydro to cancel and discharge the Real Estate mortgages created under the loan. The release was registered with the Register of Deeds in Talavera, Nueva Ecija on December 5, 2019, thereby terminating the mortgages on FG Hydro's assets.

Unused Credit Facilities

As of December 31, 2020 and 2019, the Company has ₱14,794.5 million and ₱23,553.5 million, respectively, of unused credit facilities from various local banks, which may be availed of for future operating activities.

Loan Covenants

The loans of the Parent Company and its subsidiaries are subject to certain financial covenants. The Parent Company is only required to maintain a certain level of debt to equity ratio in its peso bonds



while EBWPC is obliged to meet an acceptable level of debt to equity ratio and debt service coverage ratio. Under the various loan agreements, the Parent Company and EBPWC are also subject to debt incurrence ratios and equity distribution restriction ratio, depending on the counterparty, in each case subject to certain exceptions and conditions.

As of December 31, 2020 and 2019, the Parent Company, EBWPC, GCGI and BGI are in compliance with the loan covenants of all their respective outstanding debts.

18. Provisions and Other Long-term Liabilities

	2020	2019
Provision for rehabilitation and restoration costs (Notes 3, 12 and 14)	₱1,584,832,119	₱1,256,441,245
Provision for sick leave and vacation leave	296,060,590	295,045,572
Others (Notes 3, 25 and 32)	692,209,331	632,513,451
	₱2,573,102,040	₱2,184,000,268

Provision for rehabilitation and restoration costs

This account includes the provision for rehabilitation and restoration costs of the Company which pertain to the present value of estimated costs of legal and constructive obligations required to restore all the existing sites upon termination of the cooperation period. The nature of these restoration activities includes dismantling and removing structures, rehabilitating wells, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment at the site is disturbed. When the liability is initially recognized, the present value of the estimated costs is capitalized as part of the carrying amount of the related FCRS and production wells under “Property, plant and equipment” and “Exploration and evaluation assets” accounts (see Notes 12 and 14).

The rollforward analysis of the provision for rehabilitation and restoration costs is presented below:

	2020	2019
Balances at beginning of year	₱1,256,441,245	₱860,660,280
Effect of revision of estimate (Notes 12 and 14)	274,183,969	337,104,723
Accretion of interest (Note 25)	54,206,905	58,676,242
Balances at end of year	₱1,584,832,119	₱1,256,441,245

Provision for sick leave and vacation leave

This account consists of provision for vacation and sick leave entitlement of active employees which can be monetized and converted into cash. The provision pertains to the unused vacation and sick leaves at the end of the calendar year up to the maximum allowed leave credits for provision. Vacation and sick leave credits exceeding the maximum allowed are forfeited.

The calculation of the provision for vacation and sick leave entitlement is actuarially determined using assumptions such as discount rate and salary rate increase. In determining the appropriate discount rate, the Company considers the interest rates on government bonds denominated in Peso and have terms to maturity approximating the terms of related liability.



Details of provision for vacation and sick leave as of and for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Balances at beginning of year	₱295,045,572	₱310,023,570
Expense (reversal)	1,015,018	(14,977,998)
Balances at end of year	₱296,060,590	₱295,045,572

Others

Others include provision for pending assessments from various regulatory agencies and outstanding legal cases including the corresponding interest thereon. Such estimated costs were developed in consultation with in-house and external legal counsels and are based on the thorough analysis of the potential outcomes. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Others also include the deposits from contestable customers pursuant to the Retail Supply Contract entered into by BGI and its customers.

As of December 31, 2020 and 2019, provision for pending assessments and outstanding legal cases amounted to ₱583.4 million and ₱575.6 million, respectively. Details of provision for pending assessments are as follows:

	2020	2019
Balances at beginning of year	₱575,564,411	₱664,006,583
Addition	48,126,639	48,126,639
Accretion of interest (Notes 3 and 25)	7,811,107	7,811,107
Reversals	(48,126,639)	(144,379,918)
Balances at end of year	₱583,375,518	₱575,564,411

19. Equity

On May 19, 2009, the BOD and the stockholders approved an increase in EDC's authorized capital stock from ₱15.1 billion comprising of 15.0 billion common shares with a par value of ₱1.00 per share or aggregate par value of ₱15.0 billion, and 7.5 billion preferred shares with a par value of ₱0.01 per share or aggregate par value of ₱75.0 million to ₱30.1 billion divided into 30.0 billion common shares with a par value of ₱1.00 per share or aggregate par value of ₱30.0 billion, and 15.0 billion preferred shares with a par value of ₱0.01 per share or aggregate par value of ₱150.0 million. The increase in authorized capital stock of the common shares was effected by way of a 25% stock dividend, to be taken from EDC's unrestricted retained earnings as of December 31, 2008.

On October 12, 2009, the Philippine SEC approved the increase in the EDC's authorized capital stock from ₱15.1 billion to ₱30.1 billion divided into 30 billion common shares with a par value of ₱1.00 per share and 15.0 billion preferred shares with a par value of ₱0.01 per share by way of common stock dividends (totaling 3.75 billion common shares with any fractional shares being subscribed by the EDC Retirement Fund and/or Trust for the EDC Executive/Employee Stock Ownership Plan) and the subscription by the current preferred stockholders to 1.875 billion preferred shares, representing 25% of the increase in the preferred shares at par value. The stock dividends were distributed on November 23, 2009 to stockholders as of the record date of October 27, 2009.



On February 28, 2014, the BOD approved the reclassification of EDC's 3.0 billion common shares with a par value of ₱1.00 per share or aggregate par value of ₱3.0 billion out of the unissued authorized common stock to 300.0 million non-voting preferred shares with a par value of ₱10.00 per share or aggregate par value of ₱3.0 billion thereby creating a new class of preferred shares. On November 24, 2014, the Philippine SEC approved the above reclassification from the unissued authorized common shares of the Parent Company.

On August 3, 2017, EDC received notice from PREHC that PREHC filed a Tender Offer Report with the Philippine SEC in which it indicated that it will launch a voluntary tender offer to acquire up to a maximum of 8.9 billion common shares of EDC, representing approximately 31.7% of EDC's total outstanding voting shares, at a price of ₱7.25 per share. PREHC is indirectly held by a consortium of investors comprising funds managed by Macquarie Infrastructure Management (Asia) Pty Limited, Singapore Branch, a member of MIRA, and Arran Investment Pte Ltd, an affiliate of GIC Pte Ltd. of Singapore.

The tender offer began on August 10, 2017 and ended on September 18, 2017.

The completion of the tender offer resulted to PREHC owning 31.7% of EDC's outstanding voting shares while Red Vulcan retains the controlling interest with 60.0% ownership of EDC's outstanding voting shares.

On August 7, 2018, the BOD of EDC approved the voluntary delisting (the Delisting) of its common shares from the Main Board of the PSE and, in accordance with the PSE's delisting rules and regulations, to conduct a tender offer (the Tender Offer) for up to 2,040,006,713 common shares held collectively by all shareholders of the Company other than Red Vulcan Holdings Corporation (Red Vulcan), First Gen Corporation (First Gen), Northern Terracotta Power Corp. (NTPC) and PREHC, at a price of ₱7.25 per common share (the Tender Offer Price).

On September 19, 2018, EDC filed a petition for the Delisting with the PSE.

The Tender Offer began on September 24, 2018 and ended on October 22, 2018.

Following the completion of the Tender Offer, a total of 2,009,107,731 common shares, representing approximately 10.72% of the EDC's outstanding voting shares were tendered pursuant to the Tender Offer, accepted and thereafter purchased by EDC via a block sale through the facilities of the PSE on November 5, 2018. The shares were purchased at the Tender Offer Price with a total transaction value of ₱14,566.0 million.

On November 14, 2018, the BOD of the PSE granted the voluntary delisting filed by EDC and accordingly ordered the delisting of the EDC's common shares from the official registry of the PSE (electronic board and ticker) effective on November 29, 2018.

On December 3, 2018, the BOD of EDC approved the issuance of additional 326,250,000 non-preemption common shares to PREHC out of its existing unissued capital stock at an issue price of ₱7.25 per common share.

As of December 31, 2020 and 2019, the outstanding voting preferred and common shares are 65.0% held by Filipino citizens, with Red Vulcan holding 16.9 billion shares, or an equivalent of 44.0% economic interest.

The ownership of the Parent Company's preferred shares is limited to Filipino citizens. The voting issued and outstanding preferred shares are entitled to eight percent (8%) cumulative dividends. On



April 5, 2019 and May 9, 2019, the BOD and the stockholders, respectively, approved the amendment to the Seventh Article of the Articles of Incorporation of the Parent Company, to increase the dividends of the voting preferred shares by adding a fixed annual dividends at the rate as may be determined and revised from time to time by the BOD, in addition to the current dividend rate of eight percent (8%) of the par value of the voting preferred shares. The Amended Articles of Incorporation of the Parent Company was approved by the Philippine SEC on October 17, 2019. Red Vulcan holds the entire 9.4 billion outstanding voting preferred shares equivalent to 35.5% voting interest in EDC as of December 31, 2020 and 2019. The combined interest of Red Vulcan entitles it to 63.9% voting interest and 44.0% economic interest in EDC as of December 31, 2020 and 2019.

The number of stockholders of the Parent Company as of December 31, 2020 and 2019 follows:

	2020	2019
Voting preferred shares	1	1
Common shares	964	960

Details of the number of non-voting preferred shares, voting preferred shares and common shares as of December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Non-voting preferred shares - ₱10.00 par value per share			
Authorized	300,000,000	300,000,000	300,000,000
Issued and outstanding	—	—	—
Voting preferred shares - ₱0.01 par value per share			
Authorized	15,000,000,000	15,000,000,000	15,000,000,000
Issued and outstanding	9,375,000,000	9,375,000,000	9,375,000,000
Common shares - ₱1.00 per share par value			
Authorized	27,000,000,000	27,000,000,000	27,000,000,000
Issued	19,076,250,000	19,076,250,000	19,076,250,000
Outstanding (net of 2.0 billion Treasury Stock as at December 31, 2020, 2019 and 2018)	17,048,667,471	17,053,183,392	17,054,152,269

As of December 31, 2020 and 2019, the Parent Company's preferred stock consists of the following:

- The voting preferred shares have voting rights, entitled to cumulative dividend rate of eight percent (8.0%) per annum, and redeemable at par in the event that restrictions on foreign share ownership are lifted. On October 17, 2019, the Philippine SEC approved the amendment in the Parent Company's Articles of Incorporation to increase the dividends of the voting preferred shares by adding a fixed annual dividends at the rate as may be determined and revised from time to time by the BOD, in addition to the current dividend rate of eight percent (8%) of the par value of the voting preferred shares.



- The non-voting preferred shares have non-voting rights, entitled to cumulative dividend at a rate to be determined by the Board of Directors at the time of issuance, and redeemable at the option of the Parent Company.

Preferred shares, regardless if voting or non-voting, are non-participating and non-convertible to common shares.

Treasury Stock

On August 7, 2018, the BOD, as part of the Company's plan to voluntary delist, approved the buyback of up to 2.04 billion common shares held collectively by all shareholders of the Company other than Red Vulcan, First Gen, NTPC and PREHC at a price of ₱7.25 per common share.

As of December 31, 2020, the details of the shares acquired are as follows:

Date of Acquisition	Number of Shares	Average price per share	Total Amount
November 18, 2020	9,750	₱7.2500	₱70,688
September 17, 2020	1,105,726	7.2500	8,016,512
June 25, 2020	1,049,967	7.2500	7,612,261
June 23, 2020	1,368,075	7.2500	9,918,544
March 3, 2020	699,978	7.2500	5,074,840
February 26, 2020	241,425	7.2500	1,750,331
February 18, 2020	41,000	7.2500	297,250
October 16, 2019	680,000	7.2500	4,930,000
September 25, 2019	31,875	7.2500	231,094
June 6, 2019	111,670	7.2500	809,607
April 21, 2019	19,707	7.2500	142,876
April 11, 2019	5,625	7.2500	40,781
February 22, 2019	120,000	7.2500	870,000
November 5, 2018	2,009,107,731	7.2500	14,566,031,050
May 3, 2016	1,000,000	5.6350	5,650,299
May 2, 2016	390,000	5.6623	2,214,701
April 8, 2016	2,000,000	5.6370	11,303,312
January 11, 2016	900,000	5.5475	5,005,731
January 8, 2016	3,700,000	5.6394	20,921,074
December 14, 2015	2,000,000	5.5813	11,190,764
December 11, 2015	3,000,000	5.7267	17,225,627
Total	2,027,582,529		₱14,679,307,342

Common Shares in Employee Trust Account

On March 25, 2008, the BOD of the Parent Company approved a share buyback program involving up to ₱4.0 billion worth of the Parent Company's common shares, representing approximately 4% of the Parent Company's market capitalization as of the date of the approval. The buyback program was carried out within a two-year period which commenced on March 26, 2008 and ended on March 25, 2010. The Parent Company intended to implement an executive/employee stock option ownership plan through options, grants, purchases, or such other equivalent methods. In 2008, the Parent Company acquired a total of 93.0 million common shares for a total cost of ₱404.2 million.



In 2009, 93.0 million common shares (before the 25% stock dividend) held in treasury that were acquired in 2008 at the cost of ₱404.2 million have been issued irrevocably by the Parent Company to BDO Trust for the benefit of the executive/employee grantees under the Parent Company's Employee Stock Grant Plan (ESGP).

The ESGP is an integral part of the Parent Company's total rewards program for its officers and employees and is intended to provide an opportunity for participants to have real and personal direct interest in the Parent Company.

The BDO Trust is an independent and separate legal entity. EDC has neither control nor discretion over the administration and investment activity on the common shares in executive/employee benefit trust held by BDO Trust. These shares are part of the issued and outstanding common shares and are entitled to vote and receive dividend. These shares will not revert to EDC even if the planned stock grant plan or other such plan is terminated. Any fruits or interests of these shares shall be for the sole and exclusive benefit of the officers and employees of EDC who are identified grantees of such stock plans. Any capital appreciation or decline in value, dividends, or other benefits declared on these shares shall accrue to the trust account and EDC shall not have any claim thereon. The issuance of the common shares to BDO Trust was recognized under the "Common shares in employee trust account" account in the consolidated statements of financial position.

The stock grants are given in lieu of cash incentives and bonuses. The grant of shares under the ESGP does not require an exercise price to be paid by the awardees. The granted shares will vest over a three-year period as follows: 20% after the first anniversary of the grant date; 30% after the second anniversary of the grant date; and the remaining 50% after the third anniversary of the grant date. Awardees that resign or are terminated will lose any right to unvested shares. There are no cash settlement alternatives.

The ESGP covers officers and employees of the Parent Company or other individuals whom the Committee may decide to include. The Committee shall maintain the sole discretion over the selection of individuals to whom awards may be granted for any given calendar year.

In 2017, in connection with the public tender offer of PREHC to acquire common shares of EDC, the BDO Trust tendered a total of 88.0 million EDC common shares out of the 100.7 million remaining common shares which have been issued irrevocably by EDC, for ₱633.7 million at ₱7.20 per share, resulting to an APIC of ₱327.7 million. The proceeds from the sale of these shares were transferred by the BDO Trust to the Company's retirement fund (see Note 28).

In 2018, in connection with the tender offer of EDC to acquire its common shares owned by the public as part of its planned voluntary delisting, the BDO Trust tendered all the remaining common shares which have been issued irrevocably by EDC, for ₱111.8 million, resulting to an APIC of ₱67.5 million. The proceeds from the sale of these shares were transferred by the BDO Trust to the Company's retirement fund (see Note 28).

In November 2019, 10 years after the Plan's adoption date, which reckoned from the filing of the 10-1 with the SEC in November 2009, the Parent Company's ESGP ended.



Cumulative Translation Adjustments

The details of cumulative translation adjustments as of December 31, 2020 and 2019 are as follows:

	2020	2019
Foreign exchange adjustments	(P38,170,779)	P259,863,962
EBWPC's change in functional currency	417,367,032	417,367,032
Balances at end of year	P379,196,253	P677,230,994

The movements in the "Foreign exchange adjustments" account in 2020 and 2019 are as follows:

	2020	2019
Balances at beginning of year	P259,863,962	P397,973,803
Foreign exchange adjustments	(298,034,741)	(138,109,841)
Balances at end of year	(P38,170,779)	P259,863,962

In 2016, EBWPC changed its functional currency to US Dollar. In accordance with PAS 21, such change in functional currency was accounted for prospectively. Balances as of January 1, 2016 were translated using the exchange rate at the date of change and the resulting translated amounts for nonmonetary items are treated as their historical cost. The change in functional currency resulted in an exchange difference amounting to P417.4 million which was presented as part of the "Cumulative translation adjustments" in the consolidated statement of financial position.

Equity Reserve

On October 16, 2008, EDC, First Gen and FG Hydro entered into a Share Purchase and Investment Agreement (SPIA), whereby EDC shall own 60% of the outstanding equity of FG Hydro, which was then a wholly owned subsidiary of First Gen prior to the SPIA. FG Hydro and EDC were subsidiaries of First Gen at that time and were, therefore, under common control of First Gen. The acquisition was accounted for similar to a pooling-of-interests method since First Gen controlled FG Hydro and EDC before and after the execution of the SPIA. EDC recognized equity reserve amounting to P3,706.4 million pertaining to the difference between the acquisition cost and EDC's proportionate share in the paid-in capital of FG Hydro.

Retained Earnings

Dividends

Following are the dividends declared by the Parent Company:

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount
2020:						
May 29, 2020	June 15, 2020	July 10, 2020	Common	Regular	P0.1173	P2,000,000,000
			Preferred	Regular	0.0313	293,500,000
November 18, 2020	December 18, 2020	January 27, 2021	Common	Special	0.2933	5,000,000,000
						P7,293,500,000

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount
2019:						
May 24, 2019	May 23, 2019	June 19, 2019	Common	Regular	P0.1759	P2,999,822,352
			Preferred	Regular	0.0305	286,000,000
			Preferred	Regular	0.0008	7,500,000
			Preferred	Regular	0.0008	7,500,000
November 15, 2019	December 20, 2019	January 16, 2020	Common	Special	0.2461	4,200,000,000
						P7,500,822,352



No dividends were declared in 2018.

The retained earnings balance is restricted to the extent of: (a) acquisition price of the treasury stocks amounting to ₱14,679.3 million and ₱14,646.6 million as of December 31, 2020 and 2019, respectively; and (b) the undistributed net earnings of subsidiaries amounting to ₱12,857.5 million and ₱10,591.5 million as of December 31, 2020 and 2019, respectively. Undistributed earnings of the subsidiaries are not available for dividend distribution until such time that the Parent Company receives the dividends from these subsidiaries.

Appropriation of Retained Earnings

In December 2018, the BOD of the Company approved a resolution to appropriate ₱20.0 billion out of the Company's unrestricted retained earnings for its planned loan principal payment for loans maturing in 2020 to 2022. In December 2020 and 2019, the BOD of the Company approved a resolution to appropriate additional ₱2.4 billion and ₱6.7 billion, respectively, out of the Company's unrestricted retained earnings for the same purpose.

In 2020, the Company made a reversal of prior years' appropriation of retained earnings for payment of long-term debts amounting to ₱5.7 billion.

NCI

The non-controlling interests in the consolidated financial statements represent mainly the ownership by First Gen of 100% of preferred shares and 40% of common shares of FG Hydro.

In 2019 and 2018, FG Hydro declared and paid dividends amounting to ₱1.0 billion and ₱200.0 million, of which, ₱400.0 million and ₱80.0 million are attributable to non-controlling common shareholder, respectively. No dividends were declared by FG Hydro in 2020.

Following are the summarized financial information of FG Hydro as at December 31, 2020 and 2019 and for each of the three (3) years in the period ended December 31, 2020:

Statements of financial position

	2020	2019
	<i>(In Thousand Pesos)</i>	
Current assets	₱1,857,695	₱1,115,417
Noncurrent assets	3,707,285	4,021,881
Total Assets	₱5,564,980	₱5,137,298
	2020	
	<i>(In Thousand Pesos)</i>	
Current liabilities	₱444,472	₱143,337
Noncurrent liabilities	83,031	70,422
Total Liabilities	527,503	213,759
Total Equity	5,037,477	4,923,539
Total Liabilities and Equity	₱5,564,980	₱5,137,298



Statements of comprehensive income

	2020	2019	2018
	<i>(In Thousand Pesos)</i>		
Revenue	₱2,068,366	₱2,391,251	₱1,864,287
Cost and operating expenses	(1,629,900)	(1,245,122)	(1,259,110)
Other charges	(286,901)	23,901	(12,244)
Income before income tax	151,565	1,170,030	592,933
Provision for income tax	(38,812)	(112,582)	(112,101)
Net income	112,753	1,057,448	480,832
Other comprehensive income	—	—	—
Total comprehensive income	₱112,753	₱1,057,448	₱480,832

Statements of cash flows

	2020	2019	2018
	<i>(In Thousand Pesos)</i>		
Net cash flows from operating activities	₱594,106	₱1,451,762	₱1,411,057
Net cash flows used in investing activities	(578,362)	(523,406)	(34,918)
Net cash flows used in financing activities	—	(1,000,000)	(1,214,960)
Net increase (decrease) in cash and cash equivalents	₱15,744	(₱71,644)	₱161,179

20. 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.

Following are the amounts of transactions and outstanding balances as of and for the years ended December 31, 2020, 2019 and 2018 with entities under common control:

Related Party	Nature of Transaction	Terms	Transactions for the years ended December 31			Outstanding Balances as of December 31	
			2020	2019	2018	2020	2019
Due to related parties							
Entities under common control							
First Gen	Consultancy fee	Unsecured and will be settled in cash	₱57,058,824	₱57,058,824	₱383,435,294	₱—	₱—
	Interest-free advances	- do -	4,945,724	11,063,272	17,932,290	4,753,549	2,642,871
	Dividends		—	26,194,892	—	—	—
	Survey services		—	10,900,000	—	—	—
FGP Corp	Interest-free advances	- do -	90,000	—	25,760	90,000	—
Lopez Holding	Interest-free advances	- do -	—	—	—	—	—
First Gas Power Corporation	Interest-free advances	- do -	—	12,401,786	215,858	—	—
			₱62,094,548	₱117,618,774	₱401,609,202	₱4,843,549	₱2,642,871

(Forward)



Related Party	Nature of Transaction	Terms	Transactions for the years ended December 31			Outstanding Balances as of December 31	
			2020	2019	2018	2020	2019
Dividends payable							
(Note 16)							
<i>Affiliate</i>							
Philippine Renewable Energy Holdings Corp.	Dividend	Unsecured and will be settled in cash	₱3,787,974,931	₱3,895,309,434	₱—	₱2,705,856,580	₱2,272,317,626
<i>Entities under common control</i>							
Red Vulcan	Dividend	- do -	3,372,737,238	3,166,489,241	—	2,199,585,397	1,847,162,449
First Gen	Dividend	- do -	61,137,458	62,869,824	—	43,672,199	36,674,932
			₱7,221,849,627	₱7,124,668,499	₱—	₱4,949,114,176	₱4,156,155,007

Due from related parties

Entities under common control

First GES	Other services	Unsecured and will be settled in cash	₱—	₱6,811,916	₱41,024,013	₱21,562,312	₱30,515,382
Thermaprime	Interest-free advances	- do -	3,928,682	1,597,534	—	1,941,251	1,597,534
			₱3,928,682	₱8,409,450	₱41,024,013	₱23,503,563	₱32,112,916

Trade and other receivables (Note 7)

Entities under common control

First GES	Sale of electricity	Unsecured and will be settled in cash	₱594,261,769	₱869,330,831	₱1,873,178,749	₱49,275,932	₱76,786,081
Rockwell Land Corporation	- do -	- do -	162,188,311	212,827,996	112,517,550	22,938,969	15,407,303
			₱756,450,080	₱1,082,158,827	₱1,985,696,299	₱72,214,901	₱92,193,384

Trade and other payables (Note 16)

Entities under common control

First Balfour Inc.	Civil Works and other services	Unsecured and will be settled in cash	₱1,424,890,693	₱881,513,707	₱663,476,497	₱907,624,451	₱487,064,889
Thermaprime	Drilling and other related services	- do -	1,197,191,635	1,161,690,180	722,043,718	314,450,586	192,626,358
Rockwell Land Corporation	Purchase of services and utilities	- do -	171,580,964	—	50,631	127,642,547	2,431,475
First GES	Purchase of services and utilities	- do -	70,781,872	41,783,722	91,863,444	13,031,995	11,389,434
First Philec Manufacturing Technologies Corp	Purchase of services and utilities	- do -	—	—	—	2,077,482	2,077,482
Adtel	Purchase of services and utilities	- do -	259,216	333,950	626,047	956,016	572,714
Skycable	Purchase of services and utilities	- do -	—	—	—	697,473	1,458,482
First Philippine Industrial Corporation	Purchase of services and utilities	- do -	—	151,544	326,455	465,629	465,225
First Philec Inc.	Purchase of services and utilities	- do -	—	—	373,110	358,000	358,000
First Philippine Realty Corporation	Purchase of services and utilities	- do -	1,717,355	3,814,493	1,899,772	140,564	567,366
Securities Transfer Services, Inc.	Purchase of services and utilities	- do -	—	43,234	36,720	43,233	43,234
ABS-CBN Publishing, Inc.	Purchase of services and utilities	- do -	—	—	—	3,600	3,600
ABS-CBN Corporation	Purchase of services and utilities	- do -	130,621	132,996	2,204,889	—	132,996
			₱2,866,552,356	₱2,089,463,826	₱1,482,901,283	₱1,367,491,576	₱699,191,255

Lease Liability (Note 31)

Entities under common control

Rockwell Land Corporation	Lease	Unsecured and will be settled in cash	₱44,747,049	₱23,884,102	₱—	₱251,456,039	₱86,853,592

Miscellaneous Income

Entities under common control

First Gen	Dividend	Unsecured and will be settled in cash	₱6,885,872	₱6,762,910	₱4,303,670	₱—	₱—



The amounts outstanding are unsecured and will be settled in cash. The Company did not recognize any impairment losses on receivables from related parties in 2020, 2019 and 2018. Entities under common control consists of subsidiaries (direct or indirect) of Lopez, Inc., the Company's ultimate parent.

i. First Gen

Consultancy agreement

First Gen provides financial consultancy, business development and other related services to the Parent Company under a consultancy agreement.

Under the latest contract, First Gen agrees to provide consultancy services to the Parent Company until December 31, 2020.

The total consultancy services amounted to ₱57.1 million, ₱57.1 million and ₱383.4 million in 2020, 2019 and 2018, respectively and were included in the "Purchased services and utilities" under "General and administrative expenses" account (see Note 23).

Equity securities

As of December 31, 2020 and 2019, EDC owns First Gen shares with fair market values totaling to ₱346.8 million and ₱297.0 million, respectively. These acquired First Gen shares were recognized in the consolidated statements of financial position as financial assets at FVOCI as at December 31, 2020 and 2019 (see Note 9).

Dividend income earned from the investment in First Gen shares amounted to ₱6.9 million, ₱6.8 million and ₱4.3 million in 2020, 2019 and 2018, respectively (see Note 9).

ii. First Balfour, Inc. (First Balfour)

Following the regular bidding process, the Company awarded to First Balfour procurement contracts for various works such as civil, structural and mechanical/piping works in the Company's geothermal, wind and solar power plants.

As of December 31, 2020 and 2019, the outstanding balance amounted to ₱907.6 million and ₱487.1 million, respectively, recorded under "Trade and other payables" account in the consolidated statements of financial position (see Note 16).

iii. Thermaprime

Thermaprime Well Services, Inc. (Thermaprime) is a subsidiary of First Balfour, a wholly owned subsidiary of First Holdings. Thermaprime provides drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering. Thermaprime provides drilling services and drilling rig preservation services to EDC.

On August 31, 2018, EDC entered into a contract with Thermaprime for the sale of Rigs and its ancillary items for an amount of ₱1.0 million, exclusive of VAT. The loss on sale amounting ₱38.0 million was recognized under "Miscellaneous income" (see Note 27).

As of December 31, 2020 and 2019, the outstanding balance payable to Thermaprime amounted to ₱314.5 million and ₱192.6 million, respectively, recorded under "Trade and other payables" account in the consolidated statements of financial position (see Note 16).



iv. Rockwell Land Corporation

In 2019, the Parent Company entered into an agreement with Rockwell Land Corporation (Rockwell) for the lease of an office space in Rockwell Business Center.

As of December 31, 2020 and 2019, the outstanding lease liability related to Rockwell amounted to ₱251.5 million and ₱86.9 million, respectively.

Intercompany Guarantees

The Parent Company issued a credit line amounting to US\$80.0 million in favor of its subsidiary, EDC Chile Limitada, as evidence of the Parent Company's financial support for EDC Chile Limitada's participation in the bids for geothermal concession areas by the Chilean Government.

Also, the Parent Company issued letters of credit in favor of its subsidiaries in Peru, namely, EDC Peru S.A.C. and EDC Energia Verde Peru SAC at US\$0.27 million each as evidence of the Parent Company's financial support for the geothermal authorizations related to the exploration drilling activities of the said entities.

On January 22, 2020 and July 3, 2020, the Parent Company entered into a surety agreement with GCGI and BGI, respectively, and the lenders whereby the Parent Company, as a surety, guarantees the funding of the DSRA in accordance with the loan agreement for the benefit of GCGI and BGI, in lieu of the cash deposit standing in DSRA.

Remuneration of Key Management Personnel

The remuneration of the directors and other members of key management personnel by benefit type are as follows:

	2020	2019	2018
Short-term employee benefits	₱239,641,530	₱162,032,941	₱142,051,473
Post-employment benefits (Note 28)	10,480,676	11,490,354	11,533,421
	₱250,122,206	₱173,523,295	₱153,584,894

21. **Revenue from Sale of Electricity**

Revenue from contracts with customers

a. Power purchase agreements (PPAs)

Unified Leyte

The PPA provides, among others, that NPC shall pay the Parent Company a base price per kilowatt-hour of electricity delivered subject to inflation adjustments. The PPA stipulates a contracted annual energy of 1,370 GWH for Leyte-Cebu and 3,000 GWH for Leyte-Luzon throughout the term of the PPA. It also stipulates that the Parent Company shall specify the nominated energy for every contract year. The contract is for a period of 25 years, which commenced in November 1997 will expire for Leyte-Cebu and Leyte-Luzon in July 2021 and July 2022, respectively.



Mindanao I

The PPA provides, among others, that NPC shall pay the Parent Company a base price per kilowatt-hour of electricity delivered, subject to inflation adjustments. The PPA stipulates a minimum offtake energy of 330 GWH for the first year and 390 GWH per year for the succeeding years. The contract is for a period of 25 years, which commenced in March 1997.

Mindanao II

The PPA provides, among others, that NPC shall pay the Parent Company a base price per kilowatt-hour of electricity delivered, subject to inflation adjustments. The PPA stipulates a minimum energy offtake of 398 GWH per year. The contract is for a period of 25 years, which commenced in June 1999.

b. Power supply agreements (PSAs)

EDC, GCGI, BGI, FG Hydro and ULGEI entered into various PSAs with private distribution utilities, electric cooperatives, retail electricity supplier and industrial customers with contract periods ranging from two (2) years to 26 years as of December 31, 2020 and 2019. These contracts will expire on September 25, 2021 at the earliest and December 25, 2040 at the latest. Under these contracts, the aforementioned entities shall generate and deliver to its bilateral customers the contracted energy on a monthly basis, and are paid based on price per kilowatt-hour of electricity delivered, subject to certain adjustments such as foreign exchange and inflation.

c. Spot market sales

Electricity in excess of contracted capacity are sold to the spot market at spot market rate.

d. Feed-in-tariff (FIT)

EDC and EBWPC were issued a FIT COC by the ERC which entitles them to an applicable FIT rate, as prescribed by the ERC. EDC and EBWPC also signed agreements with National Transmission Corporation (TransCo), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, subject to adjustments as may be approved by the ERC, for the entire duration of its FIT eligibility period.

e. Retail supply contracts

BGI has entered into various retail supply contracts with contestable customers with contract periods ranging from 12 months to 24 months as of December 31, 2020 and 2019. The remaining periods of these contracts as at December 31, 2020 and 2019 ranges from two (2) months to 24 months. Under the RSCs, BGI charges the customer both the basic energy and pass through charges, as may be applicable.

f. Ancillary services procurement agreements (ASPAs)

EDC, GCGI and FG Hydro each have entered into ASPAs with NGCP which is effective for a period of five (5) years, commencing upon approval of the ERC.



22. Costs of Sale of Electricity

	2020	2019	2018
Depreciation and amortization (Notes 12 and 13)	₱6,029,979,784	₱5,943,540,328	₱5,935,783,921
Purchased services and utilities (Notes 20)	5,005,740,549	6,765,576,353	6,068,037,438
Rental, insurance and taxes (Note 32)	2,102,864,148	2,196,655,797	1,851,854,237
Personnel costs (Notes 24 and 28)	1,521,265,387	1,816,209,771	1,790,786,732
Repairs and maintenance	1,359,130,701	1,624,140,348	2,000,355,631
Parts and supplies issued (Note 10)	1,047,926,909	1,087,312,417	1,103,309,646
Government share (Notes 16 and 33)	277,014,235	301,619,782	245,019,089
Business and related expenses	74,407,343	113,442,507	97,671,727
	₱17,418,329,056	₱19,848,497,303	₱19,092,818,421

Purchased services and utilities includes electricity purchased from the spot market, professional and technical services, hauling and handling costs, rig mobilization charges, contractual personnel costs, and other services and utilities expense.

Business and related expenses consists of expenses incurred by the Company for local and foreign travel, company meeting expenses and advertising, and among other business expenses.

23. General and Administrative Expenses

	2020	2019	2018
Purchased services and utilities	₱1,804,253,992	₱2,317,620,219	₱2,480,336,855
Personnel costs (Notes 24 and 28)	1,574,581,661	1,957,009,436	1,741,843,577
Business and related expenses	525,490,037	425,616,044	349,726,068
Depreciation and amortization (Notes 12 and 13)	517,284,963	471,329,570	292,226,428
Rental, insurance and taxes (Note 32)	438,601,894	1,022,328,458	829,922,699
Provisions for impairment of trade and other receivables, and prepaid taxes (Notes 7 and 15)	253,265,909	848,371,753	243,767,845
Parts and supplies issued (Note 10)	165,351,167	86,593,849	105,673,705
Provision for (reversal of) impairment of parts and supplies inventories (Notes 3, 5 and 10)	79,960,616	(63,357,171)	96,642,873
Repairs and maintenance	62,549,968	56,725,215	49,222,064
	₱5,421,340,207	₱7,122,237,373	₱6,189,362,114



24. Personnel Costs

	2020	2019	2018
Salaries and other benefits	₱2,799,524,212	₱3,633,084,079	₱3,245,189,090
Net retirement and other post-employment benefit expense (Note 28)	266,226,303	106,553,976	260,073,892
Social security costs	30,096,533	33,581,152	27,367,327
	₱3,095,847,048	₱3,773,219,207	₱3,532,630,309
Costs of sale of electricity (Note 22)	₱1,521,265,387	₱1,816,209,771	₱1,790,786,732
General and administrative expenses (Note 23)	1,574,581,661	1,957,009,436	1,741,843,577
	₱3,095,847,048	₱3,773,219,207	₱3,532,630,309

25. Interest Income and Interest Expense

Interest income consists of the following:

	2020	2019	2018
Interest income on cash and cash equivalents, debt service reserve account and other short-term investments (Notes 6 and 11)	₱240,115,605	₱557,889,408	₱462,616,895
Others	6,172,530	6,493,647	66,697,561
	₱246,288,135	₱564,383,055	₱529,314,456

Others include interest income from FIT rate adjustments (see Note 37), financial assets at FVOCI, and interest income on late payments of Transco.

Interest expense consists of the following:

	2020	2019	2018
Interest on long-term debts including amortization of transaction costs (Notes 17 and 31)	₱3,543,355,506	₱3,797,715,772	₱4,031,570,239
Interest accretion on provision for rehabilitation and restoration costs (Notes 3, 12 and 18)	54,206,905	58,676,242	56,662,302
Interest on lease liability (Note 32)	17,373,171	23,709,184	—
Interest on liability from litigation (Notes 3 and 18)	7,811,107	7,811,107	7,750,706
	₱3,622,746,689	₱3,887,912,305	₱4,095,983,247

Interest on liability from litigation is related to land expropriation (see Notes 3 and 18).



26. Foreign Exchange Gains (Losses)

	2020	2019	2018
Realized foreign exchange losses - net	(₱142,541,631)	(₱67,339,375)	(₱229,319,185)
Unrealized foreign exchange gains (losses) - net	382,920,084	136,279,776	(289,092,677)
Net foreign exchange gains (losses)	₱240,378,453	₱68,940,401	(₱518,411,862)

This account pertains mainly to foreign exchange adjustments realized on repayment of loans and unrealized on restatement of outstanding balances of foreign currency-denominated long-term debt and trade payables, and cash and cash equivalents. The detailed information with respect to the closing foreign exchange rates used in the translation of monetary assets and liabilities of the Company as of December 31, 2020 and 2019 is presented in Note 31 to the consolidated financial statements.

27. Miscellaneous Income

	2020	2019	2018
Income from insurance claims (Note 32)	₱1,830,683,777	₱2,263,416,199	₱2,306,996,910
Derivative gains (losses) - net (Note 31)	(90,379,946)	24,298,301	(37,706,790)
Provision for impairment of exploration and evaluation assets and goodwill (Notes 3, 13 and 14)	(54,165,823)	(2,540,807)	—
Loss on direct write-off of input VAT claims (Notes 3 and 15)	(36,292,033)	(66,253,553)	(100,862,942)
Mark-to-market gain (loss) on financial assets at FVPL (Note 8)	9,069,461	119,246,784	(32,881,224)
Gain (loss) on disposal and retirement of property, plant and equipment - net (Notes 12 and 20)	(1,985,806)	1,319,631	(35,451,113)
Gain on debt modification (Note 17)	—	—	182,599,863
Others - net (Notes 3, 8 and 15)	(336,027)	(412,530,761)	(41,439,369)
	₱1,656,593,603	₱1,926,955,794	₱2,241,255,335

Others include bank and other charges, realized income from redemption of financial assets at FVPL and lease liability adjustments.



28. Retirement and Other Post-employment Benefits

The Parent Company, GCGI and BGI have a funded, non-contributory, defined benefit retirement plan, while FG Hydro has unfunded, non-contributory defined benefit retirement plan. The Company also provides post-employment medical and life insurance benefits which are unfunded. The plan covers all permanent employees and is administered by trustee banks.

Generally, upon fulfillment of certain employment conditions, the retirement benefits are payable in lump sum upon retirement, which is determined on the basis of the retiree's final salary and computed at certain percentage of final monthly salary base pay for every year of service.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of net benefit expense recognized in the profit or loss and the funded status and amounts recognized in the consolidated statements of financial position:

	2020	2019	2018
Current service cost	₱191,781,212	₱189,250,627	₱196,323,520
Net interest	74,445,091	82,885,162	51,074,320
Past service cost	—	—	12,676,052
Settlement gain	—	(165,581,813)	—
Retirement and other post-employment benefit expense (Note 24)	₱266,226,303	₱106,553,976	₱260,073,892

	2020	2019
Present value of defined benefits obligation	₱3,659,802,272	₱3,271,302,332
Fair value of plan assets	(1,635,562,460)	(1,718,509,236)
Net retirement and other post-employment benefits liability	₱2,024,239,812	₱1,552,793,096

Changes in the present value of the defined benefit obligation are as follows:

	2020	2019
Defined benefits obligation at beginning of year	₱3,271,302,332	₱3,344,500,913
Current service cost	191,781,212	189,250,627
Interest cost on benefits obligation	157,253,498	242,591,065
Settlement gain	—	(165,581,813)
Benefits paid	(124,612,188)	(794,589,911)
Remeasurements arising from:		
Changes in financial assumptions	110,571,219	407,624,706
Deviations of experience from assumptions	53,770,452	47,622,583
Foreign exchange adjustments	(264,253)	(115,838)
Defined benefits obligation at end of year	₱3,659,802,272	₱3,271,302,332



Changes in the fair value of plan assets are as follows:

	2020	2019
Fair value of plan assets at beginning of year	₱1,718,509,236	₱2,199,997,742
Interest income	82,808,407	159,705,903
Contributions to the plan	2,840,592	1,441,130
Benefits paid	(124,612,188)	(794,589,911)
Return on plan assets, excluding interest income	(43,983,587)	151,954,372
Fair value of plan assets at end of year	₱1,635,562,460	₱1,718,509,236
Actual return on plan assets	₱38,824,820	₱311,660,275

The retirement funds of EDC, GCGI and BGI are maintained by BDO Trust. This trustee bank is also responsible for investment of the plan assets. The investing decisions of the Plan are made by the respective retirement committees of the said company.

Management reviews the performance of the defined benefit retirement plan on a regular basis. The overall investment policy and strategy of the Company's retirement benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the Plan. The Company's current investment strategy is suited for an investor with a conservative investment risk profile.

The fair value of plan assets by each class at end of the reporting period follows:

	2020	2019
Investments quoted in active market		
Quoted equity investments (by industry)		
Holding firms	₱201,402,865	₱206,908,373
Property	120,122,914	128,581,727
Financials - banks	98,614,104	129,975,074
Services - telecommunications	46,790,830	32,848,021
Industrial - electricity, energy, power and water	37,710,000	22,380,000
Transportation services	27,737,664	15,946,400
Industrial - food, beverage, and tobacco	27,452,416	25,638,276
Retail	16,836,492	18,465,300
Golf and country club	7,675,000	9,346,666
Services - casinos and gaming	—	9,705,333
Mining	—	7,040,000
	584,342,285	606,835,170
Quoted debt instruments		
Government securities	743,544,359	670,814,468
Corporate bonds	256,363,638	350,206,877
	999,907,997	1,021,021,345
Unquoted investments		
Cash and cash equivalents	47,155,006	76,900,115
Receivables and other assets	4,157,172	13,752,606
	51,312,178	90,652,721
Fair value of plan assets	₱1,635,562,460	₱1,718,509,236



- Quoted equity investments pertain to listed shares in PSE. The classification by industry of quoted shares presented above is based on sector classification published by the PSE. Investment in quoted equity investments include investments in the following securities as of December 31, 2020 and 2019:

Issuer	Relationship	2020	2019
	Under common		
First Gen Corp.	control	₱22,600,000	₱22,380,000
Lopez Holdings Corp.	- do -	19,729,402	23,764,962
		₱42,329,402	₱46,144,962

The carrying amounts of investments in equity securities also approximate their fair values since they are marked-to-market.

Unrealized gains (losses) arising from investments in Lopez Holdings Corp. and First Gen Corp. in 2020, 2019 and 2018 to as follows:

	2020	2019	2018
Lopez Holdings Corp.	(₱16,782,803)	(₱12,747,424)	(₱12,589,605)
First Gen Corp.	(220,000)	2,380,000	240,000
	(₱17,002,803)	(₱10,367,424)	(₱12,349,605)

The voting rights over these equity securities are exercised by the trustee banks.

- Investments in corporate bonds consist of both short-term and long-term corporate notes and bonds, which bear interest ranging from 4.40% to 6.36% and have maturities from 2021 to 2026.
- Investments in government securities consist of retail treasury bonds and fixed rate treasury notes that bear interest ranging from 2.52% to 6.25% and have maturities from 2022 to 2027.
- Cash and cash equivalents include regular savings and time deposits.
- Other financial assets held by these plans are primarily accrued interest income on cash deposits and debt securities held by the plans; and dividend receivable from equity securities. Liabilities of the plans pertain to trust fee payable and other accrued expenses payable.

The Company expects to contribute ₱196.2 million to its defined benefit retirement plan in 2021.

The principal actuarial assumptions used in determining retirement and other post-employment benefits as of December 31 of each year are as follows:

	2020	2019
Discount rate	3.29%-3.60%	4.68%-4.85%
Future salary increase rate	4%-6.5%	5%-8%
Medical costs trend rate	6%	6%

The assumption on the discount rate is based on the long-term government bond rates approximating the expected average remaining working life of the employees.



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2020 and 2019, assuming all other assumptions were held constant:

2020		
	Increase/Decrease in Percentage Point	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+1%	(P370,797,087)
	-1%	434,418,307
Future salary increases	+1%	P422,815,535
	-1%	(370,019,569)
Medical costs trend	+1%	P3,113,371
	-1%	(2,661,568)
2019		
	Increase/Decrease in Percentage Point	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+1%	(P338,678,886)
	-1%	394,466,599
Future salary increases	+1%	P385,129,348
	-1%	(338,666,033)
Medical costs trend	+1%	P3,615,495
	-1%	(3,131,286)

The estimated weighted average duration of benefit payment is 15 years in both 2020 and 2019.

Following are the information about the maturity profile of the defined benefit obligation as of December 31, 2020 and 2019:

	2020	2019
Less than one (1) year	P228,449,554	P208,708,830
One (1) year up to five (5) years	1,054,700,259	816,055,229
More than five (5) years up to 10 years	2,359,219,419	2,384,699,105
More than 10 years up to 15 years	1,849,031,664	2,377,292,421
More than 15 years	3,797,851,633	4,563,515,110

29. Income Tax

- a. The deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2020	2019
Deferred tax assets - net	P841,649,851	P866,108,068
Deferred tax liabilities - net	—	(14,503,841)
	P841,649,851	P851,604,227



The components of the Company's recognized deferred tax assets and liabilities follow:

	2020			
	Beginning of Year	Charged to Income	Charged to OCI	End of Year
Deferred tax assets on:				
Impairment loss on property, plant and equipment	₱620,185,215	(₱445,052)	₱–	₱619,740,163
Unrealized foreign exchange losses	354,764,397	(97,400,215)	24,135,525	281,499,707
Allowance for impairment loss	237,864,188	31,724,553	–	269,588,741
Accrued retirement benefits	188,525,570	20,777,343	20,832,526	230,135,439
Provision for rehabilitation and restoration costs	136,903,237	33,248,418	–	170,151,655
Revenue generated during testing period of BGI power plants	153,831,583	(3,266,469)	–	150,565,114
Unrealized foreign exchange losses - BOT power plants	176,221,326	(105,320,740)	–	70,900,586
Differences in fair value versus cost of Tongonan and Palinpinon property, plant and equipment	68,574,789	(9,054,152)	–	59,520,637
Provision for impairment of parts and supplies inventories	49,772,549	978,987	–	50,751,536
Fair value changes on hedging transactions	4,505,976	–	660,271	5,166,247
Others	137,654,168	(20,902,708)	1,994,343	118,745,803
	2,128,802,998	(149,660,035)	47,622,665	2,026,765,628
Deferred income tax liabilities on:				
Differences between the carrying amount of nonmonetary assets and liabilities and the related tax base	(1,041,878,339)	91,782,546	–	(950,095,793)
Unrealized foreign exchange gains	(98,059,610)	(273,465)	–	(98,333,075)
Others	(137,260,822)	573,913	–	(136,686,909)
	(1,277,198,771)	92,082,994	–	(1,185,115,777)
	₱851,604,227	(₱57,577,041)	₱47,622,665	₱841,649,851
2019				
	Beginning of Year	Charged to Income	Charged to OCI	End of Year
Deferred tax assets on:				
Impairment loss on property, plant and equipment	₱619,872,646	₱312,569	₱–	₱620,185,215
Unrealized foreign exchange losses	245,179,914	109,584,483	–	354,764,397
Allowance for impairment loss	283,823,991	(45,959,803)	–	237,864,188
Accrued retirement benefits	116,987,937	41,208,341	30,329,292	188,525,570
Unrealized foreign exchange losses - BOT power plants	281,542,066	(105,320,740)	–	176,221,326
Revenue generated during testing period of BGI power plants	153,831,583	–	–	153,831,583
Provision for rehabilitation and restoration costs	136,453,491	449,746	–	136,903,237
Differences in fair value versus cost of Tongonan and Palinpinon property, plant and equipment	83,300,273	(14,725,484)	–	68,574,789
Provision for impairment of parts and supplies inventories	39,853,046	9,919,503	–	49,772,549
Fair value changes on hedging transactions	–	–	4,505,976	4,505,976
Others	80,383,383	53,111,719	4,159,066	137,654,168
	2,041,228,330	48,580,334	38,994,334	2,128,802,998
Deferred income tax liabilities on:				
Differences between the carrying amount of nonmonetary assets and liabilities and the related tax base	(1,033,478,756)	(8,399,583)	–	(1,041,878,339)
Unrealized foreign exchange gains	(98,059,610)	–	–	(98,059,610)
Fair value changes on hedging transactions	(40,146,172)	–	40,146,172	–
Others	(133,837,997)	(3,422,825)	–	(137,260,822)
	(1,305,522,535)	(11,822,408)	40,146,172	(1,277,198,771)
	₱735,705,795	₱36,757,926	₱79,140,506	₱851,604,227



Bayanihan to Recover as One Act (Bayanihan 2)

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Company has incurred NOLCO before taxable year 2020 which can be claimed as deduction against the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	Applied Previous Year/s	Expired	Applied Current Year	Unapplied
2017	2018-2020	₱601,902,744	₱-	₱601,902,744	₱-	₱-
2018	2019-2021	527,405,332	-	-	-	527,405,332
2019	2020-2022	655,966,900	-	-	-	655,966,900
		₱1,785,274,976	₱-	₱601,902,744	₱-	₱1,183,372,232

As of December 31, 2020, the Company has NOLCO in taxable year 2020 which can be claimed as deduction against the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

Year Incurred	Availment Period	Amount	Applied Previous Year/s	Expired	Applied Current Year	Unapplied
2020	2021-2025	₱910,352,011	₱-	₱-	₱-	₱910,352,011

Movements of the Company's NOLCO are as follows:

	2020	2019
Balances at January 1	₱1,785,274,976	₱1,716,609,763
Addition	910,352,011	655,966,900
Expiration	(601,902,744)	(587,301,687)
Balances at December 31	₱2,093,724,243	₱1,785,274,976

As of December 31, 2020 and 2019, no deferred income tax asset was recognized for NOLCO amounting to ₱2,093.7 million and ₱1,785.3 million, respectively, pertaining to losses subject to the 30% tax regime, and fair value adjustments related to EBWPC's hedging activities amounting to ₱580.1 million for both years, as management believes that there is no sufficient future taxable income to allow all or part of the deductible temporary difference to be utilized.

As of December 31, 2020 and 2019, the taxable temporary differences representing the excess of the carrying amount of the investments in subsidiaries over the tax base amounted to ₱13,071.1 million and ₱8,330.6 million, respectively. There is no corresponding deferred income tax liability recognized since these temporary differences pertain to investment in domestic companies and, accordingly, the reversals of these temporary differences are through regular dividend distribution not subject to income tax. The management intends to hold the investment in subsidiaries. Moreover, the related fair value loss of the investment in BGI's preferred shares accounted for as financial asset at FVOCI amounted to ₱316.0 million and nil as of December 31, 2020 and 2019, respectively. There is no corresponding deferred income tax asset recognized since there were no capital gains to offset the said capital loss.



The 10% statutory rate applies to the relevant renewable energy operations covered by the RE Law, while the 30% applies, in general, to the other activities.

- b. A numerical reconciliation between provision for income tax and the product of accounting income multiplied by the tax rates of 10% or 30%, as applicable, follows:

	2020	2019	2018
Income before income tax	₱13,297,623,901	₱13,455,401,498	₱10,859,622,597
Income tax at statutory tax rates (10%/30%)	1,266,884,532	880,711,567	1,150,951,486
Adjustments for:			
Net movement of unrecognized deferred tax asset on NOLCO	273,105,603	196,790,070	158,225,212
Effect of change in tax rate	272,099,081	—	—
Income tax holiday incentives	(226,642,219)	(223,051,065)	(164,262,176)
Non-deductible provisions/ (non-taxable recovery) - net	206,998,945	234,069,562	81,470,208
Translation adjustment on nonmonetary assets and liabilities	(59,109,208)	(51,847,990)	64,942,938
Interest income - net of final tax	(23,856,592)	(39,371,402)	(40,995,844)
Net movement of temporary differences reversing during income tax holiday	(20,530,460)	13,129,327	907,986
Non-deductible interest expense	10,186,571	15,537,864	17,022,851
Non-taxable/non-deductible foreign exchange gains on ROP bonds	—	(37,947)	(12,531,389)
Others	61,497,130	76,700,045	8,342,939
Provision for income tax	₱1,760,633,383	₱1,102,630,031	₱1,264,074,211

- c. On February 14, 2013, BGI was granted with an income tax holiday (ITH) incentive by the Board of Investments (BOI) covering its 130 MW BMGPP complex. On February 17, 2015, BGI received a Legal and Compliance Service letter from BOI granting the upward amendment of registered capacity of the BMGPP complex from 130 MW to 140 MW effective for 7-year period beginning in July 2013 or date of commissioning, whichever is earlier. Subject to certain conditions, BGI is entitled to income tax holiday for seven (7) years from July 2013 or date of commissioning of the power plants, whichever is earlier. BGI does not recognize deferred tax assets and deferred tax liabilities on temporary differences for its registered activities that are expected to reverse during the ITH period.
- d. On February 12, 2014, the BOI approved the ITH registration of the Nasulo Power Plant under the Renewable Energy Act of 2008 (RA 9513) effective for 7-year period beginning in January 2016 or date of commissioning, whichever is earlier. While the Nasulo power plant has a capacity of 49.4 MW, the ITH shall be limited only to the revenues derived from the sale of 30 MW.



- e. On June 29, 2011, the BOI approved the ITH registration of the 86 MW Burgos Wind Farm under the Renewable Energy Act of 2008 (RA 9513). On June 3, 2014, the Company received a legal service letter from BOI granting the upward amendment of registered capacity of the Burgos Wind Farm from 86 MW to 150 MW effective for 7-year period beginning in December 2015 or date of commissioning, whichever is earlier.
- f. On November 13, 2015, GCGI was granted with an ITH incentive by the BOI covering its 112.5 MW Tongonan Geothermal Power Plant, effective for 7-year period beginning in April 2015. Only revenues derived from power generated (i.e., 36.79 MW or the capacity in excess of the 75.71 MW, whichever is lower) and sold to the grid, other entities and/or communities shall be entitled to ITH.
- g. On June 16, 2015, the Parent Company was granted with an ITH incentive by the BOI covering its 4.16 MW Burgos Solar Plant - Phase 1, effective for 7-year period beginning in December 2015.
- h. On December 3, 2015, the Parent Company was granted with an ITH incentive by the BOI covering its 2.66 MW Burgos Solar Plant - Phase 2, effective for 7-year period beginning in June 2015.
- i. On December 11, 2015, GCGI was granted with an ITH incentive by the BOI covering its 192.5 MW Palinpinon Geothermal Power Plant, effective for 7-year period beginning in February 2014. Only revenues derived from power generated (i.e., 39.66 MW or the capacity in excess of the 152.84 MW, whichever is lower) and sold to the grid, other entities and/or communities shall be entitled to ITH.
- j. FG Hydro is registered with the BOI under the Omnibus Investments Code of 1987 as the new operator of the 112 MW PAHEP/MAHEP on a pioneer status. As a registered enterprise, FG Hydro was entitled to certain tax and non-tax incentives which include, among others, ITH for six (6) years commencing on April 13, 2007. On October 2, 2013, the BOI approved FG Hydro's application for an ITH extension by granting it another year or until April 12, 2014. On February 22, 2017, the DOE approved FG Hydro's application for registration as an RE Developer and signed the RE Contract with FG Hydro for PAHEP. On February 27, 2017, the RE Contract for MAHEP was also signed by FG Hydro and the DOE. As a result, FG Hydro is now subject to 10% statutory income tax rate on its RE operations as a RE Developer in 2017.
- k. On February 8, 2019, EDC Siklab was granted with an ITH incentive by the BOI covering its 1.03 MW Gaisano La Paz Solar Rooftop Project in Iloilo, effective for 7-year period beginning in March 2017.
- l. *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill*
On February 3, 2021, the House of Representatives and the Senate have ratified the Bicameral Committee's version of the proposed "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE".

Provisions under the CREATE bill include reductions in corporate income tax rate from 30% to 25% for large corporations and 20% for small and medium corporations with effectivity date of July 1, 2020. PAS 12, *Income Taxes*, requires the measurement of income taxes to be based on enacted or substantively enacted tax rates as of the reporting date, accordingly, the Company reflects in its financial statements the amount of income taxes calculated using the 30% corporate income tax rate on those activities not covered by the 10% corporate income tax rate under the RE Law or ITH incentive.



Once the CREATE bill is passed into law, the amounts of current income tax expense for the year ended December 31, 2020 should be lower by ₱48.2 million while deferred income tax asset should be lower by ₱5.1 million.

30. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts were computed as follows:

	2020	2019	2018
Net income attributable to equity holders of the Parent Company	₱11,494,601,441	₱11,931,208,232	₱9,403,832,344
Less dividends on preferred shares (Note 19)	293,500,000	301,000,000	7,500,000
(a) Net income attributable to common shareholders of the Parent Company	₱11,201,101,441	₱11,630,208,232	₱9,396,332,344
(b) Weighted average number of common shares outstanding	17,050,790,066	17,053,798,194	18,428,950,215
Basic/diluted earnings per share (a/b)	₱0.657	₱0.682	₱0.510

The Parent Company does not have any dilutive potential common shares as at December 31, 2020, 2019 and 2018.

31. Financial Risk Management Objectives and Policies

The Company's financial instruments consist mainly of cash and cash equivalents, trade receivables, DSRA, FVPL, FVOCI, trade payables, and long-term debts. The main purpose of these financial instruments is to finance the Company's operations and accordingly manage its exposure to financial risks. The Company has various other financial assets and liabilities such as short-term investments, other receivables, other payables and due to/from related parties, which arise directly from operations.

Financial Risk Management Policy

The main financial risks arising from the Company's financial instruments are credit risk, foreign currency risk, interest rate risk, equity price risk and liquidity risk. The Company's policies for managing the aforementioned risks are summarized hereinafter below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

The Company's geothermal and power generation business trades with two (2) key customers, NPC and TransCo, both a government-owned-and-controlled corporations. Any failure on the part of NPC and TransCo to pay their obligations to the Company would significantly affect the Company's business operations. As a practice, the Company monitors closely its collections from NPC and



TransCo and may charge interest on delayed payments following the provision of the PPAs and REPA, respectively. Other customers include distribution utilities, electric cooperatives, industrial customers and contestable customers. Credit risk is controlled by the application of credit approval limit and monitoring procedures. It is the Company's policy to enter into credit-worthy parties to mitigate any significant concentration of credit risk. Trade receivables balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is not significant. The maximum exposure of trade receivable is equal to its carrying amount.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix for the years ended December 31, 2020 and 2019:

2020

	Trade receivables					Credit Impaired	Total
	Days past due						
	Current	<30 days	30-60 days	61-90 days	>91 days		
	(In Thousand Pesos)						
Expected credit loss rate	0.0%	0.0%	0.0%	15.9%	1.5%	100.0%	14.4%
Estimated total gross carrying amount at default (Note 7)	₱4,922,439	₱400,932	₱8,338	₱2,878,458	₱279,025,4317	₱939,643,939,643	₱6,553,255,944,418
Expected credit loss	—	—	—	458	4,317	939,643	944,418

2019

2019

	Trade receivables						
	Days past due						
	Current	<30 days	30-60 days	61-90 days	>91 days	Credit Impaired	Total
	(In Thousand Pesos)						
Expected credit loss rate	0.0%	1.6%	26.3%	6.0%	3.9%	100.0%	12.4%
Estimated total gross carrying amount at default (Note 7)	₱5,944,022	₱279,070	₱1,866	₱4,920	₱413,880	₱919,441	₱7,563,199
Expected credit loss	542	4,523	490	295	16,225	919,191	941,266

Financial instruments and cash deposits

With respect to the credit risk arising from other financial assets of the Company, which comprise of cash and cash equivalents excluding cash on hand, financial asset at FVPL, short-term investments, other receivables, financial assets at FVOCI/AFS investments, DSRA and due from related party, 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. Credit risk from these instruments is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing.

Credit Quality of Financial Assets

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before due date. Financial assets are classified as a standard grade if the counterparties settle their obligation with the Company with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. As of December 31, 2020 and 2019, financial assets categorized as neither past due nor impaired are viewed by management as high grade, considering the collectibility of the receivables and the credit history of the counterparties. Meanwhile, past due but not impaired financial assets are classified as standard grade.



Concentration of Credit Risk

The Company's exposure to concentration of credit risk arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of the receivables from NPC and TransCo.

The table below shows the risk exposure in respect to credit concentration of the Company as of December 31, 2020 and 2019:

	2020	2019
Trade receivables from NPC	₱1,640,596,395	₱3,183,881,955
Trade receivables from TransCo (Notes 7 and 16)	2,487,803,601	1,190,882,733
Total credit concentration risk	₱4,128,399,996	₱4,374,764,688
Total receivables	₱7,846,522,941	₱8,182,414,415
Credit concentration percentage	52.61%	53.47%

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's exposure to foreign currency risk is mainly from the financial assets and liabilities that are denominated in US dollar (US\$). This primarily arises from future payments of foreign currency-denominated loans and other commercial transactions and the Company's investment in ROP Bonds.

The Company's exposure to foreign currency risk to some degree is mitigated by some provisions in the Company's GRESCs, SSAs, PPAs and REPA. The service contracts allow full cost recovery while the sales contracts include billing adjustments covering the movements in Philippine peso and the US\$ rates, US Price and Consumer Indices, and other inflation factors.

To mitigate further the effects of foreign currency risk, the Company will prepay, refinance or hedge its foreign currency denominated loans, whenever deemed feasible. The Company also enters into derivative contracts to mitigate foreign currency risk.



The Company's foreign currency-denominated financial assets and liabilities (translated into Philippine peso) as of December 31, 2020 and 2019 are as follows:

	2020											
	Original Currency											
	Indonesian Rupiah (IDR)	US\$	Japanese yen (JPY)	Singapore dollar (SGD)	New Zealand dollar (NZD)	Euro	Hongkong dollar (HKD)	British pound (GBP)	Chilean Peso (CHP)	Peruvian Sol (PEN)	Australian dollar (AUD)	Peso Equivalent ¹
Financial Assets												
Loans and receivables	—	110,418,562	—	—	—	—	—	—	—	—	—	₱5,302,630,595
Cash equivalents	23,567,143,770	8,571,498	—	—	—	—	—	—	318,460,518	302,561	—	517,296,909
Cash on hand and in banks	—	83,580,529	—	—	—	—	—	—	—	—	—	4,013,787,748
Other short term investments	—	—	—	—	—	—	—	—	—	—	—	—
Total financial assets	23,567,143,770	202,570,589	—	—	—	—	—	—	318,460,518	302,561	—	₱9,833,715,252
Financial Liabilities												
Liabilities at amortized cost:												
Accounts payable	—	19,455,054	189,180,740	132,447	366,275	250,359	5,962	48,141	—	—	72,850	₱1,053,405,460
Long-term debt	—	362,266,114	—	—	—	—	—	—	—	—	—	17,397,105,595
Accrued interest on long-term debts	—	5,600,010	—	—	—	—	—	—	—	—	—	268,929,287
Derivative liability	—	13,714,493	—	—	—	—	—	—	—	—	—	658,611,108
Total financial liabilities	—	401,035,671	189,180,740	132,447	366,275	250,359	5,962	48,141	—	—	72,850	₱19,378,051,450
¹ US\$1= ₱48.0230, JPY1= ₱0.4629, SGD1= ₱36.12, NZD1= ₱34.0960, CHP1= ₱0.0676, PEN1= ₱13.2660, Euro1= ₱58.6904, IDR1= ₱0.0034, HKD1= ₱6.1935, GBP1= ₱64.6228, AUD1= ₱36.3969												
as of December 31, 2020 (see Note 26)												



2019

	Original Currency												Peso Equivalent ¹
	Indonesian Rupiah (IDR)	US\$	Japanese yen (JP¥)	Singapore dollar (SGD)	Sweden (SEK)	New Zealand dollar (NZD)	Euro	Hongkong dollar (HKD)	British pound (GBP)	Chilean Peso (CHP)	Peruvian Sol (PEN)	Australian dollar (AUD)	
Financial Assets													
Loans and receivables	—	63,947,106	—	—	—	—	—	—	—	—	—	—	—
Cash equivalents	21,426,392,611	3,360,315	—	—	—	—	—	—	—	379,273,056	113,640	—	—
Cash on hand and in banks	—	848,358	—	—	—	—	—	—	—	—	—	—	—
Derivative assets designated as cash flow hedges	—	—	—	—	—	—	—	—	—	—	—	—	—
Total financial assets	21,426,392,611	68,155,779	—	—	—	—	—	—	—	379,273,056	113,640	—	—
Financial Liabilities													
Liabilities at amortized cost:													
Accounts payable	—	20,772,617	498,270,650	78,531	6,224,522	1,133,183	631,445	5,962	169,760	—	—	7,334	—
Long-term debt	—	323,902,842	—	—	—	—	—	—	—	—	—	—	—
Accrued interest on long-term debts	—	5,573,469	—	—	—	—	—	—	—	—	—	—	—
Derivative liability	—	5,550,519	—	—	—	—	—	—	—	—	—	—	—
Total financial liabilities	—	355,799,447	498,270,650	78,531	6,224,522	1,133,183	631,445	5,962	169,760	—	—	7,334	—

¹ US\$ = ₪50.6350, JP¥ = ₪0.4619, SGD = ₪37.4909, NZD = ₪33.8462, CHF = ₪0.0685, PEN = ₪15.2837, Euro = ₪56.3512, IDR = ₪0.0037, SEK = ₪3.3921, HKD = ₪6.5162, GBP = ₪65.9926, AUD = ₪35.2569 as of December 31, 2019 (see Note 26)

¹ US\$1 = ₪50.6350, JP¥1 = ₪0.4619, SGD1 = ₪37.4909, NZD1 = ₪33.8462, CHP1 = ₪0.0685, PEN1 = ₪15.2837, Euro1 = ₪56.3512, IDR1 = ₪0.0037, SEK = ₪5.3921, HKD1 = ₪6.5162, GBP1 = ₪65.9926, AUD1 = ₪35.2569 as of December 31, 2019 (see Note 26)



The following tables demonstrate the sensitivity to a reasonably possible change in the foreign currency exchange rates applicable to the Company, with all other variables held constant, of the Company's income (loss) before income tax and equity for the years ended December 31, 2020 and 2019. The impact on the Company's income before income tax is due to revaluation of monetary assets and monetary liabilities.

2020			
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax	Effect on Equity
USD	10% or ₱4.80230 (10% or ₱4.80230)	(₱887,227,752) 887,227,752	₱— —
JPY	10% or ₱0.04629 (10% or ₱0.04629)	(8,757,176) 8,757,176	— —
NZD	10% or ₱3.4096 (10% or ₱3.4096)	(1,248,852) 1,248,852	— —
IDR	10% or ₱0.00034 (10% or ₱0.00034)	8,012,829 (8,012,829)	— —
Euro	10% or ₱5.86904 (10% or ₱5.86904)	(1,469,366) 1,469,366	— —
CHP	10% or ₱0.00676 (10% or ₱0.00676)	2,152,577 (2,152,577)	— —
PEN	10% or ₱1.32660 (10% or ₱1.32660)	401,378 (401,378)	— —
SGD	10% or ₱3.612 (10% or ₱3.612)	(478,399) 478,399	— —
HKD	10% or ₱0.61935 (10% or ₱0.61935)	(3,693) 3,693	— —
GBP	10% or ₱6.46228 (10% or ₱6.46228)	(311,098) 311,098	— —
AUD	10% or ₱3.63969 (10% or ₱3.63969)	(265,151) 265,151	— —
2019			
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax	Effect on Equity
USD	10% or ₱5.06350 (10% or ₱5.06350)	(₱1,432,674,310) 1,432,674,310	₱— —
JPY	10% or ₱0.04619 (10% or ₱0.04619)	(23,017,269) 23,017,269	— —
NZD	10% or ₱3.38462 (10% or ₱3.38462)	(3,835,392) 3,835,392	— —
IDR	10% or ₱0.00037 (10% or ₱0.00037)	7,927,765 (7,927,765)	— —
Euro	10% or ₱5.63512 (10% or ₱5.63512)	(3,558,271) 3,558,271	— —

(Forward)



2019			
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax	Effect on Equity
CHP	10% or ₱0.00685	₱2,597,216	₱—
	(10% or ₱0.00685)	(2,597,216)	—
PEN	10% or ₱1.52837	173,684	—
	(10% or ₱1.52837)	(173,684)	—
SGD	10% or ₱3.74909	(294,421)	—
	(10% or ₱3.74909)	294,421	—
SEK	10% or ₱0.53921	(3,356,324)	—
	(10% or ₱0.53921)	3,356,324	—
HKD	10% or ₱0.65162	(3,885)	—
	(10% or ₱0.65162)	3,885	—
GBP	10% or ₱6.59926	(1,120,292)	—
	(10% or ₱6.59926)	1,120,292	—
AUD	10% or ₱3.52569	(25,856)	—
	(10% or ₱3.52569)	25,856	—

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates, derivative assets, derivative liabilities and debt instruments at FVOCI.

The interest rates of some of the Company's long-term borrowings and debt instruments at FVOCI are fixed at the inception of the loan agreement.

The Company regularly evaluates its interest rate risk by taking into account the cost of qualified borrowings being charged by its creditors. Prepayment, refinancing or hedging the risks are undertaken when deemed feasible and advantageous to the Company.

Interest Rate Risk Table

The following tables provide for the effective interest rates and interest payments by period of maturity of the Company's long-term debts:

	2020					
	Interest Rates	Within 1 Year	More than 1 year but less than 4 years	More than 4 Years but less than 5 Years	More than 5 Years	Total
	(In Thousand Pesos)					
Fixed Rate						
US\$181.1 Million Notes	6.50%	₱282,681	₱—	₱—	₱—	₱282,681
IFC 1 - ₪4.1 Billion	6.37%	49,439	32,854	—	—	82,293
IFC 2 - ₪3.3 Billion	4.78%	57,664	100,008	8,965	—	166,637
IFC 3 - ₪4.8 Billion	7.80%	316,766	795,163	213,342	775,906	2,101,177
FXCN						
₪4.0 Billion	5.25%	160,230	77,280	—	—	237,510
₪3.0 Billion	5.25%	120,173	57,960	—	—	178,133
2013 Peso Fixed-Rate						
₪4.0 Billion	4.73%	189,248	283,872	—	—	473,120
₪291.2 Million Term Loan	5.50%	12,012	28,644	7,084	16,940	64,680
₪1.5 Billion Term Loan	5.25%	63,788	171,281	43,313	27,563	305,945
₪1.0 Billion Term Loan	5.58%	54,015	141,805	40,440	171,457	407,717
UBP ₪2.0 Billion	5.44%	82,701	204,164	53,294	167,315	507,474
SBC ₪3.0 Billion Term Loan	5.32%	113,173	245,884	43,623	29,028	431,708

(Forward)



2020						
	Interest Rates	Within 1 Year	More than 1 year but less than 4 years	More than 4 Years but less than 5 Years	More than 5 Years	Total
(In Thousand Pesos)						
SBC ₱500.0 Million Term Loan	5.49%	₱20,871	₱51,523	₱13,449	₱42,213	₱128,056
BPI ₱1.0 Billion Term Loan	5.21%	36,945	80,278	14,247	9,492	140,962
SBC ₱1.0 Billion Term Loan	5.43%	41,266	101,870	26,591	83,461	253,188
PNB ₱500.0 Million Term Loan	4.74%	5,999	1,197	—	—	7,196
₱8.5 Billion Term Loan	5.25%	127,181	40,163	—	—	167,344
₱5.0 Billion Term Loan	5.65412%	100,361	127,218	12,015	—	239,594
₱3.0 Billion Term Loan	3.56%	156,107	386,655	97,556	210,809	851,127
₱3.0 Billion Term Loan	5.13%	108,283	268,202	67,670	146,227	590,382
₱4.5 Billion Term Loan	4.25% until next repricing date	189,019	485,084	122,113	276,261	1,072,477
Floating Rate						
₱5.6 Billion Commercial Debt Facility	2.00% + PDST-F rate	252,896	612,298	151,369	300,142	1,316,705
US\$150.0 Million ECA Debt Facility	2.35% + LIBOR	171,602	415,492	102,710	203,667	893,471
US\$37.5 Million Debt Facility	2.00% + LIBOR	38,870	94,114	23,265	46,133	202,382
US\$50 Million Debt Facility	0.87988%	63,499	6,696	—	—	70,195
2019						
	Interest Rates	Within 1 Year	More than 1 year but less than 4 years	More than 4 Years but less than 5 Years	More than 5 Years	Total
(In Thousand Pesos)						
Fixed Rate						
US\$181.1 Million Notes	6.50%	₱596,112	₱298,056	₱—	₱—	₱894,168
IFC 1 - ₱4.1 Billion	6.37%	71,724	82,293	—	—	154,017
IFC 2 - ₱3.3 Billion	4.78%	70,038	136,466	21,206	8,965	236,675
IFC 3 - ₱4.8 Billion	7.80%	342,623	872,731	239,198	989,249	2,443,801
FXCN						
₱4.0 Billion	5.25%	167,790	237,510	—	—	405,300
₱3.0 Billion	5.25%	125,843	178,133	—	—	303,976
2013 Peso Fixed-Rate						
₱4.0 Billion	4.73%	189,248	473,120	—	—	662,368
₱3.0 Billion	4.16%	62,375	—	—	—	62,375
₱291.2 Million Term Loan	5.50%	13,244	32,340	8,316	24,024	77,924
₱1.5 Billion Term Loan	5.25%	68,709	181,913	53,156	70,875	374,653
₱1.0 Billion Term Loan	5.58%	55,442	151,864	43,956	211,897	463,159
UBP ₱2.0 Billion	5.44%	90,304	226,048	60,817	220,610	597,779
SBC ₱3.0 Billion Term Loan	5.32%	126,464	295,842	63,214	72,651	558,171
SBC ₱500.0 Million Term Loan	5.49%	22,790	57,047	15,348	55,661	150,846
BPI ₱1.0 Billion Term Loan	5.21%	41,283	96,581	20,641	23,739	182,244
SBC ₱1.0 Billion Term Loan	5.43%	45,060	112,791	30,345	110,052	298,248
PNB ₱500.0 Million Term Loan	4.74%	10,834	7,196	—	—	18,030
₱8.5 Billion Term Loan	5.25%	189,656	167,344	—	—	357,000
₱5.0 Billion Term Loan	5.65412%	138,526	201,428	26,150	12,015	378,119
Floating Rate						
₱5.6 Billion Commercial Debt Facility	2.00% + PDST-F rate	277,172	685,192	179,091	451,036	1,592,491
US\$150.0 Million ECA Debt Facility	2.35% + LIBOR	200,271	495,109	129,418	325,905	1,150,703
US\$37.5 Million Debt Facility	2.00% + LIBOR	45,410	112,263	29,345	73,897	260,915



The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax and equity as of December 31, 2020 and 2019. The impact on the Company's equity is due to changes in the fair value of debt instruments at FVOCI, and interest rate swaps designated as cash flow hedges.

2020			
Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity	
		Change in Fair Value of FVOCI	Fair value adjustments on hedging transactions
+100	(P129,053,192)	(P16,150,686)	P331,344,416
-100	129,053,192	4,214,944	(318,766,376)

2019			
Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity	
		Change in Fair Value of FVOCI	Fair value adjustments on hedging transactions
+100	(P118,574,623)	(P15,100,759)	P386,935,317
-100	118,574,623	6,500,252	(386,935,317)

The effect of changes in interest rates in equity pertains to the fair valuation of debt instruments at FVOCI and derivatives designated as cash flow hedges, and is exclusive of the impact of the changes affecting the Company's profit or loss.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and sourcing flexibility through the use of available financial instruments. The Company manages its liquidity profile to meet its working and capital expenditure requirements and service debt obligations. As part of the liquidity risk management program, the Company regularly evaluates and considers the maturity of both its financial investments and financial assets (i.e., trade receivables, other financial assets) and resorts to short-term borrowings whenever its available cash or matured placements is not enough to meet its daily working capital requirements. To ensure immediate availability of short-term borrowings, the Company maintains credit lines with banks on a continuing basis.

Liquidity risk arises primarily when the Company has difficulty collecting its receivables from its key customers, NPC and TransCo. Other instances that contribute to its exposure to liquidity risk are when the Company finances long-term projects with internal cash generation and when there is credit crunch especially at times when the Company has temporary funding gaps.

The tables below show the maturity profile as of December 31, 2020 and 2019 of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and financial liabilities based on contractual undiscounted payments:

	2020						Total
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	
<i>(In Thousand Pesos)</i>							
Amortized cost:							
Cash and cash equivalents	₱4,103,609	₱16,515,940	₱1,135,888	₱–	₱–	₱–	₱21,755,437
Trade receivables	1,630,816	4,923,875	503	24,076	1,054,687	–	7,633,957
Financial assets at FVPL	922,832	–	–	–	–	–	922,832
Financial assets at FVOCI:							
Debt investments	169,823	–	–	–	–	–	169,823
Total	₱6,827,080	₱21,439,815	₱1,136,391	₱24,076	₱1,054,687	₱–	₱30,482,049



	2020						
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)						
Liabilities at amortized cost:							
Accounts payable*	P–	P8,676,192	P–	P–	P–	P–	P8,676,192
Accrued interest on long-term debts	–	449,588	356,902	–	–	–	806,490
Other payables**	–	457,643	–	–	–	–	457,643
Due to related parties	4,844	–	–	–	–	–	4,844
Long-term debts	–	10,300,654	2,580,821	4,174,803	34,932,727	19,763,752	71,752,757
Lease liabilities	–	50,387	31,011	52,833	265,388	517	400,136
Derivative liabilities designated as cash flow hedges	–	22,395	26,187	28,202	581,827	–	658,611
Total	P4,844	P19,956,859	P2,994,921	P4,255,838	P35,779,942	P19,764,269	P82,756,673

*Excluding statutory liabilities to the government.

**Excluding non-financial liabilities.

	2019						
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)						
Amortized cost:							
Cash and cash equivalents	₱2,794,809	₱11,459,312	₱—	₱—	₱—	₱—	₱14,254,121
Trade receivables	1,619,177	5,944,022	—	—	—	—	7,563,199
Financial assets at FVPL	1,357,206	—	—	—	—	—	1,357,206
Financial assets at FVOCI:							
Debt investments	157,012	—	—	—	—	—	157,012
Total	₱5,928,204	₱17,403,334	₱—	₱—	₱—	₱—	₱23,331,538

	2019						
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)						
Liabilities at amortized cost:							
Accounts payable*	P–	P6,857,079	P–	P–	P–	P–	P6,857,079
Dividends payable	–	4,207,469	–	–	–	–	4,207,469
Accrued interest on long-term debts	–	429,968	347,474	–	–	–	777,442
Other payables**	687	744,456	–	–	–	–	745,143
Due to related parties	2,643	–	–	–	–	–	2,643
Long-term debts	–	870,033	5,317,750	3,882,954	40,003,153	17,442,502	67,516,392
Lease liabilities	–	40,681	35,217	69,336	304,650	12,244	462,128
Derivative liabilities designated as cash flow hedges	–	–	–	–	21,112	259,939	281,051
Total	P3,330	P13,149,686	P5,700,441	P3,952,290	P40,328,915	P17,714,685	P80,849,347

*Excluding statutory liabilities to the government.

**Excluding non-financial liabilities.



Financial Assets and Financial Liabilities

Set out below is a comparison of carrying amounts and fair values of the Company's financial instruments as of December 31, 2020 and 2019 other than those with carrying amounts that are reasonable approximations of fair values.

	2020		2019	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets				
Amortized cost:				
Long-term receivables	₱1,078,479,522	₱1,040,473,511	₱113,100,417	₱105,425,565
Financial assets at FVOCI:				
Debt investments	169,823,305	169,823,305	157,011,930	157,011,930
Equity investments	406,600,991	406,600,991	360,471,266	360,471,266
Financial assets at FVPL	922,831,786	922,831,786	1,357,205,907	1,357,205,907
Derivative assets:				
Derivative assets designated as cash flow hedge	—	—	42,956,600	42,956,600
	₱2,577,735,604	₱2,539,729,593	₱2,030,746,120	₱2,023,071,268
	2020		2019	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Liabilities:				
Financial liabilities at amortized cost:				
Long-term debts	₱60,030,274,514	₱66,637,947,154	₱55,650,386,141	₱63,204,797,123
Lease liabilities	366,713,842	372,725,463	412,955,688	416,079,170
Derivative liabilities:				
Derivative liabilities designated as cash flow hedges	658,611,108	658,611,108	281,050,520	281,050,520
	₱61,055,599,464	₱67,669,283,725	₱56,344,392,349	₱63,901,926,813

Due to relatively short maturity, ranging from one to three months, carrying amounts approximate fair values for cash and cash equivalents, trade and other receivables, amounts due to related parties and trade and other payables.

The methods and assumptions used by the Company in estimating the fair value of financial instruments are:

Long-term Receivables

The fair value of long-term receivables was computed by discounting the expected cash flow using the applicable rates of 1.81% and 3.58% as of December 31, 2020 and 2019, respectively.

Financial Assets at FVOCI (AFS Investments)

Fair values of quoted debt and equity securities are based on quoted market prices and other observable data.

Financial assets at fair value through profit or loss

The fair values of financial assets at fair value through profit or loss are based on quotations provided by the investment manager.

Derivatives designated as cash flow hedges

The fair values of derivative instruments designated as cash flow hedges are based on quotations provided by the counterparty banks.



Long-term Debts

The fair values for the Company's long-term debts are estimated using the discounted cash flow methodology with the applicable rates ranging from 1.75% to 2.88% as of December 31, 2020 and 1.75% to 3.07% as of December 31, 2019.

Lease Liabilities

The fair values for the Company's lease liabilities are estimated using the discounted cash flow methodology with the applicable rates ranging from 2.45% to 3.86% as of December 31, 2020.

The following tables show the fair value information of financial instruments classified under loans and receivables, financial assets at FVPL, financial assets at FVOCI, and derivatives designated as cash flow hedges and analyzed by sources of inputs on fair valuation as follows:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	2020			
	Total	Level 1	Level 2	Level 3
Financial Assets				
Loans and receivables:				
Long-term receivables	₱1,040,473,511	₱—	₱—	₱1,040,473,511
Financial assets at FVPL	922,831,786	922,831,786	—	—
Financial assets at FVOCI:				
Debt investments	169,823,305	169,823,305	—	—
Equity investments	406,600,991	350,022,991	56,578,000	—
Financial Liabilities				
Financial liabilities at amortized cost:				
Long-term debts	66,637,947,154	11,465,256,934	—	55,172,690,220
Lease liabilities	372,725,463	—	—	372,725,463
Derivative liabilities designated as cash flow hedges	658,611,108	—	658,611,108	—
2019				
	Total	Level 1	Level 2	Level 3
Financial Assets				
Loans and receivables:				
Long-term receivables	₱105,425,565	₱—	₱—	₱105,425,565
Financial assets at FVPL	1,357,205,907	1,357,205,907	—	—
Financial assets at FVOCI:				
Debt investments	157,011,930	157,011,930	—	—
Equity investments	360,471,266	297,021,266	63,450,000	—
Derivative assets designated as cash flow hedges	42,956,600	—	42,956,600	—
Financial Liabilities				
Financial liabilities at amortized cost:				
Long-term debts	63,204,797,123	10,107,578,647	—	53,097,218,476
Lease liabilities	416,079,170	—	—	416,079,170
Derivative liabilities designated as cash flow hedges	281,050,520	—	281,050,520	—

For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.



The Company classifies its financial instruments in the following categories.

2020					
	Amortized Cost	Financial Assets at FVOCI	Financial Assets at FVPL	Derivatives Designated as Cash Flow Hedges	Total
<i>(In Thousand Pesos)</i>					
Financial Assets					
Cash and cash equivalents	₱21,755,437	₱—	₱—	₱—	₱21,755,437
Trade receivables	5,608,836	—	—	—	5,608,836
Non-trade receivables	1,206,743	—	—	—	1,206,743
Loans and notes receivables	56,844	—	—	—	56,844
Advances to employees	16,266	—	—	—	16,266
Due from related parties	23,504	—	—	—	23,504
Short-term investments	4,013,788	—	—	—	4,013,788
Long-term receivables	1,078,480	—	—	—	1,078,480
Financial assets at FVOCI:					
Debt investments	—	169,823	—	—	169,823
Equity investments	—	406,601	—	—	406,601
Financial assets at FVPL	—	—	922,832	—	922,832
Total financial assets	₱33,759,898	₱576,424	₱922,832	₱—	₱35,259,154
Financial Liabilities					
Accounts payable*	₱8,676,192	₱—	₱—	₱—	₱8,676,192
Accrued interest on					
long-term debts	806,490	—	—	—	806,490
Other payables**	457,643	—	—	—	457,643
Due to related parties	4,844	—	—	—	4,844
Long-term debts	60,030,275	—	—	—	60,030,275
Lease liabilities	366,714	—	—	—	366,714
Derivative liabilities	—	—	—	658,611	658,611
Total financial liabilities	₱70,342,158	₱—	₱—	₱658,611	₱71,000,769

*Excluding statutory liabilities to the Government

**Excluding non-financial liabilities

2019					
	Amortized Cost	Financial Assets at FVOCI	Financial Assets at FVPL	Derivatives Designated as Cash Flow Hedges	Total
<i>(In Thousand Pesos)</i>					
Financial Assets					
Cash and cash equivalents	₱14,254,121	₱—	₱—	₱—	₱14,254,121
Trade receivables	6,621,933	—	—	—	6,621,933
Non-trade receivables	1,493,982	—	—	—	1,493,982
Loans and notes receivables	55,017	—	—	—	55,017
Advances to employees	11,482	—	—	—	11,482
Due from related parties	32,113	—	—	—	32,113
Long-term receivables	113,100	—	—	—	113,100
Debt service reserve account	661,240	—	—	—	661,240
Financial assets at FVOCI:					
Debt investments	—	157,012	—	—	157,012
Equity investments	—	360,471	—	—	360,471
Financial assets at FVPL	—	—	1,357,206	—	1,357,206
Derivative assets	—	—	—	42,957	42,957
Total financial assets	₱23,242,988	₱517,483	₱1,357,206	₱42,957	₱25,160,634
Financial Liabilities					
Accounts payable*	₱6,857,079	₱—	₱—	₱—	₱6,857,079
Dividends payable	4,207,469	—	—	—	4,207,469
Accrued interest on					
long-term debts	777,442	—	—	—	777,442
Other payables**	745,143	—	—	—	745,143
Due to related parties	2,643	—	—	—	2,643
Long-term debts	55,650,386	—	—	—	55,650,386
Lease liabilities	412,956	—	—	—	412,956
Derivative liabilities	—	—	—	281,051	281,051
Total financial liabilities	₱68,653,118	₱—	₱—	₱281,051	₱68,934,169

*Excluding statutory liabilities to the Government

**Excluding non-financial liabilities



The table below demonstrates the income, expense, gains or losses of the Company's financial instruments for the years ended December 31, 2020, 2019 and 2018:

	2020		2019		2018	
	Effect on Profit or Loss Increase (Decrease)	Effect on Equity Increase (Decrease)	Effect on Profit or Loss Increase (Decrease)	Effect on Equity Increase (Decrease)	Effect on Profit or Loss Increase (Decrease)	Effect on Equity Increase (Decrease)
Amortized cost						
Interest income on:						
Cash and cash equivalents and other short-term Investments (Note 6)	P240,115,605	P—	P557,889,408	P—	P462,616,898	P—
Provision for expected credit losses (Note 7)	(3,152,717)	—	(619,905,591)	—	(6,806,909)	(198,823,506)
	P236,962,888	P—	(P62,016,183)	P—	P455,809,989	(P198,823,506)
Financial assets at FVOCI						
Equity investments:						
Net income (loss) recognized	(P200,000)	P52,829,725	P—	P54,257,294	P—	P54,066,942
Debt investments:						
Net loss recognized in equity	—	12,811,375	—	29,105,168	—	(18,677,436)
	(P200,000)	P65,641,100	P—	P83,362,462	P—	P35,389,506
Financial assets at FVPL						
Gain (loss) on financial asset at FVPL	P9,199,822	P—	P119,487,988	P—	(P27,986,564)	P—
Derivatives designated as cash flow hedges						
Fair value adjustments on hedging transactions	(P90,379,946)	(P366,922,402)	P24,298,301	(P549,485,584)	(P37,706,790)	P125,530,596
Financial liabilities at amortized cost						
Interest expense on: (Note 25):						
Long-term debts, including amortization of transaction costs	(P3,543,355,506)	P—	(P3,797,715,772)	P—	(P4,031,570,239)	P—
Lease liabilities	(17,373,171)	—	(23,709,184)	—	—	—
	(P3,560,728,677)	P—	(P3,821,424,956)	P—	(P4,031,570,239)	P—

Derivative Financial Instruments

The Company engages in derivative transactions, particularly foreign currency swaps, cross currency swaps, interest rate swaps and call spread swaps to manage its foreign currency risk and/or interest rate risk arising from its foreign-currency denominated loans. These derivatives are accounted for either as derivatives designated as accounting hedges or derivatives not designated as accounting hedges.



The table below shows the derivative financial instruments of the Company:

	2020		2019	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivatives designated as accounting hedges				
Call spread swaps	P=	P78,464,276	P42,868,670	P21,112,008
Interest rate swaps	-	580,146,832	87,930	259,938,512
Total derivatives	P=	P658,611,108	P42,956,600	P281,050,520
Presented as:				
Current	P=	P76,783,883	P7,281	P21,523,571
Noncurrent	-	581,827,225	42,949,319	259,526,949
Total derivatives	P=	P658,611,108	P42,956,600	P281,050,520

Derivatives Designated as Accounting Hedges

Hedge Effectiveness Results

As of December 31, 2020 and 2019, the fair value of the outstanding NDCCS amounted to nil. Since the critical terms of the Hedged Loan and NDCCS match, the Company recognized the aggregate fair value changes on these NDCCS under “Fair Value Adjustment on Hedging Transaction” account in the consolidated statements of financial position.

A. Interest Rate Swap Contracts

In the last quarter of 2014, EBWPC entered into four (4) interest rate swaps (IRS) with aggregate notional amount of US\$150 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt Facility (Foreign Facility) that is benchmarked against US LIBOR and with flexible interest reset feature that allows EBWPC to select what interest reset frequency to apply (i.e., monthly, quarterly or semi-annually) [see Note 17]. As it is EBWPC’s intention to reprice the interest rate on the Foreign facility semi-annually, EBWPC utilizes IRS with semi-annual interest payments and receipts. In the first quarter of 2016, EBWPC entered into three (3) IRS with aggregate notional amount of US\$30 million.

Under the IRS agreement, EBWPC will receive semi-annual interest of 6-month USD-LIBOR and will pay fixed interest. EBWPC designated the IRS as hedging instruments in cash flow hedge against the interest rate risks arising from the Foreign Facility.

Pertinent details of the IRS are as follows:

Notional amount (in million)	Trade Date	Effective Date	Maturity Date	Fixed rate	Variable rate
US\$48.67	10/20/14	12/15/14	10/23/29	2.635%	6-month LIBOR
31.40	10/20/14	12/15/14	10/23/29	2.635%	6-month LIBOR
30.62	10/20/14	12/15/14	10/23/29	2.635%	6-month LIBOR
14.72	02/12/16	06/15/16	10/23/29	1.825%	6-month LIBOR
7.07	12/11/14	12/15/14	10/23/29	2.508%	6-month LIBOR
4.91	02/12/16	06/15/16	10/23/29	1.825%	6-month LIBOR
4.91	02/12/16	06/15/16	10/23/29	1.825%	6-month LIBOR

The maturity date of the seven (7) IRS coincides with the maturity date of the Foreign Facility. As of December 31, 2020 and 2019, the outstanding aggregate notional amount of EBWPC’s IRS amounted to US\$130.5 million and US\$142.3 million, respectively. The aggregate fair value losses



on these IRS amounted to ₱757.5 million and ₱446.9 million as of December 31, 2020 and 2019, respectively.

Hedge Effectiveness Results

As of December 31, 2020 and 2019, the fair value of the outstanding IRS amounted to ₱580.1 million and ₱259.9 million, respectively. Since the critical terms of the Foreign Facility and IRS match, EBWPC recognized the aggregate fair value changes on these IRS under “Fair Value Adjustment on Hedging Transactions” account in the consolidated statements of financial position.

A. Call Spread Swap Contracts

In July 2017, the Parent Company entered into four (4) CSS with an aggregate notional amount of US\$25.0 million.

In January 2018, the Parent Company entered into two (2) additional CSS with an aggregate notional amount of US\$10.0 million and another two (2) CSS in August 2018 with an aggregate notional amount of US\$20.0 million. An additional two (2) CSS was entered by the Parent Company in November 2018 with an aggregate amount of US\$10.0 million.

These derivative contracts are designated to hedge the possible foreign exchange loss of its \$181.1 million notes.

In April 2020, the Parent Company entered into five (5) CSS with an aggregate notional amount of US\$50.0 million. These derivative contracts were designated to hedge possible foreign exchange loss of US\$50.0 million loan with Mizuho bank.

The aggregate fair value change of these call spread contracts amounted to ₱100.2 million and ₱40.6 million as of December 31, 2020 and 2019, respectively.

Hedge Effectiveness Results

As of December 31, 2020, the fair value of the outstanding CSS amounted to (₱78.5 million). Since the critical terms of the CSS match, EDC recognized the aggregate fair value changes on these under “Derivative gains (losses)” account in the consolidated statements of income.

The net movement of fair value changes made to “Fair value adjustments on hedging transactions” account for the Company’s cash flow hedges is as follows:

	2020	2019
Balances at beginning of year	(₱446,886,545)	₱102,599,039
Changes in fair value	(486,768,948)	(610,240,087)
	(933,655,493)	(507,641,048)
<i>Transferred to consolidated statements of income</i>		
Interest expense	95,711,021	16,102,355
Balances before tax	(837,944,472)	(491,538,693)
Tax	24,135,525	44,652,148
Balances at end of year	(₱813,808,947)	(₱446,886,545)



Fair Value Changes of Derivatives

The table below summarizes the net movement in fair values of the Company's derivatives as of December 31, 2020 and 2019.

	2020	2019
Balances at beginning of year	(P238,093,920)	P176,779,620
Net changes in fair value of derivatives		
designated as accounting hedges	(516,228,209)	(430,975,895)
Fair value of settled instruments:		
Designated as accounting hedges	95,711,021	16,102,355
Balances at end of year	(P658,611,108)	(P238,093,920)
Presented as:		
Derivative assets	P-	P42,956,600
Derivative liabilities	(658,611,108)	(281,050,520)
	(P658,611,108)	(P238,093,920)

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to comply with its financial loan covenants and support its business operations. Core capital includes long-term debt and equity.

The Company manages and makes adjustment to its capital structure as it deems necessary. To maintain or adjust its capital structure, the Company may increase the levels of capital contributions from its creditors and owners/shareholders through debt and new shares issuance, respectively. No significant changes have been made in the objectives, policies and processes of the Company in 2020, 2019 and 2018.

The Company monitors capital using the debt ratio, which is long-term debt divided by long-term debt plus equity. The Company's policy is to keep the debt ratio at not more than 70%. The Company's long-term debt include both the current and long-term portions of long-term debts. Equity includes all items presented in the equity section of the consolidated statements of financial position.

The table below shows the total capital considered by the Company and its debt ratio as of December 31, 2020 and 2019.

	2020	2019
Long-term debts	P60,030,274,514	P55,650,386,141
Total equity	63,228,957,467	59,805,016,150
Total	P123,259,231,981	P115,455,402,291
Debt ratio	48.70%	48.20%

As of December 31, 2020 and 2019 the Company is able to meet its capital management objectives.



32. Commitments and Contingencies

Stored Energy

In 1996 and 1997, the Parent Company entered into Addendum Agreements to the PPA related to the Unified Leyte power plants where any excess generation above the nominated energy or take-or-pay volume will be credited against payments made by NPC for the periods it was not able to accept electricity delivered by EDC (see Note 21). As of December 31, 2020 and 2019, the commitment for stored energy is equivalent to 4,326.6 GWH.

Lease Commitments (Applicable prior to adoption of PFRS 16; see Note 2)

Future minimum lease payments under the operating leases as of December 31, 2018 are as follows (amounts in millions):

	2018
Within one year	₱125.5
After one year but not more than five years	230.4
Total	₱355.9

The Company's lease commitments pertain mainly to office space and warehouse rentals.

On December 23, 2015, the Company entered into an agreement for the lease of office space with Rockwell Land Corporation for a period of five (5) years effective from July 1, 2015 to June 30, 2020. On November 25, 2020, the contract was extended for another five (5) years expiring on June 30, 2025.

On December 19, 2016, the Company renewed its lease agreement with Amberland Corporation for the lease of office and parking spaces for a period of five (5) years from December 1, 2016 to November 30, 2021.

Rent expense included in "Costs of sale of electricity" and "General and administrative expenses" amounted to ₱349.6 million in 2018 (see Notes 22 and 23).

Company as a Lessee (Applicable upon adoption of PFRS 16)

The Company has lease contracts for office, parking spaces and warehouses.

The Company has certain leases of assets with lease term of 12 months or less and leases of low value assets. The Company applies the short term lease and lease of low value assets recognition exemption for these leases.

Set out below are the carrying amounts and movements of lease liabilities:

	2020	2019
As at January 1	₱412,955,688	₱453,600,207
Additions	26,970,673	298,764,073
Interest on lease liability (Note 25)	17,373,171	23,709,184
Adjustments	69,862,597	(50,041,779)
Payments	(160,448,287)	(313,075,997)
As at December 31	366,713,842	412,955,688
Current	122,885,983	133,165,920
Noncurrent	₱243,827,859	₱279,789,768



The maturity analysis of lease liabilities is discussed in Note 31.

The following amounts are recognized in profit or loss:

	2020	2019
Depreciation expense for right-of-use assets (Note 12)	₱145,256,205	₱149,873,730
Expense relating to short-term leases and low value assets	36,732,081	85,613,207
Variable lease payments	17,685,241	137,658,776
Total amount recognized in profit or loss	₱199,673,527	₱373,145,713

The Company had total cash outflows for leases of office, parking spaces and warehouses amounting to ₱160.4 million and ₱313.1 million in 2020 and 2019, respectively.

Purchase Commitments

Total purchase commitments as of December 31, 2020 and 2019 amounted to ₱3,826.4 million and ₱5,487.4 million, respectively. These are expected to be settled in the succeeding financial years.

Income from Insurance Claims

Property damages

In 2020, 2019 and 2018, the Company recognized income from insurance claims totaling to ₱369.3 million, ₱615.6 million, and ₱2,307.0 million, respectively, relating to property damages caused by calamities such as the Leyte earthquake, and numerous typhoons which include but are not limited to Typhoon Urduja, Yolanda, Seniang, Amang, Glenda and Lawin (see Note 27).

Business interruptions

In 2020 and 2019, the Company recognized income from insurance claims totaling to ₱1,461.4 million and ₱1,647.8 million, respectively, relating to business interruptions caused by calamities and various events, which include but are not limited to Leyte earthquake, Typhoon Yolanda, Typhoon Glenda and machinery breakdowns (see Note 27). No similar income was recognized in 2018. As of December 31, 2020 and 2019, outstanding insurance receivable amounted to ₱981.1 million and ₱1,296.2 million, respectively, which is included in “Non-trade accounts receivable” under “Trade and other receivables” (see Note 7).

Income from insurance claims are presented under “Miscellaneous income” in profit or loss.

Legal Claims

The Company is contingently liable for lawsuits or claims filed by third parties, including labor-related cases, which are pending decision by the courts, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual total liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements (see Notes 3 and 18).

33. Geothermal Service Concession Contracts

Geothermal Service Contracts

Under P.D. 1442, all geothermal resources in public and/or private lands in the Philippines, whether found in, on or under the surface of dry lands, creeks, rivers, lakes, or other submerged lands within the waters of the Philippines, belong to the State, inalienable and imprescriptible, and their exploration, development and exploitation. Furthermore, the Government may enter into service



contracts for the exploration, development and exploitation of geothermal resources in the Philippines.

Pursuant to P.D. 1442, the Parent Company had entered into the following Geothermal Service Contracts (GSCs) with the Government of the Republic of the Philippines (represented by the DOE) for the exploration, development and production of geothermal fluid for commercial utilization:

- a. Tongonan, Leyte, dated May 14, 1981
- b. Southern Negros, dated October 16, 1981
- c. Bac-Man, Sorsogon, dated October 16, 1981
- d. Mt. Apo, Kidapawan, Cotabato, dated March 24, 1992
- e. Mt. Labo, Camarines Norte and Sur, dated March 19, 1994
- f. Northern Negros, dated March 24, 1994
- g. Mt. Cabalian, Southern Leyte, dated January 13, 1997

The exploration period under the service contracts shall be five (5) years from the effective date, renewable for another two (2) years if the Parent Company has not been in default in its exploration, financial and other work commitments and obligations and has provided a work program for the extension period acceptable to the Government. Where geothermal resource in commercial quantity is discovered during the exploration period, the service contracts shall remain in force for the remainder of the exploration period or any extension thereof and for an additional period of 25 years thereafter, provided that, if the Parent Company has not been in default in its obligations under the contracts, the Government may grant an additional extension of 15 to 20 years.

Under P.D. 1442, the right granted by the Government to the Parent Company to explore, develop, and utilize the country's geothermal resource is subject to sharing of net proceeds with the Government. The net proceeds is what remains after deducting from the gross proceeds the allowable recoverable costs, which include development, production and operating costs. The allowable recoverable costs shall not exceed 90% of the gross proceeds. The Parent Company pays 60% of the net proceeds as government share and retains the remaining 40%. The 60% government share is comprised of government share and income taxes. The government share is split between the DOE (60%) and the LGUs (40%) where the project is located.

Geothermal Renewable Energy Service Contracts and Geothermal Operating Contracts

R.A. 9513, otherwise known as the Renewable Energy Act of 2008 (RE Law) and which became effective in January 2009, mandates the conversion of existing GSCs under P.D. 1442 into Geothermal Renewable Energy Service Contracts (GRESs) so companies may avail of the incentives under the RE Law. Aside from the tax incentives, the significant terms of the service concessions under the GRESs are similar to the GSCs except that the Parent Company has control over any significant residual interest over the steam fields, power plants and related facilities throughout the concession period and even after the concession period.

On September 10, 2009, the Parent Company was granted the Provisional Certificate of Registration as an RE Developer for the following existing projects: (1) GSC No. 01 - Tongonan, Leyte, (2) GSC No. 02 - Palinpinon, Negros Oriental, (3) GSC No. 03 - Bacon-Manito, Sorsogon/Albay, (4) GSC No. 04 - Mt. Apo, North Cotabato, and (5) GSC No. 06 - Northern Negros. With the receipt of the certificates of provisional registration as geothermal RE Developer, the fiscal incentives of the RE Law were availed of by the Parent Company retroactive from the effective date of such law on January 30, 2009. Fiscal incentives include, among others, change in the applicable corporate tax rate from 30% to 10% for RE-registered activities.



The GSCs were fully converted to GRESCs upon signing of the parties on October 23, 2009, thereby the Company is now the holder of five (5) GRESCs and the corresponding DOE Certificate Registration as an RE Developer for the following geothermal projects:

1. GRESC 2009-10-001 for Tongonan Geothermal Project
2. GRESC 2009-10-002 for Southern Negros Geothermal Project
3. GRESC 2009-10-003 for Bacon-Manito Geothermal Project
4. GRESC 2009-10-004 for Mt. Apo Geothermal Project
5. GRESC 2009-10-005 for Northern Negros Geothermal Project

On February 19, 2010, the Parent Company's GSC in Mt. Labo in Camarines Norte and Sur were converted to GRESC 2010-02-020. On March 24, 2010, the DOE issued to the Parent Company a new GRESC for Mainit Geothermal Project under DOE Certificate of Registration No. GRESC 2010-03-021.

The remaining service contract of the Parent Company covered by P.D. 1442 as of December 31, 2013 is the Mt. Cabalian in Southern Leyte. In 2014, after thorough assessment, the Parent Company surrendered to the Department of Energy the Geothermal Service Contract covering the Southern Leyte Geothermal Project located in Cabalian, Southern Leyte. The Parent Company has found the project not viable considering the size of the resource and the risk associated with the development and sustainability thereof.

EDC also holds geothermal resource service contracts for the following prospect areas:

1. Mt. Zion 2 Geothermal Project (currently in the process of conversion to the new RE contract template per DOE Department Circular No. DC2019-10-0013, 25-year contract period expiring in 2040, renewable for another 25 years)
2. Amacan Geothermal Project (with a five-year pre-development period expiring in 2021, 25-year contract period expiring in 2041, renewable for another 25 years)

Location	Project	Expiration of GSC	GSC Owner
North Cotabato/ Davao del Sur	Mt. Zion 2	2040	EDC
Compostela Valley	Amacan	2041	EDC

In 2019, the Company recognized allowance for impairment of exploration and evaluation costs incurred for Balingasag amounting to ₱2.5 million (see Notes 3, 14 and 27). No similar loss was recognized in 2018.

Following the DOE's approval of the surrender of the energy service contracts for Ampiro, Lakewood and Balingasag, the exploration and evaluation costs incurred for these projects totaling to ₱9.0 million and the related allowance for impairment losses were written off in 2020 (see Notes 3 and 14).



Under the GRESCs, the Parent Company pays the government share equivalent to 1.5% of the gross income from the sale of geothermal steam produced and such other income incidental to and arising from generation, transmission, and sale of electric power generated from geothermal energy within the contract areas. Under the GRESCs, gross income derived from business is an amount equal to gross sales less sales returns, discounts and allowances, and cost of goods sold. Cost of goods sold includes all business expenses directly incurred to produce the steam used to generate power under a GRESC.

The RE Law also provides that the exclusive right to operate geothermal power plants shall be granted through a Renewable Energy Operating Contract with the Philippine Government through the DOE. On May 8, 2012, EDC, through its subsidiaries GCGI and BGI secured three (3) Geothermal Operating Contracts (GOCs), each with a 25-year contract period expiring in 2037 and renewable for another 25 years, covering the following power plant operations:

- 1) Tongonan Geothermal Power Plant under DOE Certificate of Registration
No. GOC 2012-04-038
- 2) Palinpinon Geothermal Power Plant under DOE Certificate of Registration
No. GOC 2012-04-037
- 3) Bacon-Manito Geothermal Power Plant under DOE Certificate of Registration
No. GOC 2012-04-039

Total outstanding government share and the related expense are shown in Notes 16 and 22 to the consolidated financial statements, respectively.

34. Wind Energy Service Contracts and Solar Energy Service Contract

Wind Energy Service Contracts

On September 14, 2009, the Parent Company entered into WESC 2009-09-004 with the DOE granting the Parent Company the right to explore and develop the Burgos Wind Project for a period of 25 years from the effective date. The pre-development stage under the WESC shall be two (2) years extendible for another year if the Parent Company has not been in default in its exploration or work commitments and has provided a work program for the extension period upon confirmation by the DOE. Within the pre-development stage, the Parent Company shall undertake exploration, assessment and other studies of wind resources in the contract area. Upon declaration of commerciality, as confirmed by the DOE, the WESC shall remain in force for the balance of the 25-year period for the development/commercial stage.

The DOE shall approve the extension of the WESC for another 25 years under the same terms and conditions, provided the Parent Company is not in default of any material obligations under the contract and has submitted a written notice to the DOE for the extension of the contract not later than one (1) year prior to the expiration of the original 25-year period. Further, the WESC provides that all materials, equipment, plant and other installations erected or placed on the contract area by the Parent Company shall remain the property of the Parent Company throughout the term of the contract and after its termination.

On May 26, 2010, the BOD of EDC approved the assignment and transfer to EBWPC of all the contracts, assets, permits and licenses relating to the establishment and operation of the Burgos Wind Power Project under DOE Certificate of Registration No. WESC 2009-09-004. On May 16, 2013, EBWPC was granted a Certificate of Confirmation of Commerciality by the DOE.



As of December 31, 2020, the Company holds 10 WESCs with the DOE with a 25-year contract period. The WESCs cover the following:

Projects	DOE Certificates of Registration
1) 150 MW wind project in Burgos, Ilocos Norte	WESC 2009-09-004 (expiring in 2034)
2) 84 MW wind project in Pagudpud, Ilocos Norte	WESC 2010-02-040 (expiring in 2035)
3) Burgos 1 wind project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
4) Burgos 2 wind project in Burgos, Ilocos Norte	WESC 2013-12-064 (expiring in 2038)
5) Matnog 1 wind project in Matnog and Magdalena, Sorsogon	WESC 2014-07-075 (expiring in 2039)
6) Matnog 2 wind project in Matnog, Sorsogon	WESC 2014-07-076 (expiring in 2039)
7) Matnog 3 wind project in Matnog, Sorsogon	WESC 2014-07-077 (expiring in 2039)
8) Iloilo 1 wind project in Batad and San Dionisio, Iloilo	WESC 2014-07-078 (expiring in 2039)
9) Burgos 3 Wind Project in Burgos and Pasuquin, Ilocos Norte	WESC 2015-09-085 (expiring in 2040)
10) Burgos 4 Wind Project in Burgos, Ilocos Norte	WESC 2015-09-086 (expiring in 2040)

Solar Energy Service Contracts

As of December 31, 2020, the Parent Company holds two (2) SESCOs with the DOE with a 25-year contract period. The SESCOs cover the following:

Projects	DOE Certificates of Registration
1) 6.82 MW Burgos Solar Project in Burgos, Ilocos Norte	SESC No. 2014-07-088 (expiring in 2039)
2) Gaisano Iloilo, Iloilo City Solar Rooftop Project*	SESC No. 2016-11-352 (expiring in 2042 and renewable for another 25 years)

* SESCO assigned to EDC Siklab Power Corporation (EDC Siklab)

35. FG Hydro's Contracts and Agreements

Operation and Maintenance Agreement (O&M Agreement)

The Company has an O&M Agreement with NIA, with the conformity of NPC. Under the O&M Agreement, NIA will manage, operate, maintain and rehabilitate the Non-Power Components of the PAHEP/MAHEP in consideration for a service fee based on actual cubic meter of water used by the Company for power generation. The Company has fully funded the required Trust Fund amounting to ₱100.0 million since October 2008.

The O&M Agreement is effective for a period of 25 years commencing on November 18, 2006 and renewable for another 25 years under the terms and conditions as may be mutually agreed upon by both parties.

Total service fees incurred amounted to ₱106.3 million, ₱128.5 million and ₱116.4 million in 2020, 2019 and 2018, respectively, and are included under the "Costs of sale of electricity" account in the consolidated statements of income, specifically "Purchased services and utilities" account (see Note 22).

Memorandum of Agreement (MOA)

PSALM entered into a MOA with the Protected Area Management Board (PAMB). Under the MOA, PAMB granted FG Hydro the right to use the Masiway land, where the MAHEP power plant is situated in consideration for an annual user's fee. The MOA will be effective for 25 years and



renewable for a similar period subject to terms and conditions as may be mutually agreed upon by both parties.

Memorandum of Agreement with NGCP (MOA with NGCP)

FG Hydro entered into a MOA with NGCP on August 31, 2011 for the performance of services on the operation of the PAHEP 230 kV switchyard and its related appurtenances (Switchyard).

The MOA with NGCP expired on August 31, 2016 after which the Company continued to perform services on the operation of the Switchyard until the signing of a new contract.

A new MOA, effective for a period of five (5) years upon signing by the parties, was signed with NGCP on January 20, 2020. The MOA is renewable for another three (3) years under such terms and conditions as may be agreed by the parties.

NGCP shall pay FG Hydro a monthly fixed fee amounting to ₱0.1 million and monthly variable charges representing energy consumed at the Switchyard.

Power Supply Agreement with Manila Electric Company (PSA with Meralco)

On September 16, 2019, FG Hydro signed a PSA with Manila Electric Company for the supply of 100 MW mid-merit capacity. The contract was a result of FG Hydro being awarded as a result of having one of the lowest bids under Meralco's CSP that concluded in September 2019. The contract has a term of five years.

On March 16, 2020, FG Hydro received the order of the ERC dated December 10, 2019 granting provisional authority to implement the PSA. However, due to the substantial decrease in demand across the Meralco franchise area brought about by the Luzon-wide Enhanced Community Quarantine (ECQ) at the time, Meralco and FG Hydro agreed to defer the operations effectivity date and all related dates until after the ECQ.

On June 5, 2020, FG Hydro filed a Motion for Reconsideration of the provisional approval. On June 22, 2020, Meralco and FG Hydro entered into an interim arrangement regarding supply and purchase at the provisional approval rate. Under this arrangement, FG Hydro commenced selling electricity to Meralco in July 2020.

On December 16, 2020, FG Hydro received the order of the ERC dated November 11, 2020 granting its Motion for Reconsideration. On January 8, 2021, FG Hydro received the order of the ERC dated November 26, 2020 granting the interim relief authorizing Meralco and FG Hydro to implement their PSA, subject to the same conditions as those provided in the ERC's orders dated December 10, 2019 and November 11, 2020, until revoked or until the issuance of a final decision by the ERC.

On December 6, 2019, the FG Hydro entered into a contract for difference with the Parent Company, ULGEI, BGI and GCGI to supply the additional electricity needed by the latter in relation to its PSA with Meralco.



36. Vestas Operation and Maintenance Agreement

In March 2013, the Company entered into an agreement with Vestas Wind Systems (Vestas) for the construction of its 87 MW Burgos Wind Project (Phase 1), located in the Municipality of Burgos, Ilocos Norte. The project comprises three components: (i) the establishment of a wind farm facility; (ii) a 115kV transmission line; and (iii) a substation adjacent to the wind farm. On April 30, 2014, the Company and Vestas have entered into another contract for the construction and installation of an additional 21 wind turbines (Phase 2) increasing the total generating capacity from 87 MW to 150 MW.

EBWPC will operate and maintain the wind farm under a 10-year operations and maintenance agreement with Vestas. The Vestas O&M contract is a service and energy-based availability agreement based on Vestas' Active Output Management 5000 product. The agreement is a full-scope maintenance contract covering both scheduled and unscheduled maintenance with an energy-based availability on the wind turbines. The agreement covers the wind turbines, wind farm electrical balance-of-plant systems, the wind turbine yaw back-up generators and the Burgos Substation as opposed to a traditional O&M contract that provides a guarantee that the turbines in a wind power plant are operational for a defined period of time on an annual basis (referred to as time-based availability), the AOM 5000 model provides an energy-based guarantee, which encourages the contractor to ensure that the turbines are fully operational when the wind is blowing.

37. Renewable Energy Payment Agreement

Under Section 2.2 of the ERC Resolution No. 24, Series of 2013, *A Resolution Adopting the Guidelines on the Collection of the FIT Allowance (FIT-All) and the Disbursement of the FIT-All Fund* (the FIT-All Guidelines), all eligible renewable energy (RE) plant shall enter into a Renewable Energy Payment Agreement (REPA) with TransCo for the payment of the FIT.

Pursuant to the FIT-All Guidelines, EBWPC entered into a REPA with TransCo for its Burgos Wind Power Plants. The REPA became effective after all the documents enumerated in Section 3.1 of the REPA have been submitted to and certified complete by TransCo. Included in those required documents is the FIT COC issued by the ERC on April 13, 2015.

The ERC granted on April 13, 2015 the FIT COC for the Burgos Wind Project - Phase I and II, which specifies that the project is entitled to the FIT rate of ₱8.53 per kilowatt-hour (kWh), subject to adjustments as may be approved by the ERC, from November 11, 2014 to November 10, 2034.

Similarly, on April 24, 2015, the Parent Company entered into a REPA for its 4.16 MW Solar Power Plants with TransCo.

In accordance with the REPA, all actual RE generation from the commercial operations date (COD) until the effective date of the REPA (effective date) were billed to and collected from the Philippine Electricity Market Corporation (PEMC) at market price.

After the effective date of the REPA, billings for all actual RE generation have been submitted directly to and collected from TransCo at the applicable FIT rates as approved by the ERC. In addition, the actual FIT differential from the COD until the effective date were also billed to TransCo over the number of months which lapsed during that period.



FIT rate adjustments

On May 26, 2020, the ERC approved Resolution No. 06, Series of 2020 which approves and adopts FIT rate adjustments, for the years 2016, 2017, 2018, 2019 and 2020 using 2014 as the base year for the consumer price index and foreign exchange. The said resolution was published in a newspaper of general circulation on November 17, 2020 and became effective 15 days after.

Total retroactive FIT revenue adjustment recognized in 2020 by EBWPC and the Parent Company amounted to ₱960.0 million and ₱28.6 million, respectively. This will be recovered from TransCo for a period of five (5) years.

As of December 31, 2020, the noncurrent portion of the receivable from TransCo amounting to ₱957.8 million is included in “Long-term Receivables” under “Other Noncurrent Assets”, while the current portion amounting to ₱26.2 million is included under “Trade and Other Receivables” (see Notes 7 and 15). Interest earned on receivable from TransCo amounted to ₱3.2 million in 2020 (see Note 25).

38. COVID-19

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 (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region (NCR). The community quarantine has been extended on a more relaxed form (general community quarantine) after the May 15, 2020 extension. On February 27, 2021, the general community quarantine was extended until March 31, 2021 in selected areas including the NCR. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Company was not materially affected by the COVID-19 outbreak as the Company continued to operate normally and majority of its capacity is contracted. For the uncontracted capacity, it was affected by lower market prices in 2020 as a result of the decrease in demand during the community quarantine period.

Considering the evolving nature of this outbreak, the Company will continue to monitor the situation in subsequent periods.

39. Changes in Liabilities Arising from Financing Activities

	January 1, 2020	Cash flows	Foreign exchange movements	Others	December 31, 2020
Current and noncurrent portion of long-term debts (Note 17)	₱55,650,386,141	₱5,234,173,660	(₱407,555,246)	(₱446,730,041)	₱60,030,274,514
Accrued interest on long-term debts	777,441,934	(3,385,447,911)	94,811,449	3,319,684,518	806,489,990
Lease liability	412,955,688	(160,448,287)	–	114,206,441	366,713,842
Acquisition of treasury stock (Notes 1 and 19)	–	(32,740,426)	–	32,740,426	–
Dividends paid (Note 19)	4,207,469,094	(6,493,216,395)	–	7,293,500,000	5,007,752,699
Total liabilities from financing activities	₱61,048,252,857	(₱4,837,679,359)	(₱312,743,797)	₱10,313,401,344	₱66,211,231,045



	January 1, 2019	Cash flows	Foreign exchange movements	Others	December 31, 2019
Current and noncurrent portion of long-term debts (Note 17)	₱65,802,722,675	(₱9,685,610,939)	(₱189,360,050)	(₱277,365,545)	₱55,650,386,141
Accrued interest on long-term debts	892,424,605	(3,735,637,571)	15,473,316	3,605,181,584	777,441,934
Lease liability	—	(313,075,997)	—	726,031,685	412,955,688
Acquisition of treasury stock (Notes 1 and 19)	—	(7,024,358)	—	7,024,358	—
Dividends paid (Note 19)	7,469,094	(3,700,822,352)	—	7,900,822,352	4,207,469,094
Total liabilities from financing activities	₱66,702,616,374	(₱17,442,171,217)	(₱173,886,734)	₱11,961,694,434	₱61,048,252,857

Other includes effect of reclassification of noncurrent portion of long-term debts, amortization of debt issuance costs, declaration of dividends on preferred stocks that were not yet paid at the end of financial reporting date, and effect of accrued but not yet paid interest on long-term debts.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Energy Development Corporation
One Corporate Centre, Julia Vargas cor. Meralco Avenues
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Energy Development Corporation (a subsidiary of Red Vulcan Holdings Corporation) and its subsidiaries as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated March 3, 2021. Our audits were made for the purpose of forming an opinion on the consolidated 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 the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-2 (Group A),
October 15, 2019, valid until October 14, 2022
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001998-103-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8534302, January 4, 2021, Makati City

March 3, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Energy Development Corporation
One Corporate Centre, Julia Vargas cor. Meralco Avenues
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Energy Development Corporation (a subsidiary of Red Vulcan Holdings Corporation) and its subsidiaries as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 3, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
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March 3, 2021



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2020

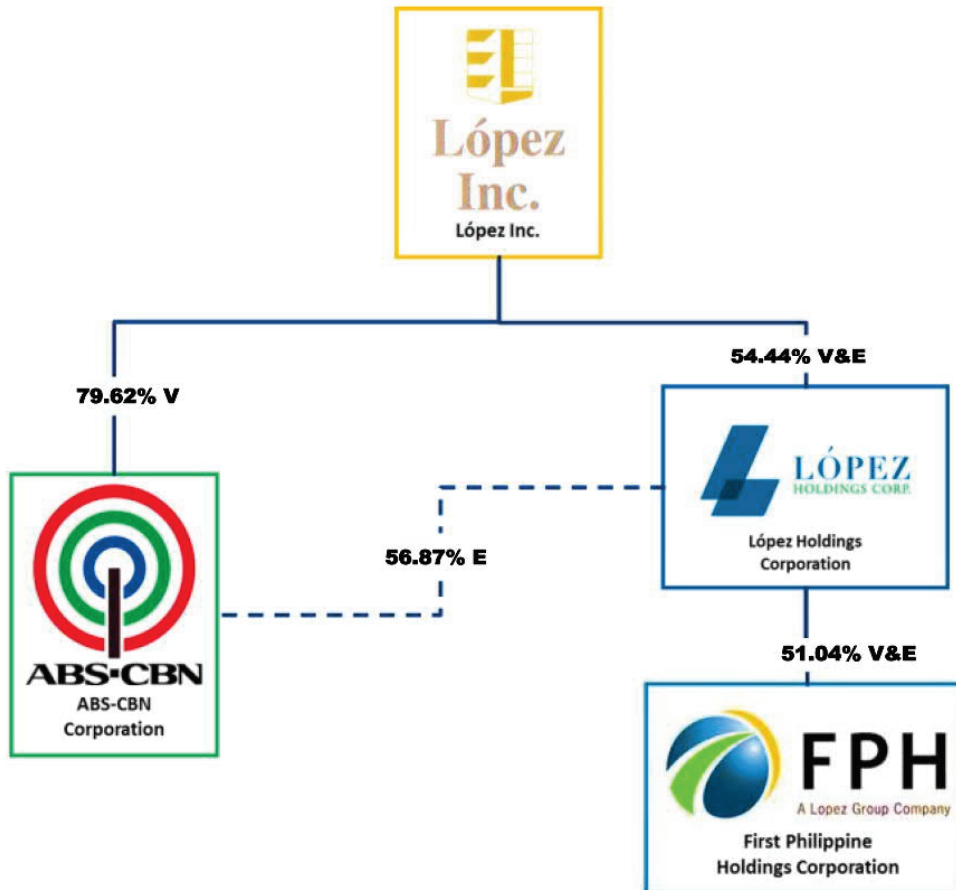
Unappropriated retained earnings, as adjusted to available for dividend declaration, January 1, 2020		₱6,136,335,182
Net income in 2020 closed to Retained Earnings	8,781,905,476	
Add: Non-actual/unrealized income (net of tax)		
Unrealized foreign exchange gain	(649,388,560)	
Unrealized mark-to-market gain on fair value through profit or loss	(663,046)	
Net income actually earned in 2020		8,131,853,870
Less: Appropriation of Retained Earnings during the period		2,405,100,000
Reversal of appropriation of Retained Earnings during the period		(5,667,769,680)
Acquisition of Treasury Shares during the period		32,740,426
TOTAL RETAINED EARNINGS AVAILABLE FOR		
 DIVIDEND DECLARATION, DECEMBER 31, 2020		₱17,498,118,306

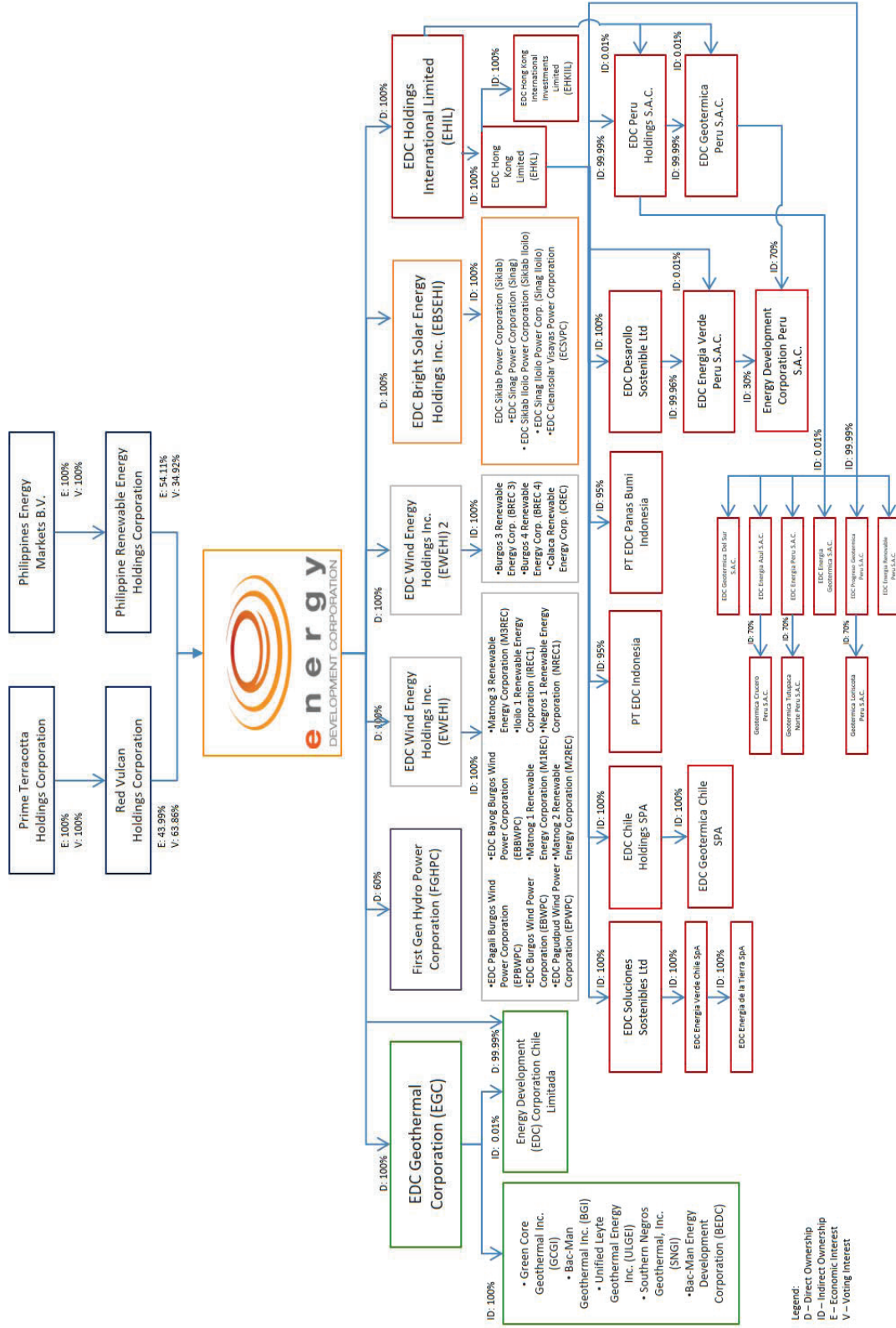
ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020

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D	Long-Term Debt
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F	Guarantees of Securities of Other Issuers
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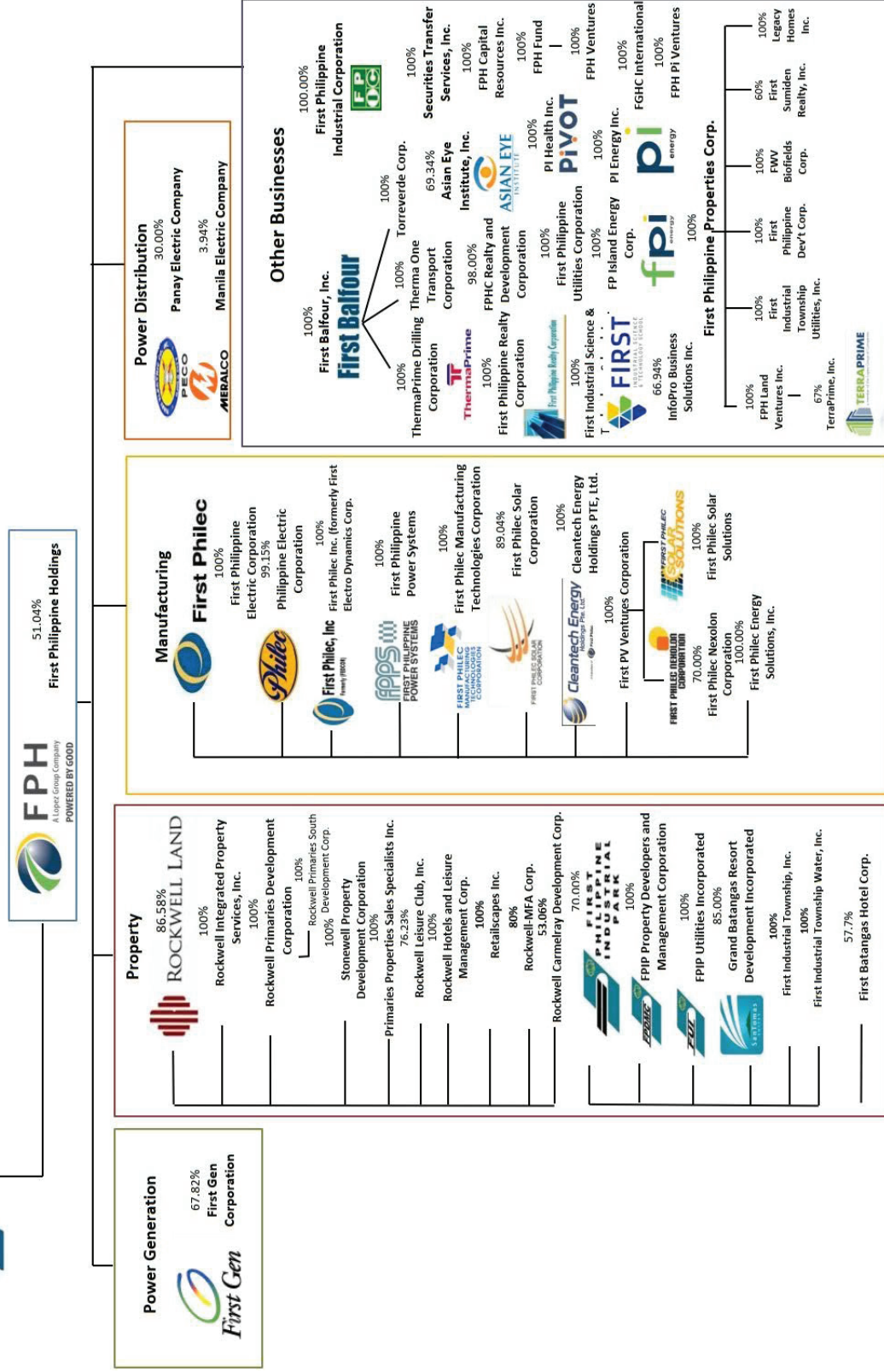
**LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES
MAP OF RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP
DECEMBER 31, 2020**

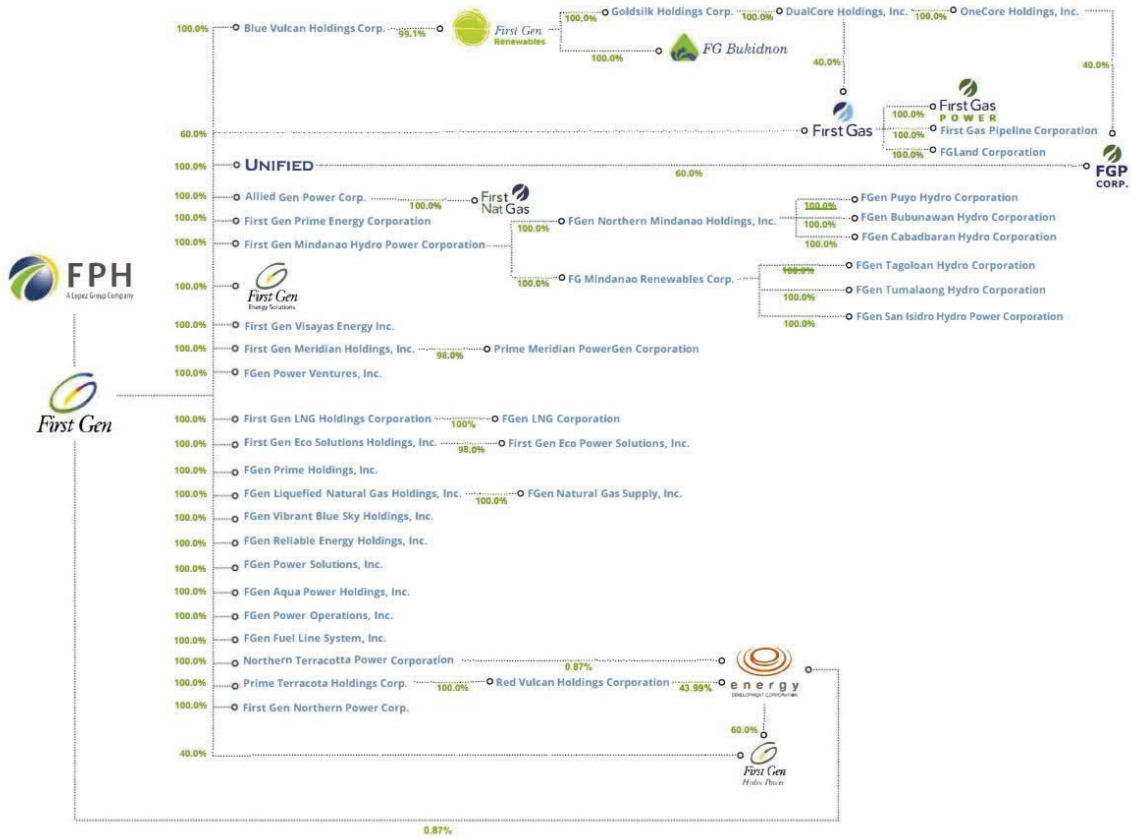






FIRST PHILIPPINE HOLDINGS CORP. AND SUBSIDIARIES
CORPORATE STRUCTURE
December 31, 2020





ENERGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES

INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

Supplementary Schedules

- A. Financial Assets
- B. Amounts Receivable from Directors, Officers, Employees,
and Principal Stockholders (Other than Related Parties)
- C. Amounts Receivable from Related Parties which are Eliminated
during the Consolidation of Financial Statements
- D. Intangible Assets - Other Assets
- E. Long-Term Debt
- F. Indebtedness to Related Parties*
- G. Guarantees of Securities of Other Issuers*
- H. Capital Stock

* Not Applicable

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

As of December 31, 2020

FINANCIAL ASSETS	Name of Issuing Entity & association of each use	Amount shown in the balance sheet	Income received and accrued
Loans and receivables:			
Cash and cash equivalents	N/A	21,755,437,366	240,115,605
Trade Receivables	N/A	5,608,836,303	
Due from related parties	N/A	23,503,563	
Loans and notes receivables	N/A	56,844,161	
Advances to employees	N/A	16,266,042	
Non-trade Accounts Receivables	N/A	1,206,742,783	
Long term receivables	N/A	1,078,479,522	
Debt Service Reserve Account	N/A	134,903	
Financial assets at FVOCI			
Equity Investments	First Gen	346,752,840	
Debt investments	RCBC Retail Treasury Bonds	102,818,950	
Debt investments	RCBC GT Capital Fixed Rate Bonds	35,652,855	
Debt investments	BDP Fixed Rate Treasury Note	31,351,500	
Debt investments	Preferred Shares - BGI	1,723,973,938	
Equity Investments	Wack Wack Golf & Country Club Share	37,500,000	
Equity Investments	Alabang Country Club Share	12,500,000	
Equity Investments	Sta. Elena Golf Club Share	-	
Equity Investments	Baguio Country Club Share	4,000,000	
Equity Investments	Manila Southwoods Golf & Country Club Share	-	
Equity Investments	Canlubang Golf & Country Club Share	1,600,000	
Equity Investments	Club Filipino Share	400,000	
Equity Investments	Metropolitan Club Share	550,000	
Equity Investments	Orchard Golf & Country Club Share	700,000	
Equity Investments	Petron Corp.	70,151	
Equity Investments	Capitol Hills Golf & Country Club Share	200,000	
Equity Investments	BDO Unit Investment Trust Fund	1,065,289	6,172,530
Financial asset at FVPL	Investment Management Agreement - SBC	10,246,223	
Derivative Assets	N/A	-	
TOTAL		32,055,626,389	246,288,135

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

As of December 31, 2020

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Accounts Written-off	Current	Not Current	Balance at End of Period
Employees Directors	75,145,428	6,611,249			81,756,677	-	81,756,677
TOTAL							

Note: The Company keeps the information on the name & designation of employees and other details confidential. As per written agreement with the concerned employees, any outstanding balance at the time of retirement shall be deducted from the retirement benefit proceeds.

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
SCHEDULE C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As of December 31, 2020

Name of Subsidiary	Balance at January 1, 2020	Additions	Amounts Collected	Offsetting	Reclassification	Cumulative Translation Adjustment	Current	Non-Current	Amount Eliminated
<u>Energy Development Corporation</u>									
Bac-Man Energy Development Corporation	119,687.09	19,565.36	-	-	-	-	139,252.45	-	139,252.45
Bac-Man Geothermal, Inc.	0.00	8,749,557.14	-	6,750,682.26	-	-	6,119,726.40	-	6,119,726.40
EDC Burgos Wind Power Corporation	0.00	8,055,342.68	-	(8,049,983.89)	-	-	5,358.83	-	5,358.83
EDC Geotermica Chile S.P.A.	18,003,880.94	-	-	-	-	-	18,003,880.94	-	18,003,880.94
EDC Hong Kong International Limited	104,320.00	-	-	-	-	-	154,930.00	-	154,930.00
EDC Hong Kong Limited	42,870.00	16,726.48	-	-	-	-	59,606.48	-	59,606.48
EDC Geothermal Corp.	9,215,852.53	19,189.11	-	-	-	-	9,235,041.64	-	9,235,041.64
EDC Sinag Iloilo Power Corporation	123,144.35	19,189.11	-	-	(123,144.38)	-	19,189.08	-	19,189.08
EDC Pagudpud Wind Power Corporation	4,071,891.06	40,455.11	-	-	-	-	4,112,346.17	-	4,112,346.17
EDC Wind Energy Holdings, Inc.	734,957,768.00	19,189.11	-	-	(11,076.11)	-	734,965,881.00	-	734,965,881.00
First Gen Hydro Power Corporation	495,269.71	-	-	-	-	-	495,269.71	-	495,269.71
Green Core Geothermal, Inc.	0.16	223,780,132.83	-	(217,926,831.39)	-	-	5,853,301.60	-	5,853,301.60
EDC Siklab Iloilo Power Corporation	119,639.83	19,189.11	-	-	(119,639.94)	-	19,189.00	-	19,189.00
PT EDC Indonesia	2,801,023.62	-	-	-	-	-	2,801,023.62	-	2,801,023.62
Southern Negros Geothermal, Inc.	118,579.05	19,189.11	-	-	(118,579.16)	-	19,189.00	-	19,189.00
Unified Leyte Geothermal Energy Inc.	686,479,726.87	1,911,938,971.85	-	(970,500,000.00)	(1,627,918,698.72)	-	19,189.00	-	19,189.00
EDC Geotermica Peru S.A.C.	680,380.82	-	-	-	-	-	680,380.82	-	680,380.82
EDC Chile Limitada	4,856,280.36	-	-	-	-	-	4,856,280.36	-	4,856,280.36
EDC Bright Solar Energy Holdings, Inc.	631,268.66	26,215.11	-	-	-	-	657,483.77	-	657,483.77
EDC Siklab Power Corporation	49,167.32	54,185,915.42	-	(54,231,057.74)	-	-	4,025.00	-	4,025.00
EDC Cleansolar Visayas Power Corporation	128,047.83	26,670.11	-	-	(128,047.94)	-	26,670.00	-	26,670.00
EDC Bayog Burgos Wind Power Corporation	124,677.96	26,650.11	-	-	-	-	151,328.07	-	151,328.07
EDC Paguil Burgos Wind Power Corporation	126,412.76	26,670.11	-	-	-	-	152,882.87	-	152,882.87
EDC Sinag Power Corporation	128,782.12	26,605.26	-	-	-	-	155,387.38	-	155,387.38
Iloilo 1 Renewable Energy Corporation	82,125.44	26,650.11	-	-	-	-	108,775.55	-	108,775.55
Mitrog 1 Renewable Energy Corporation	75,176.44	26,650.11	-	-	(75,175.55)	-	26,651.00	-	26,651.00
Mitrog 2 Renewable Energy Corporation	75,240.00	26,650.11	-	-	(75,240.11)	-	26,650.00	-	26,650.00
Mitrog 3 Renewable Energy Corporation	82,125.44	26,650.11	-	-	(82,124.55)	-	26,651.00	-	26,651.00
Negros 1 Renewable Energy Corporation	66,596.44	18,493.61	-	-	(66,596.05)	-	18,494.00	-	18,494.00
EDC Wind Energy Holdings, Inc. 2	15,284.64	35,018,605.86	-	(35,000,000.00)	-	-	33,890.50	-	33,890.50
Burgos 3 Renewable Energy Corporation	42,316.54	20,367.11	-	-	(42,315.65)	-	20,368.00	-	20,368.00
Burgos 4 Renewable Energy Corporation	33,716.54	20,367.11	-	-	(33,716.65)	-	20,367.00	-	20,367.00
Galica Renewable Corporation	33,529.14	20,367.11	-	-	(33,529.25)	-	20,367.00	-	20,367.00
<u>EDC Chile Limitada</u>									
EDC Geotermica SP A	18,134,547.67	-	-	-	-	(234,736.34)	17,899,811.32	-	17,899,811.32
<u>EDC Geothermal Corp.</u>									
Energy Development Corporation	-	-	-	-	-	-	-	-	-
Unified Leyte Geothermal Energy Inc.	150,000.00	-	-	-	-	-	150,000.00	-	150,000.00
EDC Sinag Iloilo Power Corporation	1,000.00	-	-	-	(1,000.00)	-	-	-	-
Bac-Man Energy Development Corporation	1,000.00	-	-	-	-	-	1,000.00	-	1,000.00
EDC Siklab Iloilo Power Corporation	1,000.00	-	-	-	(1,000.00)	-	-	-	-
Southern Negros Geothermal, Inc.	1,000.00	-	-	-	(1,000.00)	-	-	-	-
<u>Green Core Geothermal Inc.</u>									
Bac-Man Geothermal Inc.	0.00	44,160,746.22	-	(44,160,746.22)	-	-	0.00	-	0.00
Energy Development Corporation	24,637,538.50	193,448,146.61	-	(218,085,685.11)	-	-	(0.00)	-	(0.00)
EDC Burgos Wind Power Corporation	-	4,000,000.00	-	(4,000,000.00)	-	-	-	-	-
<u>Bac-Man Geothermal Inc.</u>									
First Gen Hydro Power Corporation	(0.00)	140,896.52	-	(140,896.52)	-	-	(0.00)	-	(0.00)
Energy Development Corporation	2,111,995.26	(8,862,647.52)	-	6,750,682.26	-	-	(0.00)	-	(0.00)
Green Core Geothermal Inc.	550,706.64	43,697,433.06	-	(44,095,583.48)	-	-	152,556.22	-	152,556.22
EDC Burgos Wind Power Corporation	0.00	28,394,940.02	-	(28,394,940.02)	-	-	0.00	-	0.00
Unified Leyte Geothermal Energy Inc.	2,000.00	(2,000.00)	-	-	-	-	0.00	-	0.00
<u>Unified Leyte Geothermal Energy Inc.</u>									
Energy Development Corporation	-	970,500,000.00	-	(970,500,000.00)	-	-	-	-	-
EDC Siklab Power Corporation	-	-	-	-	-	-	-	-	-
EDC Geothermal Corp.	-	-	-	-	-	-	-	-	-
EDC Burgos Wind Power Corporation	-	166,000,000.00	-	(166,000,000.00)	-	-	-	-	-

(forward)

Name of Subsidiary	Balance at January 1, 2020	Additions	Amounts Collected	Offsetting	Reclassification	Cumulative Translation Adjustment	Current	Non- Current	Amount Eliminated
EDC Burgos Wind Power Corporation Energy Development Corporation Bac-Man Geothermal Inc. EDC Wind Energy Holdings Inc. EDC Pagudpud Wind Power Corporation	450,000.00 - 4,389,005.30 44,750.00 -	(400,016.15) 28,394,940.02 - - 166,000,000.00	- - - - -	(49,983.85) (28,394,940.02) - - (166,000,000.00)	- - - - -	-	0.00 4,389,005.30 44,750.00 -	- - - -	0.00 4,389,005.30 44,750.00 -
EDC Hong Kong International Limited EDC Hong Kong Limited	- -	- -	- -	- -	- -	-	- -	- -	- -
EDC Bright Solar Energy Holdings, Inc. EDC Sinag Power Corporation	11,000.00	-	-	-	-	-	11,000.00	-	11,000.00
EDC Wind Energy Holdings 2, Inc. Burgos 3 Renewable Energy Corporation Burgos 4 Renewable Energy Corporation Galica Renewable Corporation Energy Development Corporation	20,000.00 20,000.00 20,000.00 -	5,000.00 5,000.00 5,000.00 35,000,000.00	- - - -	- - - (35,000,000.00)	(20,000.00) (20,000.00) (20,000.00) -	-	5,000.00 5,000.00 5,000.00 -	- - - -	5,000.00 5,000.00 5,000.00 -
EDC Skikab Power Corporation Energy Development Corporation Unified Leyte Geothermal Inc.	(0.00) -	54,231,057.74 -	- -	(54,231,057.74) -	- -	-	(0.00) -	- -	(0.00) -
EDC Hong Kong Limited EDC Chile Limitada EDC Geotermica SPA PT EDC Indonesia PT EDC Panas Bumi	105,961,380.00 26,864,500.00 138,878,696.95 -	- 53,906,674.30 1,600,198.14 -	- - - -	- - - -	- - - -	-	105,961,380.00 26,864,500.00 192,785,371.25 1,600,198.14	- - - -	105,961,380.00 26,864,500.00 192,785,371.25 1,600,198.14
PT EDC Indonesia PT EDC Panas Bumi	640,067.91	19,890.00	-	-	-	(4,745.52)	655,212.39	-	655,212.39
PT EDC Panas Bumi PT EDC Indonesia	912,364.02	241,467.61	-	-	-	(73,975.46)	1,079,856.16	-	1,079,856.16
EDC Chile Holdings SPA EDC Chile Limitada EDC Geotermica SPA	505,085,343.10 1,557,857,084.86 -	59,653,145.40 75,211,604.59 -	- -	- -	- -	(6,537,901.48) (20,300,323.79)	558,200,587.01 1,612,768,365.66 -	- -	558,200,587.01 1,612,768,365.66 -
EDC Geotermica SPA EDC Chile Limitada	36,658,461.55	1,433,234.12	-	-	-	(474,512.70)	37,617,182.96	-	37,617,182.96
EDC Peru Holdings EDC Energia Verde Peru S.A.C. EDC Peru SAC EDC Geotermica Del Sur EDC Energia Azul EDC Energia Peru EDC Energia Geotermica EDC Progreso Geotermico Peru SAC EDC Energia Renovable Geotermica Cruzero Geotermica Titupaca Geotermica Loricota	41,142,152.47 79,719.63 47,227.79 53,708.09 58,155.66 45,928.68 53,937.35 47,380.63 5,021,617.48 11,675,528.07 288,312.88	38,884,834.22 - - - - - - - - - -	- - - - - - - -	- - - - - - - - - -	- (30,110.67) - - - - - - - - -	-	74,579,575.96 49,608.95 40,992.94 46,617.73 50,478.14 39,865.33 46,816.72 41,125.60 4,358,680.25 10,134,163.73 250,250.77	- - - - - - - - -	74,579,575.96 49,608.95 40,992.94 46,617.73 50,478.14 39,865.33 46,816.72 41,125.60 4,358,680.25 10,134,163.73 250,250.77
Energay Development Corporation Peru SAC EDC Energia Verde Peru	114,412,158.92	30,937,898.19	-	-	-	(14,542,357.79)	130,807,699.32	-	130,807,699.32
TOTAL	4,060,214,221.05	4,228,878,227.44	(9,380,513.00)	(3,031,260,341.42)	(1,628,920,994.73)	(49,895,169.23)	3,569,631,450.10	-	3,569,631,450.10

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

As of December 31, 2020

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Water Rights	1,142,269,985	-	96,191,157	-	-	1,046,078,828
Goodwill	2,662,725,765	-	52,731,766	-	(6,658,278)	2,603,335,721
Other Intangible Assets	249,559,867	81,089,129	80,664,891	-	-	249,984,105
TOTAL	4,054,555,617	81,089,129	229,587,814	-	(6,658,278)	3,899,398,654

Note:

Other charges addition in Goodwill pertain to foreign exchange translation of goodwill arising from the acquisition of Hot Rock entities in Chile and Peru. Additions to Other Intangible Assets pertain to computer software and licenses.

The amounts charged to cost and expenses represent regular amortization and is credited through an accumulated amortization account.

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

As of December 31, 2020

Title of Issue and Type of Obligation	Amount Authorized by Indenture		Balance at December 31, 2020		Current Portion of Long-Term Debt		Long-Term Debt (Net of Current Portion)		Interest Rate	Amount and Number of Periodic Payments		Maturity Date
	(In original currency)	(In PHP)	(In original currency)	(In PHP)	(In original currency)	(In PHP)	(In original currency)	(In PHP)		(In original currency)	(Approx in PHP)	
Foreign Loans:												
US\$181.1 Million Notes	\$ 300,000,000	44.50 \$	181,104,267	8,697,225,400	\$ 181,104,267	-	\$ 1,152,565,522	-	6.50%	\$ 300,000,000	13,318,500,000	January 20, 2021
Commercial Debt Facility US\$27.5 Million	\$ 37,502,193	44.81 \$	26,431,924	1,269,240,305	\$ 2,431,643	24,000,282	\$ 95,518,082	28% margin plus LIBOR	2.35% margin plus LIBOR	various	various	October 23, 2029
ECA Debt Facility US\$150 Million	\$ 150,008,771	44.81 \$	105,121,909	5,048,369,447	\$ 9,603,828	461,204,644	\$ 4,587,064,803	2.35% margin plus LIBOR	2.35% margin plus LIBOR	various	various	October 23, 2029
US\$50 Million Mizuho Loan	\$ 50,000,000	50.88 \$	49,608,012	2,381,249,004	\$ -	49,608,012	\$ 2,381,249,004	1.7237%, margin of 65 bps + USD LIBOR	1.7237%, margin of 65 bps + USD LIBOR	\$ 50,000,000	2,538,479,882	March 24, 2022
Domestic Loans:												
Fixed Rate Bond-P4.0 Billion	₱ 4,000,000,000	₱ 3,985,467,985	₱ 3,985,467,985	₱ 3,985,467,985	₱ -	₱ 3,985,467,985	₱ 3,985,467,985	4.7312%	4.7312%	₱ 4,000,000,000	4,000,000,000	May 3, 2023
FXCN - P3.0 Billion	₱ 3,000,000,000	₱ 2,304,651,526	₱ 2,304,651,526	₱ 2,304,651,526	₱ 99,277,137	₱ 2,205,374,389	₱ 2,205,374,389	5.25%	5.25%	(ave) ₱ 150,000,000	15,000,000	2012 - 2022
FXCN - P4.0 Billion	₱ 4,000,000,000	₱ 3,073,175,521	₱ 3,073,175,521	₱ 3,073,175,521	₱ 132,605,236	₱ 2,940,570,285	₱ 2,940,570,285	5.25%	5.25%	(ave) ₱ 200,000,000	20,000,000	2012 - 2022
IFC 1 - P4.1 Billion	₱ 4,100,000,000	₱ 832,874,177	₱ 832,874,177	₱ 832,874,177	₱ 330,339,339	₱ 502,534,838	₱ 502,534,838	6.07% per annum from April 16, 2014 to April 16, 2018; 4.52% from June 22, 2018 to October 15, 2018; and 6.37% from October 16, 2018 until maturity	6.07% per annum from April 16, 2014 to April 16, 2018; 4.52% from June 22, 2018 to October 15, 2018; and 6.37% from October 16, 2018 until maturity	(ave) ₱ 170,833,333	170,970,000	2012 - 2033
IFC 2 - P3.3 Billion	₱ 3,262,500,000	₱ 1,183,786,508	₱ 1,183,786,508	₱ 1,183,786,508	₱ 227,580,232	₱ 956,206,276	₱ 956,206,276	6.98% per annum from April 16, 2016 to June 21, 2018; and 4.78% from June 22, 2018 until next repricing date	6.98% per annum from April 16, 2016 to June 21, 2018; and 4.78% from June 22, 2018 until next repricing date	(ave) ₱ 125,480,769	125,606,250	2013 - 2035
IFC 3 - P4.8 Billion	₱ 4,800,000,000	₱ 4,077,620,452	₱ 4,077,620,452	₱ 4,077,620,452	₱ 322,688,211	₱ 3,754,932,241	₱ 3,754,932,241	7.80%	7.80%	(ave) ₱ 200,000,000	200,000,000	March 15, 2033
PHP291.2M Term Loan	₱ 291,200,000	₱ 222,867,859	₱ 222,867,859	₱ 22,205,320	₱ 22,205,320	₱ 200,662,539	₱ 200,662,539	5.50%	5.50%	₱ 291,200,000	291,200,000	December 17, 2030
PHP1.5B Term Loan	₱ 1,500,000,000	₱ 1,225,932,464	₱ 1,225,932,464	₱ 59,214,338	₱ 59,214,338	₱ 1,166,718,116	₱ 1,166,718,116	5.25%	5.25%	₱ 1,500,000,000	1,500,000,000	December 5, 2026
PHP1B Term Loan	₱ 1,000,000,000	₱ 964,869,997	₱ 964,869,997	₱ 59,402,004	₱ 59,402,004	₱ 905,467,993	₱ 905,467,993	5.5788%	5.5788%	₱ 1,000,000,000	1,000,000,000	December 5, 2031
UBP PHP2B Term Loan	₱ 2,000,000,000	₱ 1,525,936,266	₱ 1,525,936,266	₱ 132,210,110	₱ 132,210,110	₱ 1,393,726,156	₱ 1,393,726,156	5.44%	5.44%	₱ 2,000,000,000	2,000,000,000	April 10, 2032
SBC PHP3B Term Loan	₱ 3,000,000,000	₱ 2,151,346,410	₱ 2,151,346,410	₱ 237,793,701	₱ 237,793,701	₱ 1,913,552,709	₱ 1,913,552,709	5.32%	5.32%	₱ 3,000,000,000	3,000,000,000	May 4, 2027
PNB PHP500M Term Loan	₱ 500,000,000	₱ 449,731,339	₱ 449,731,339	₱ 99,772,653	₱ 99,772,653	₱ 49,958,686	₱ 49,958,686	4.74%	4.74%	₱ 500,000,000	500,000,000	June 1, 2022
BPI PHP1B Term Loan	₱ 1,000,000,000	₱ 717,558,304	₱ 717,558,304	₱ 79,384,668	₱ 79,384,668	₱ 638,173,636	₱ 638,173,636	5.21%	5.21%	₱ 1,000,000,000	1,000,000,000	June 1, 2027
SBC PHP1B Term Loan	₱ 1,000,000,000	₱ 762,910,147	₱ 762,910,147	₱ 66,099,455	₱ 66,099,455	₱ 696,810,692	₱ 696,810,692	5.43%	5.43%	₱ 1,000,000,000	1,000,000,000	May 4, 2032
SBC PHP500M Term Loan	₱ 500,000,000	₱ 381,424,849	₱ 381,424,849	₱ 33,045,441	₱ 33,045,441	₱ 348,379,408	₱ 348,379,408	5.49%	5.49%	₱ 500,000,000	500,000,000	May 4, 2027
BPI P3.0 Billion Term Loan	₱ 3,000,000,000	₱ 2,979,917,340	₱ 2,979,917,340	₱ 146,504,252	₱ 146,504,252	₱ 2,833,413,088	₱ 2,833,413,088	5.1323% (fixed rate for 10 years) margin of 75 bps + 10 year BVAL	5.1323% (fixed rate for 10 years) margin of 75 bps + 10 year BVAL	₱ 3,000,000,000	3,000,000,000	April 15, 2030
BPI P3.0 Billion Term Loan	₱ 3,000,000,000	₱ 2,979,067,344	₱ 2,979,067,344	₱ 146,272,287	₱ 146,272,287	₱ 2,832,795,057	₱ 2,832,795,057	3.56% (fixed rate for 10 years) margin of 75 bps + 10 year BVAL	3.56% (fixed rate for 10 years) margin of 75 bps + 10 year BVAL	₱ 3,000,000,000	3,000,000,000	April 15, 2030
BDO P4.5 Billion Loan	₱ 4,500,000,000	₱ 4,468,510,776	₱ 4,468,510,776	₱ 442,860,934	₱ 442,860,934	₱ 4,025,649,842	₱ 4,025,649,842	4.25%	4.25%	₱ 4,500,000,000	4,500,000,000	September 10, 2030
8.5 Billion Term Loan	₱ 8,500,000,000	₱ 2,713,909,376	₱ 2,713,909,376	₱ 1,184,585,741	₱ 1,184,585,741	₱ 1,529,323,635	₱ 1,529,323,635	5.25%	5.25%	₱ 7,990,000,000	various	March 18, 2022
5.0 Billion Term Loan	₱ 5,000,000,000	₱ 1,943,871,620	₱ 1,943,871,620	₱ 697,481,350	₱ 697,481,350	₱ 1,246,390,270	₱ 1,246,390,270	5.65%	5.65%	₱ 5,000,000,000	various	September 9, 2025
PHP 5.6 Billion Commercial Debt Facility	₱ 5,610,429,890	₱ 3,988,760,108	₱ 3,988,760,108	₱ 369,842,566	₱ 369,842,566	₱ 3,618,917,542	₱ 3,618,917,542	2% + PDST-F rate	2% + PDST-F rate	(ave) ₱ 187,014,330	various	October 23, 2029
TOTAL			₱ 60,030,274,514			₱ 14,164,369,802	₱ 45,865,904,712					

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES

As of December 31, 2020

Name of Related Parties	Balance at beginning of period	Balance at end of period
	NOT APPLICABLE	

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2020

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		NOT APPLICABLE		

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

As of December 31, 2020

Title of Issue	Number of shares authorized	Number of shares outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by Directors and key executive officers
Common Stock	27,000,000,000	17,048,667,471		7,500,000,000 (43.992%) 9,226,249,810 (54.117%) 148,910,559 (0.873%) 148,092,918 (0.869%) 9,375,000,000 (100%)	9,585 (0.000%)
Preferred Stock (Voting)	15,000,000,000	9,375,000,000			
Preferred Stock (Non-voting)	300,000,000	0			



Energy Development Corporation
38th Floor, One Corporate Centre Building, Julia Vargas corner Meralco Avenue
Ortigas Center, Pasig 1605, Philippines
Trunklines: +63 (2) 667-7332 (PLDT) / +63 (2) 755-2332 (Globe)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

March 2, 2020

Securities and Exchange Commission
Philippine International Convention Center (PICC),
Roxas Boulevard, Pasay City

The management of Energy Development Corporation and subsidiaries (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

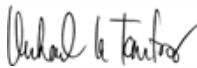
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

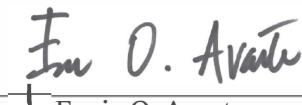
SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



Federico R. Lopez
Chairman / CEO



Richard Raymond B. Tantoco
President / COO



Erwin O. Avante
Vice-President / CFO

SUBSCRIBED AND SWORN TO before me this _____ in _____, Metro Manila; affiants exhibiting to me their respective Philippine passports, as follows:

Name	Passport No.	Date/Place of Issue
Federico R. Lopez	P2499047A	March 28, 2017 / Manila
Richard Raymond B. Tantoco	P1471428A	January 4, 2017 / Manila
Erwin O. Avante	P5645446A	January 17, 2018 / NCR East

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						6	6	3	8	1

COMPANY NAME

E	N	E	R	G	Y		D	E	V	E	L	O	P	M	E	N	T		C	O	R	P	O	R	A	T	I	O	N
(	A		S	u	b	s	i	d	I	a	r	y		o	f		R	e	d		V	u	l	c	a	n		H	o
l	d	i	n	g	s		C	o	R	p	o	r	a	t	i	o	n	)		A	N	D		S	U	B	S	I	D
I	A	R	I	E	S																								

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

O	n	e		C	o	r	p	o	R	a	t	e		C	e	n	t	r	e	,		J	u	l	i	a		V	a
r	g	a	s		C	o	r	n	E	r		M	e	r	a	l	c	o		A	v	e	n	u	e	s	,	O	
r	t	i	g	a	s		C	e	n	t	e	r	,		P	a	s	i	g		C	i	t	y					

Form Type

A	C	F	S

Department requiring the report

C	F	D	

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

pubrels@energy.com.ph

Company's Telephone Number

7755-2332

Mobile Number

09175961184

No. of Stockholders

961

Annual Meeting (Month / Day)

First Tuesday of May

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person _____ be an Officer of the Corporation

Name of Contact Person

Maribel A. Manlapaz

Email Address

manlapaz.ma@energy.com.ph

Telephone Number/s

7755-2332

Mobile Number

09175961184

CONTACT PERSON's ADDRESS

One Corporate Centre, Julia Vargas corner Meralco Avenues,
Ortigas Center, Pasig City

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

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



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Energy Development Corporation
One Corporate Centre, Julia Vargas corner Meralco Avenues
Ortigas Center, Pasig City

Opinion

We have audited the consolidated financial statements of Energy Development Corporation (a subsidiary of Red Vulcan Holdings Corporation) and its subsidiaries (collectively referred to as the Company), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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 PFRSs, the Company is required to annually test the recoverability of goodwill. As at December 31, 2019, the Company has goodwill amounting to ₱2,662.7 million, of which ₱2,241.7 million resulted from the Company's acquisition of GCGI. This annual recoverability test of goodwill is significant to our audit because the amount of goodwill is material to the consolidated financial statements. In addition, the assessment process involves significant management judgment about future market conditions and estimation based on assumptions such as budgeted gross margin, economic growth rate and discount rate.

The related disclosures on the Company's goodwill are included in Notes 3 and 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the assumptions and methodology used. These assumptions include budgeted gross margin, long-term growth rate and discount rate. We compared the forecasted cash flow assumptions used in the recoverability testing such as budgeted gross margin against the historical performance of the Company. We also compared the estimated volume and price of electricity to be sold to the contracted customers and to the spot market with historical information. In addition, we compared the long-term growth rate used with those reflected in the published economic forecast, as well as relevant industry outlook. Likewise, we evaluated the discount rate used and assessed whether this is consistent with market participant assumptions for similar assets. We also reviewed the Company's disclosures about those assumptions to which the outcome of the recoverability test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Recoverability of Exploration and Evaluation Assets

The ability of the Company to recover its exploration and evaluation assets depends on the commercial viability of its geothermal reserves. The carrying value of exploration and evaluation assets as at December 31, 2019 amounted to ₱3,117.4 million. This matter is important to our audit because of the substantial amount of exploration and evaluation assets and the significant management judgment involved in performing a recoverability review. The related disclosures on exploration and evaluation assets are included in Notes 3 and 14 to the consolidated financial statements.



Audit Response

We obtained management's assessment on the recoverability of the exploration and evaluation assets, and inquired into the status of these projects and their future plan of operation. We obtained the status of each exploration project as of December 31, 2019, as certified by the Company's technical group head, and compared it with the disclosures submitted to the regulatory agency. We reviewed the terms of contracts and agreements, and budget for exploration costs. We inspected the licenses and permits of each exploration project to determine that the period for which the Company has the right to explore in the specific area has not expired or is not expiring in the near future. We also inquired of management about the project areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2019, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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
Jhoanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-2 (Group A),

October 15, 2019, valid until October 14, 2022

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2019,

November 7, 2019, valid until November 6, 2022

PTR No. 8125241, January 7, 2020, Makati City

March 2, 2020



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 31)	₱14,254,120,731	₱14,988,507,827
Financial assets at fair value through profit or loss (Notes 8 and 31)	1,357,205,907	801,650,104
Trade and other receivables (Notes 3, 7, 20, 31 and 32)	8,182,414,415	6,094,866,529
Due from related parties (Notes 20 and 31)	32,112,916	794,735
Parts and supplies inventories (Notes 3 and 10)	4,300,433,091	3,972,771,474
Derivative assets (Note 31)	7,281	8,928,520
Other current assets (Notes 2 and 11)	1,442,589,495	2,511,752,447
Total Current Assets	29,568,883,836	28,379,271,636
Noncurrent Assets		
Property, plant and equipment (Notes 2, 3 and 12)	90,559,312,253	90,702,078,055
Goodwill and intangible assets (Notes 3 and 13)	4,054,555,617	4,067,066,238
Exploration and evaluation assets (Notes 3 and 14)	3,117,384,923	3,076,257,283
Deferred tax assets - net (Notes 2, 3 and 29)	866,108,068	980,631,837
Financial assets at fair value through other comprehensive income (Notes 3, 9 and 31)	517,483,196	434,120,734
Derivative assets (Note 31)	42,949,319	175,244,105
Other noncurrent assets (Notes 2, 3, 15 and 31)	6,150,245,929	8,111,465,690
Total Noncurrent Assets	105,308,039,305	107,546,863,942
TOTAL ASSETS	₱134,876,923,141	₱135,926,135,578

LIABILITIES AND EQUITY

Current Liabilities

Trade and other payables (Notes 3, 16 and 31)	₱14,902,739,199	₱10,526,548,868
Due to related parties (Notes 20 and 31)	2,642,871	34,624,590
Income tax payable	70,835,367	93,438,813
Current portion of:		
Long-term debts (Notes 17 and 31)	7,663,234,539	4,359,417,518
Lease liability (Notes 2, 3, 20, 31 and 32)	133,165,920	—
Derivative liabilities (Note 31)	21,523,571	—
Total Current Liabilities	22,794,141,467	15,014,029,789

(Forward)



	December 31	
	2019	2018
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 17 and 31)	₱47,987,151,602	₱61,443,305,157
Long-term lease liability - net of current portion (Notes 2, 3, 20, 31 and 32)	279,789,768	—
Net retirement and other post-employment benefits (Notes 3 and 28)	1,552,793,096	1,144,503,171
Derivative liabilities - net of current portion (Note 31)	259,526,949	7,393,005
Deferred tax liabilities - net (Notes 2 and 29)	14,503,841	244,926,042
Provisions and other long-term liabilities (Notes 3, 18 and 32)	2,184,000,268	1,834,690,433
Total Noncurrent Liabilities	52,277,765,524	64,674,817,808
Total Liabilities	75,071,906,991	79,688,847,597
Equity		
Equity attributable to equity holders of the Parent Company:		
Preferred stock (Note 19)	93,750,000	93,750,000
Common stock (Note 19)	19,076,250,000	19,076,250,000
Treasury stock (Note 19)	(14,646,566,916)	(14,639,542,558)
Additional paid-in capital (Notes 19)	8,715,108,001	8,715,108,001
Equity reserve (Note 19)	(3,706,430,769)	(3,706,430,769)
Net accumulated unrealized gain on financial assets at fair value through other comprehensive income (Note 9)	159,427,712	76,065,250
Fair value adjustments on hedging transactions (Note 31)	(446,886,545)	102,599,039
Cumulative translation adjustments (Note 19)	677,230,994	815,340,835
Retained earnings (Notes 2 and 19):		
Unappropriated	21,217,149,607	23,754,291,297
Appropriated	26,699,854,200	20,001,854,200
	57,838,886,284	54,289,285,295
Non-controlling interests (Note 19)	1,966,129,866	1,948,002,686
Total Equity	59,805,016,150	56,237,287,981
TOTAL LIABILITIES AND EQUITY	₱134,876,923,141	₱135,926,135,578

See accompanying Notes to Consolidated Financial Statements.



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE FROM SALE OF ELECTRICITY			
(Notes 2, 3, 5, 20, 21 and 37)	₱41,868,417,546	₱37,985,628,450	₱33,255,190,724
COSTS OF SALE OF ELECTRICITY			
(Notes 10, 12, 13, 20, 22, 24, 28, 35 and 36)	(19,848,497,303)	(19,092,818,421)	(15,034,405,431)
GENERAL AND ADMINISTRATIVE EXPENSES			
(Notes 10, 12, 13, 15, 23, 24 and 28)	(7,122,237,373)	(6,189,362,114)	(5,314,860,437)
FINANCIAL INCOME (EXPENSE)			
Interest income (Notes 6, 11, 25 and 31)	564,383,055	529,314,456	274,657,761
Interest expense (Notes 17, 18, 25 and 31)	(3,887,912,305)	(4,095,983,247)	(4,130,616,264)
	(3,323,529,250)	(3,566,668,791)	(3,855,958,503)
OTHER INCOME (CHARGES)			
Loss on loan extinguishment (Note 17)	(114,648,317)	—	(514,584,725)
Foreign exchange gains (losses) (Notes 26 and 31)	68,940,401	(518,411,862)	(50,174,076)
Miscellaneous income (Notes 17 and 27)	1,926,955,794	2,241,255,335	491,163,515
	1,881,247,878	1,722,843,473	(73,595,286)
INCOME BEFORE INCOME TAX	13,455,401,498	10,859,622,597	8,976,371,067
PROVISION FOR (BENEFIT FROM) INCOME TAX			
(Note 29)			
Current	1,139,387,957	1,040,337,842	935,663,044
Deferred	(36,757,926)	223,736,369	99,210,969
	1,102,630,031	1,264,074,211	1,034,874,013
NET INCOME	₱12,352,771,467	₱9,595,548,386	₱7,941,497,054
Net income attributable to:			
Equity holders of the Parent Company	₱11,931,208,232	₱9,403,832,344	₱7,709,470,125
Non-controlling interests	421,563,235	191,716,042	232,026,929
	₱12,352,771,467	₱9,595,548,386	₱7,941,497,054
Basic/Diluted Earnings Per Share for Net Income			
Attributable to Equity Holders of the Parent Company			
(Note 30)	₱0.682	₱0.510	₱0.411

See accompanying Notes to Consolidated Financial Statements.



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	₱12,352,771,467	₱9,595,548,386	₱7,941,497,054
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments on foreign subsidiaries (Note 19)	(138,109,841)	338,471,984	(31,042,976)
Fair value adjustments on hedging transactions, net of tax effect amounting to ₱44,652,148 in 2019, ₱39,246,669 in 2018 and ₱28,423,880 in 2017 (Note 31)	(549,485,584)	125,530,596	(23,917,504)
Changes in fair value of debt instruments at fair value through other comprehensive income (Note 9)	29,105,168	(18,677,436)	—
Changes in fair value of available-for-sale investments recognized in equity (Note 9)	—	—	(51,372,377)
NET OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	(658,490,257)	445,325,144	(106,332,857)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurements of retirement and other post-employment benefits, net of tax effect amounting to ₱30,329,292 in 2019, ₱11,142,063 in 2018 and ₱5,919,472 in 2017 (Note 28)	(272,963,625)	(100,278,567)	(52,515,581)
Changes in fair value of equity instruments designated at fair value through other comprehensive income (Note 9)	54,257,294	54,066,942	—
NET OTHER COMPREHENSIVE LOSS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	(218,706,331)	(46,211,625)	(52,515,581)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(877,196,588)	399,113,519	(158,848,438)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱11,475,574,879	₱9,994,661,905	₱7,782,648,616
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱11,057,447,699	₱9,801,857,630	₱7,548,628,916
Non-controlling interests	418,127,180	192,804,275	234,019,700
	₱11,475,574,879	₱9,994,661,905	₱7,782,648,616

See accompanying Notes to Consolidated Financial Statements.



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Preferred Stock (Note 19)	Common Stock (Note 19)	Treasury Stock (Note 19)	Additional Paid-in Capital (Note 19)	Equity Reserve (Note 19)	Net Accumulated Unrealized Gain on Financial Assets at FVOCI (Note 9)	Fair Value Adjustments on Hedging Transactions (Note 31)	Cumulative Translation Adjustments (Note 19)	Unappropriated Retained Earnings (Note 19)	Appropriated Retained Earnings (Note 19)	Subtotal	Non-controlling Interests (Note 19)	Total Equity
Balances, January 1, 2019	₱93,750,000	₱19,076,250,000	(₱14,639,542,558)	₱8,715,108,001	(₱3,706,430,769)	₱76,065,250	₱102,599,039	₱815,340,835	₱23,754,291,297	₱20,001,854,200	₱54,289,285,295	₱1,948,002,686	₱56,237,287,981
Total comprehensive income													
Net income	—	—	—	—	—	—	—	—	11,931,208,232	—	11,931,208,232	421,563,235	12,352,771,467
Cumulative translation adjustments on foreign subsidiaries (Note 19)	—	—	—	—	—	—	—	(138,109,841)	—	—	(138,109,841)	—	(138,109,841)
Fair value adjustments on hedging transactions (Note 31)	—	—	—	—	—	—	(549,485,584)	—	—	—	(549,485,584)	—	(549,485,584)
Changes in fair value of equity instruments at FVOCI recognized in equity (Note 9)	—	—	—	—	—	54,257,294	—	—	—	—	54,257,294	—	54,257,294
Changes in fair value of debt instruments designated at FVOCI recognized in equity (Note 9)	—	—	—	—	—	29,105,168	—	—	—	—	29,105,168	—	29,105,168
Remeasurements of retirement and other post-employment benefits (Note 28)	—	—	—	—	—	—	—	—	(269,527,570)	—	(269,527,570)	(3,436,055)	(272,963,625)
Total other comprehensive loss	—	—	—	—	—	83,362,462	(549,485,584)	(138,109,841)	(269,527,570)	—	(873,760,533)	(3,436,055)	(877,196,588)
Cash dividends on non-controlling interest (Note 19)	—	—	—	—	—	83,362,462	(549,485,584)	(138,109,841)	11,661,680,662	—	11,057,447,699	418,127,180	11,475,574,879
Cash dividends (Note 19)	—	—	—	—	—	—	—	—	(7,500,822,352)	—	(7,500,822,352)	(400,000,000)	(400,000,000)
Appropriation of retained earnings (Note 19)	—	—	—	—	—	—	—	—	(6,698,000,000)	6,698,000,000	—	—	—
Acquisition of treasury stock (Note 19)	—	—	(7,024,358)	—	—	—	—	—	—	—	(7,024,358)	—	(7,024,358)
Balances, December 31, 2019	₱93,750,000	₱19,076,250,000	(₱14,646,566,916)	₱8,715,108,001	(₱3,706,430,769)	₱159,427,712	(₱446,886,545)	₱677,230,994	₱21,217,149,607	₱26,699,854,200	₱57,838,886,284	₱1,966,129,866	₱59,805,016,150

(Forward)



Equity Attributable to Equity Holders of the Parent Company

	Preferred Stock (Note 19)	Common Stock (Note 19)	Treasury Stock (Note 19)	Common Shares in Employee Trust Account (Note 19)	Additional Paid-in Capital (Note 19)	Equity Reserve (Note 19)	Net Accumulated Unrealized Gain on Financial Assets at FVOCI (Note 9)	Net Accumulated Unrealized Gain on Available-for-sale Investments (Note 9)	Fair Value Adjustments on Hedging Transactions (Note 31)	Cumulative Translation Adjustments (Note 19)	Unappropriated Retained Earnings (Note 19)	Appropriated Retained Earnings (Note 19)	Subtotal	Non-controlling Interests (Note 19)	Total Equity
Balances, January 1, 2018, as previously reported	P93,750,000	P18,750,000,000	(P73,511,508)	(P44,298,630)	P6,611,795,220	(P3,706,430,769)	P-	P51,095,368	(P22,931,557)	P476,868,851	P34,621,404,631	P-	P56,757,741,606	P1,838,018,341	P58,595,759,947
Impact of adoption of PFRS 9 (Notes 2, 7 and 9)	-	-	-	-	-	-	40,675,744	(51,095,368)	-	-	(167,724,678)	-	(178,144,302)	(2,819,930)	(180,964,232)
Balances, January 1, 2018, as adjusted	93,750,000	18,750,000,000	(73,511,508)	(44,298,630)	6,611,795,220	(3,706,430,769)	40,675,744	-	(22,931,557)	476,868,851	34,453,679,953	-	56,579,597,304	1,835,198,411	58,414,795,715
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	9,403,832,344	-	9,403,832,344	191,716,042	9,595,548,386
Net income	-	-	-	-	-	-	-	-	-	-	9,403,832,344	-	9,403,832,344	191,716,042	9,595,548,386
Cumulative translation adjustments on foreign subsidiaries (Note 19)	-	-	-	-	-	-	-	-	-	338,471,984	-	-	338,471,984	-	338,471,984
Fair value adjustments on hedging transactions (Note 31)	-	-	-	-	-	-	-	-	125,530,596	-	-	-	125,530,596	-	125,530,596
Changes in fair value of equity instruments at FVOCI recognized in equity (Note 9)	-	-	-	-	-	-	54,066,942	-	-	-	-	-	54,066,942	-	54,066,942
Changes in fair value of debt instruments designated at FVOCI recognized in equity (Note 9)	-	-	-	-	-	-	(18,677,436)	-	-	-	-	-	(18,677,436)	-	(18,677,436)
Remeasurements of retirement and other post-employment benefits (Note 28)	-	-	-	-	-	-	-	-	-	-	(101,366,800)	-	(101,366,800)	1,088,233	(100,278,567)
Total other comprehensive loss	-	-	-	-	-	-	35,389,506	-	125,530,596	338,471,984	(101,366,800)	-	398,025,286	1,088,233	399,113,519
Cash dividends on non-controlling interest (Note 19)	-	-	-	-	-	-	-	-	-	-	-	-	-	(80,000,000)	(80,000,000)
Appropriation of retained earnings (Note 19)	-	-	-	-	-	-	-	-	-	-	(20,001,854,200)	20,001,854,200	-	-	-
Acquisition of treasury stock (Note 19)	-	-	(14,566,031,050)	-	-	-	-	-	-	-	-	-	(14,566,031,050)	-	(14,566,031,050)
Issuance of shares (Note 19)	-	326,250,000	-	-	2,039,062,500	-	-	-	-	-	-	-	2,365,312,500	-	2,365,312,500
Issuance of shares under common shares in employee trust (Note 19)	-	-	-	44,298,630	67,512,781	-	-	-	-	-	-	-	111,811,411	-	111,811,411
Documentary stamp tax on common shares subscription (Note 19)	-	-	-	-	(3,262,500)	-	-	-	-	-	-	-	(3,262,500)	-	(3,262,500)
Balances, December 31, 2018	P93,750,000	P19,076,250,000	(P14,639,542,558)	P-	P8,715,108,001	(P3,706,430,769)	P76,065,250	P-	P102,599,039	P815,340,835	P23,754,291,297	P20,001,854,200	P54,289,285,295	P1,948,002,686	P56,237,287,981

(Forward)



	Equity Attributable to Equity Holders of the Parent Company													
	Preferred Stock (Note 19)	Common Stock (Note 19)	Treasury Stock (Note 19)	Common Shares in Employee Trust Account (Note 19)	Additional Paid-in Capital (Note 19)	Equity Reserve (Note 19)	Net Accumulated Unrealized Gain on Financial Assets at FVOCI (Note 9)	Net Accumulated Unrealized Gain on Available-for-sale Investments (Note 9)	Fair Value Adjustments on Hedging Transactions (Note 31)	Cumulative Translation Adjustments (Note 19)	Retained Earnings (Note 19)	Subtotal	Non-controlling Interests (Note 19)	Total Equity
Balances, January 1, 2017	P93,750,000	P18,750,000,000	(P73,511,508)	(P350,247,130)	P6,284,045,797	(P3,706,430,769)	P–	P102,467,745	P985,947	P507,911,827	P29,597,124,258	P51,206,096,167	P1,603,998,641	P52,810,094,808
Total comprehensive income														
Net income	–	–	–	–	–	–	–	–	–	–	7,709,470,125	7,709,470,125	232,026,929	7,941,497,054
Changes in fair value of available-or sale investments recognized in equity (Note 9)	–	–	–	–	–	–	–	(51,372,377)	–	–	–	(51,372,377)	–	(51,372,377)
Fair value adjustments on hedging transactions (Note 31)	–	–	–	–	–	–	–	–	(23,917,504)	–	–	(23,917,504)	–	(23,917,504)
Cumulative translation adjustments on foreign subsidiaries (Note 19)	–	–	–	–	–	–	–	–	–	(31,042,976)	–	(31,042,976)	–	(31,042,976)
Remeasurements of retirement and other post-employment benefits (Note 28)	–	–	–	–	–	–	–	–	–	–	(54,508,352)	(54,508,352)	1,992,771	(52,515,581)
Total other comprehensive loss	–	–	–	–	–	–	–	(51,372,377)	(23,917,504)	(31,042,976)	(54,508,352)	(160,841,209)	1,992,771	(158,848,438)
Cash dividends (Note 19)	–	–	–	–	–	–	–	(51,372,377)	(23,917,504)	(31,042,976)	7,654,961,773	7,548,628,916	234,019,700	7,782,648,616
Issuance of shares under common shares in employee trust (Note 19)	–	–	–	305,948,500	327,749,423	–	–	–	–	–	(2,630,681,400)	(2,630,681,400)	–	(2,630,681,400)
	–	–	–	–	–	–	–	–	–	–	–	633,697,923	–	633,697,923
Balances, December 31, 2017	P93,750,000	P18,750,000,000	(P73,511,508)	(P44,298,630)	P6,611,795,220	(P3,706,430,769)	P–	P51,095,368	(P22,931,557)	P476,868,851	P34,621,404,631	P56,757,741,606	P1,838,018,341	P58,595,759,947

See accompanying Notes to Consolidated Financial Statements.



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱13,455,401,498	₱10,859,622,597	₱8,976,371,067
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 22 and 23)	6,414,869,898	6,228,010,349	5,943,705,408
Interest expense (Note 25)	3,887,912,305	4,095,983,247	4,130,616,264
Provisions for impairment of trade and other receivables, and prepaid taxes (Notes 7, 15 and 23)	848,371,753	243,767,845	179,138,858
Interest income (Notes 6, 11, 25 and 31)	(564,383,055)	(529,314,456)	(274,657,761)
Unrealized foreign exchange losses (gains) - net (Note 26)	(136,279,776)	289,092,677	(84,478,318)
Mark-to-market loss (gain) on financial assets at fair value through profit or loss (Notes 8 and 27)	(119,246,784)	32,881,224	(15,002,234)
Change in net retirement and other post-employment benefits	104,997,008	167,912,479	247,628,220
Loss on direct write-off of input VAT claims (Notes 15 and 27)	66,253,553	100,862,942	93,928,404
Provision (reversal) for impairment of parts and supplies inventories (Notes 10 and 23)	(63,357,171)	96,642,873	70,472,469
Unrealized derivative losses (gain) (Note 27)	(24,298,301)	59,966,849	14,658,559
Loss on direct write-off of exploration and evaluation assets (Notes 14 and 27)	2,540,807	—	38,479,247
Loss (gain) on disposal and retirement of property, plant and equipment (Notes 12, 20 and 27)	(1,319,631)	35,451,113	(14,180,768)
Realized income from redemption of financial assets at fair value through profit or loss (Notes 8 and 27)	(241,204)	(4,894,660)	—
Gain on debt modification (Notes 17 and 27)	—	(182,599,863)	—
Operating income before working capital changes	23,871,220,900	21,493,385,216	19,306,679,415
Decrease (increase) in:			
Trade and other receivables	(2,719,481,536)	990,319,930	514,998,676
Parts and supplies inventories	(264,304,446)	(340,009,725)	(319,865,127)
Due from related parties	(31,318,181)	2,595,538	(73,841,050)
Other current assets	259,191,622	591,693,901	(1,406,016,205)
Increase (decrease) in:			
Trade and other payables	167,429,591	107,390,564	1,902,042,996
Due to related parties	(31,981,719)	14,276,621	(16,006,138)
Provisions and other long-term liabilities	(32,650,320)	34,121,718	41,882,468
Cash generated from operations	21,218,105,911	22,893,773,763	19,949,875,035
Income tax paid, including creditable withholding tax	(1,112,704,888)	(941,815,685)	(1,069,424,476)
Net cash flows from operating activities	20,105,401,023	21,951,958,078	18,880,450,559

(Forward)



	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment - net (Note 12)	(P5,737,141,774)	(P4,076,523,198)	(P6,640,661,955)
Financial assets at FVPL (Note 8)	(808,300,000)	(1,000,000)	—
Intangible assets (Note 13)	(134,380,452)	(62,045,048)	(17,657,820)
Available-for-sale investments (Note 9)	—	—	(770,350,000)
Decrease (increase) in:			
Exploration and evaluation assets (Note 14)	(43,668,447)	(13,070,404)	7,348,520
Debt service reserve account (Notes 11 and 17)	760,684,816	(16,579,203)	377,889,079
Other noncurrent assets	1,666,564,170	834,697,981	(84,296,691)
Interest received	576,411,113	513,369,175	264,697,412
Proceeds from:			
Redemption of financial assets at FVPL (Note 8)	372,495,123	513,378,979	—
Sale of property, plant and equipment (Notes 12, 20 and 27)	12,960,133	13,683,613	54,809,266
Disposal of available-for-sale investments (Note 9)	—	—	743,025,000
Net cash flows used in investing activities	(3,334,375,318)	(2,294,088,105)	(6,065,197,189)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debts (Notes 17 and 38)	(9,685,610,939)	(8,646,603,201)	(13,024,578,289)
Dividends (Notes 19 and 38)	(3,700,822,352)	(80,000,000)	(2,630,681,400)
Interest and other financial charges (Note 38)	(3,735,637,571)	(3,777,281,398)	(4,019,601,038)
Lease liability (Notes 31, 32 and 38)	(313,075,997)	—	—
Acquisition of treasury stock (Notes 1, 19 and 38)	(7,024,358)	(14,566,031,050)	—
Proceeds from:			
Availment of long-term debts - net of transaction cost (Note 17)	—	8,388,845,476	7,973,947,859
Issuance of common shares (Notes 19 and 38)	—	2,365,312,500	—
Net cash flows used in financing activities	(17,442,171,217)	(16,315,757,673)	(11,700,912,868)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(671,145,512)	3,342,112,300	1,114,340,502
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(63,241,584)	(49,288,281)	(18,487,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,988,507,827	11,695,683,808	10,599,830,841
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P14,254,120,731	P14,988,507,827	P11,695,683,808

See accompanying Notes to Consolidated Financial Statements.



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

General

Energy Development Corporation (the “Parent Company” or “EDC”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 5, 1976. Beginning December 13, 2006, the common shares of EDC were listed and traded in the Philippine Stock Exchange (PSE).

On August 7, 2018, the Board of Directors (BOD) of the Parent Company approved the petition for voluntary delisting (the Delisting) of its common shares from the Main Board of the PSE and, in accordance with the PSE’s delisting rules and regulations, to conduct a tender offer (the Tender Offer) for up to 2,040,006,713 common shares held collectively by all shareholders of the Parent Company other than Red Vulcan Holdings Corporation (Red Vulcan), First Gen Corporation (First Gen), Northern Terracotta Power Corp. (NTPC), and Philippines Renewable Energy Holdings Corporation (PREHC), at a price of ₱7.25 per common share (the Tender Offer Price).

On September 19, 2018, the Parent Company filed the petition for the Delisting with the PSE.

The Tender Offer began on September 25, 2018 and ended on October 22, 2018.

Following the completion of the Tender Offer, a total of 2,009,107,731 common shares, representing approximately 10.72% of the Parent Company's outstanding voting shares were tendered pursuant to the Tender Offer, accepted and thereafter purchased by the Parent Company via a block sale through the facilities of the PSE on November 5, 2018. The shares were purchased at the Tender Offer Price with a total transaction value of ₱14,566.0 million (see Note 19).

On November 14, 2018, the BOD of the PSE granted the petition for voluntary delisting filed by the Parent Company, and accordingly, ordered the delisting of the Parent Company’s common shares from the official registry of the PSE (electronic board and ticker) effective on November 29, 2018.

The Parent Company and its subsidiaries (collectively referred to as the “Company”) are primarily engaged in the business of exploring, developing and operating geothermal energy and other indigenous renewable energy projects in the Philippines.

Red Vulcan is the parent company of EDC, while Lopez, Inc. is the ultimate parent company.

Red Vulcan and Lopez, Inc. are both incorporated in the Philippines.

As of December 31, 2019 and 2018, PREHC owns 34.9% of EDC’s outstanding voting shares while Red Vulcan holds the controlling voting interest with 63.9% ownership of EDC’s outstanding voting shares.

Geothermal and Other Renewable Energy Projects

EDC’s geothermal power projects consist of two (2) principal activities: (i) the production of geothermal steam for use at EDC’s and its subsidiaries’ geothermal power plants, and (ii) the generation and sale of electricity through those geothermal power plants pursuant to



“take-or-pay and take-and-pay offtake arrangements”. EDC’s steam and electricity sales are supported by medium-term to long-term offtake agreements in various forms. EDC’s steam sales are backed by long-term offtake agreements with its wholly owned subsidiaries: (i) Geothermal Resource Sales Contracts (GRSCs) with Green Core Geothermal Inc. (GCGI); and (ii) Steam Sales Agreement (SSA) with Bac-Man Geothermal Inc. (BGI). EDC has three (3) 25-year Power Purchase Agreements (PPAs) with National Power Corporation (NPC) covering EDC’s Unified Leyte and Mindanao Geothermal Power Projects (Mindanao I and Mindanao II). The PPAs for Unified Leyte and Mindanao I are scheduled to expire in 2022, while the PPA for Mindanao II will expire in 2024 (see Notes 3 and 21).

EDC holds service contracts with the Department of Energy (DOE). It has 11 geothermal contract areas, each granting EDC exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area (see Note 33). EDC conducts commercial operations in four (4) of its 11 geothermal contract areas as follows:

- Tongonan, Kananga, Leyte - EDC operates geothermal steamfield projects in Leyte, which deliver steam to the Tongonan geothermal power plant, owned by EDC’s subsidiary GCGI, and the EDC-owned Unified Leyte geothermal power plants.
- Southern Negros, Valencia, Negros Oriental - EDC operates one (1) geothermal steamfield project in Southern Negros, which deliver steam to the two (2) GCGI-owned Palinpinon geothermal power plants, and EDC-owned Nasulo geothermal power plant.
- Bacon-Manito, Albay and Sorsogon - EDC operates one (1) geothermal steamfield project, which deliver steam to two (2) geothermal power plants in Albay and Sorsogon, owned by EDC’s subsidiary BGI.
- Mt. Apo, Kidapawan, Cotabato - EDC operates one (1) geothermal steamfield project, which delivers steam to two (2) EDC-owned geothermal power plants in Mt. Apo.

The Parent Company’s subsidiaries, namely GCGI, BGI, First Gen Hydro Power Corporation (FG Hydro) and Unified Leyte Geothermal Inc. (ULGEI), hold offtake agreements in the form of Power Supply Agreements (PSAs) with various customers, particularly electric cooperatives (see Note 21).

BGI holds a Retail Electricity Supplier (RES) license effective for a period of five (5) years from February 2017 until February 2022. BGI has offtake agreements in the form of Retail Supply Contracts (RSCs) with contestable customers.

EDC, GCGI and FG Hydro sell electricity through ancillary service to the National Grid Corporation of the Philippines (NGCP) under Ancillary Services Procurement Agreements (ASPA).

Generated electricity in excess of contracted levels is sold to the Wholesale Electricity Spot Market (WESM).

The Company also operates hydroelectric power plant through FG Hydro, a 60%-owned subsidiary of EDC. FG Hydro generates revenue from the sale of electricity generated by its 132-Megawatt (MW) Pantabangan-Masiway hydroelectric plants (PAHEP/MAHEP) located in Nueva Ecija.



EDC Burgos Wind Power Corporation (EBWPC), a wholly owned subsidiary of EDC, operates the 150 MW Burgos Wind Energy Project.

EDC also operates the 6.82 MW Burgos Solar Project (Phases 1 and 2).

These projects of EBWPC and EDC which are located in Ilocos Norte were granted a Feed-In-Tariff (FIT) Certificate of Compliance (FIT COC) by the Energy Regulatory Commission (ERC) that entitles them to an applicable FIT rate, subject to adjustments as may be approved by the ERC, for the entire duration of their FIT eligibility periods.

EDC Siklab Power Corporation (EDC Siklab), a wholly owned subsidiary of EDC, operates solar rooftop systems in various Gaisano Capital's malls located in the provinces of Iloilo, Aklan, Leyte, Southern Leyte and Sorsogon.

Subsidiaries

The Parent Company and its subsidiaries were separately incorporated and registered with the Philippine SEC, except for its foreign subsidiaries. Below are the Parent Company's ownership interests in its subsidiaries:

	December 31, 2019 and 2018	
	Direct	Indirect
EDC Geothermal Corp. (EGC) ²	100.00	–
Green Core Geothermal Inc. (GCGI)	–	100.00
Bac-Man Geothermal Inc. (BGI)	–	100.00
Unified Leyte Geothermal Energy Inc. (ULGEI)	–	100.00
Southern Negros Geothermal, Inc. (SNGI) ¹	–	100.00
Bac-Man Energy Development Corporation (BEDC) ¹	–	100.00
EDC Chile Limitada ¹	99.99	0.01
EDC Holdings International Limited (EHIL) ²	100.00	–
Energy Development Corporation Hong Kong Limited (EDC HKL) ²	–	100.00
Energy Development Corporation Hong Kong International Investment Limited (EDC HKIIL) ²	–	100.00
EDC Chile Holdings SPA ²	–	100.00
EDC Geotermica Chile SPA ¹	–	100.00
EDC Peru Holdings S.A.C. ²	–	100.00
EDC Geotermica Peru S.A.C. ¹	–	100.00
Energy Development Corporation Peru S.A.C. ¹	–	100.00
EDC Geotermica Del Sur S.A.C. ¹	–	100.00
EDC Energía Azul S.A.C. ¹	–	100.00
Geotermica Crucero Peru S.A.C. ¹	–	70.00
EDC Energía Perú S.A.C. ¹	–	100.00
Geotermica Tutupaca Norte Peru S.A.C. ¹	–	70.00
EDC Energía Geotermica S.A.C. ¹	–	100.00
EDC Progreso Geotermica Perú S.A.C. ¹	–	100.00
Geotermica Loriscota Peru S.A.C. ¹	–	70.00
EDC Energía Renovable Perú S.A.C. ¹	–	100.00
EDC Soluciones Sostenibles Ltd ²	–	100.00
EDC Energía Verde Chile SpA ¹	–	100.00
EDC Energía de la Tierra SpA ¹	–	100.00
EDC Desarrollo Sostenible Ltd ²	–	100.00
EDC Energía Verde Peru S.A.C. ¹	–	100.00
PT EDC Indonesia ¹	–	95.00
PT EDC Panas Bumi Indonesia ¹	–	95.00

(Forward)



	December 31, 2019 and 2018	
	Direct	Indirect
EDC Wind Energy Holdings, Inc. (EWEHI) ²	100.00	–
EDC Burgos Wind Power Corporation (EBWPC)	–	100.00
EDC Pagudpud Wind Power Corporation (EPWPC) ¹	–	100.00
EDC Bayog Burgos Wind Power Corporation (EBBWPC) ¹	–	100.00
EDC Pagali Burgos Wind Power Corporation (EPBWPC) ¹	–	100.00
Iloilo 1 Renewable Energy Corporation (I1REC) ¹	–	100.00
Matnog 1 Renewable Energy Corporation (M1REC) ¹	–	100.00
Matnog 2 Renewable Energy Corporation (M2REC) ¹	–	100.00
Matnog 3 Renewable Energy Corporation (M3REC) ¹	–	100.00
Negros 1 Renewable Energy Corporation (N1REC) ¹	–	100.00
EDC Bright Solar Energy Holdings, Inc. (EBSEHI) ²	100.00	–
EDC Siklab Power Corporation (EDC Siklab)	–	100.00
EDC Sinag Power Corporation (EDC Sinag) ¹	–	100.00
EDC Sinag Iloilo Power Corporation (Sinag Iloilo) ¹	–	100.00
EDC Siklab Iloilo Power Corporation (Siklab Iloilo) ¹	–	100.00
EDC Cleansolar Visayas Power Corporation (ECSVPC) ¹	–	100.00
EDC Wind Energy Holdings 2 Inc. (EWEHI2) ²	100.00	–
Calaca Renewable Energy Corporation (CREC) ¹	–	100.00
Burgos 3 Renewable Energy Corporation (BREC3) ¹	–	100.00
Burgos 4 Renewable Energy Corporation (BREC4) ¹	–	100.00
First Gen Hydro Power Corporation (FG Hydro)	60.00	–

¹Has not started commercial operations as of December 31, 2019.

²Serves as an investment holding company.

EGC

EGC was incorporated on April 9, 2008 to participate in the bid for a local power plant. The bid was won by and awarded to another local entity not within the Company. Thereafter, EGC became an investment holding company of its wholly owned subsidiaries, namely GCGI, BGI, ULGEI, SNGI and BEDC. EGC also has a 0.01% stake in EDC Chile Limitada.

Further details on EGC's wholly owned subsidiaries follow:

- GCGI was incorporated on June 22, 2009 with primary activities on power generation, transmission, distribution and other energy-related businesses. GCGI is currently operating the 172.5 MW Palinpinon and 123.0 MW Tongonan 1 geothermal power plants in Negros Oriental and Leyte, respectively, following its successful acquisition from the Power Sector Assets and Liabilities Management Corporation (PSALM) in 2009.
- BGI was incorporated on April 7, 2010 primarily to carry on the general business of generating, transmitting, and/or distributing energy. BGI has successfully acquired the then 150 MW Bac-Man Geothermal Power Plants (BMGPP) from PSALM in 2010. Prior to the acquisition of BGI of the BMGPP in May 2010, the Parent Company supplied and sold steam to NPC under the SSA. Details are as follows:
 - a. Bacon-Manito I
The SSA for the Bac-Man 110 MW geothermal resources entered in November 1988 provides, among others, that NPC shall pay the Parent Company a base price per kilowatt-hour of gross generation, subject to inflation adjustments and based on a guaranteed take-or-pay rate at 75% plant factor. The SSA is for a period of 25 years, which commenced in May 1993. The SSA expired in May 2018.



On June 1, 2018, the Parent Company and BGI entered into an interim arrangement for the supply of steam for Bac-Man I Geothermal Power Plants effective from the date of expiration of the SSA until the new SSA takes effect or December 25, 2020, whichever is earlier.

b. Bacon-Manito II

Bac-Man II's SSA with NPC was signed in June 1996 for its two (2) 20 MW capacity modular plants - Cawayan and Botong. The terms and conditions under the contract contain, among others, NPC's commitment to pay the Parent Company a base price per kilowatt-hour of gross generation, subject to inflation adjustments and based on a guaranteed take-or-pay rate, commencing from the established commercial operation period, using the following plant factors: 50% for the first year, 65% for the second year and 75% for the third and subsequent years. The SSA is for a period of 25 years, which commenced in March 1994 for Cawayan and December 1997 for Botong. The SSA for Cawayan expired in March 2019.

On April 30, 2019, the Parent Company and BGI entered into an interim arrangement for the supply of steam for Bac-Man II's Cawayan Unit effective from the date of expiration of the SSA until the new SSA takes effect or December 25, 2020, whichever is earlier.

Following the commercial operations of the Bac-Man Units 1, 2 and 3 on October 1, 2013, January 28, 2014, and June 3, 2014, respectively, PSALM/NPC, EDC and BGI have agreed to allow EDC to bill BGI directly, on behalf of PSALM/NPC.

On February 14, 2017, the ERC approved BGI's application for a Retail Electricity Supplier (RES) license. The RES license allows BGI to engage in the supply of electricity to end-users in the contestable market.

- ULGEI was incorporated on June 23, 2010. ULGEI, a wholly owned subsidiary of EDC, had been declared as one (1) of the seven (7) Highest Ranking Bidders for the maximum allowable 40 MW per bidder in the Selection and Appointment of the Independent Power Producer Administrators (IPPA) for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPPs), and thereafter, as the Highest Ranking Bidder to administer the Bulk Energy of the ULGPPs, which is the capacity in excess of the 240 MW allotted for the Strips of Energy. The bidding was conducted by the PSALM on November 7, 2013, one day before Super Typhoon Yolanda made landfall and severely affected the facilities of EDC, the NGCP, and various distribution utilities in Central Visayas. Consequently, ULGEI has written to PSALM that it cannot accept the award of the winning bids as the physical and economic conditions underlying the bidding process and the IPPA Administration Agreements required to be executed pursuant thereto have been dramatically altered by the severe and widespread destruction caused by Super Typhoon Yolanda in the Eastern and Western Visayas regions.

In February 2014, PSALM has written ULGEI informing it of the following:

1. ULGEI has been selected as the Winning Bidder for 40 MW Strips of Energy of the ULGPP at the bid rate/price; and,
2. PSALM accepts ULGEI's decision not to accept the award as Winning Bidder for the Bulk Energy of the ULGPP, subject to subsequent determination/evaluation of the forfeiture of ULGEI's Bid Security and ULGEI's qualification to participate further in the rebidding process for said Bulk Energy.



In December 2014, the IPPA Contract for the strips of energy was turned over to ULGEI.

- SNGI and BEDC were incorporated on February 4, 2011 and September 22, 2011, respectively. These companies were incorporated to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On May 9, 2019, the BOD and the stockholders of SNGI approved the amendment of its articles of incorporation to shorten its corporate existence from 50 years to 10 years from the date of incorporation. The Amended Articles of Incorporation of SNGI was approved by the Philippine SEC on August 30, 2019.

As of December 31, 2019, SNGI and BEDC remained non-operating.

EDC Chile Limitada

EDC Chile Limitada is a limited liability company incorporated on February 11, 2010 in Santiago, Chile with the purpose of exploring, evaluating and extracting any mineral or substance to generate geothermal energy. As of December 31, 2019, EDC Chile Limitada remained non-operating.

EHIL and EDC HKL

EHIL was incorporated on August 17, 2011 in British Virgin Islands and serves as an investment holding company of EDC's international subsidiaries. EHIL owns 100% interest in EDC HKL, a company incorporated on November 22, 2011, in Hong Kong. The following entities are the subsidiaries under EDC HKL:

- EDC HKIIL is a wholly owned subsidiary of EDC HKL, a company incorporated on November 18, 2016 in the British Virgin Island.
- EDC Chile Holdings SpA, which was incorporated on January 13, 2012 in Santiago, Chile, is a wholly owned subsidiary of EDC HKL and is the holding company of EDC Geotermica Chile SPA which was also incorporated on January 13, 2012 in Santiago, Chile. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.
- EDC Peru Holdings S.A.C., incorporated on January 19, 2012 in Lima, Peru, is a 99.9%-owned subsidiary of EDC HKL. EDC Peru Holdings S.A.C. holds 99.9% stake in EDC Geotermica Peru S.A.C., which was also incorporated on January 19, 2012 in Lima, Peru. EHIL owns the remaining 0.1% stake in EDC Peru Holdings S.A.C. and EDC Geotermica Peru S.A.C. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On July 17, 2012, Energy Development Corporation Peru S.A.C. was incorporated in Lima, Peru as a 70%-owned subsidiary of EDC Geotermica Peru S.A.C. Its main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives. On



January 3, 2014, EDC Peru S.A.C. became 100% indirectly owned subsidiary by the Parent Company through acquisition of Hot Rock Entities.

- On February 27, 2013, EDC Geotermica Del Sur S.A.C., EDC Energía Azul S.A.C., EDC Energía Perú S.A.C., EDC Energía Geotérmica S.A.C., EDC Progreso Geotérmico Perú S.A.C., EDC Energía Renovable Perú S.A.C., were incorporated in Lima, Peru as 99.9%-owned by EDC HKL and 0.1%-owned by EDC Peru Holdings S.A.C. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On July 5, 2013, three (3) entities were incorporated in Lima, Peru. These entities are Geotermica Crucero Peru S.A.C., as 70%-owned by EDC Energia Azul S.A.C; Geotermica Tutupaca Norte Peru S.A.C. as 70%-owned by EDC Energia Peru S.A.C.; and Geotermica Loriscota Peru S.A.C., as 70%-owned by EDC Progreso Geotermico S.A.C. Their main purpose is to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

- On January 3, 2014, EDC HKL purchased 100% interest in EDC Soluciones Sostenibles Ltd and EDC Desarrollo Sostenible Ltd located in British Virgin Islands (BVI) with a total offer price of US\$3.0 million. This effectively gave EDC HKL a 100% indirect interest to acquirees' subsidiaries EDC Energia Verde Chile SpA, EDC Energia de la Tierra SpA and EDC Energia Verde Peru S.A.C. (see Note 3).
- On July 9, 2012, PT EDC Indonesia and PT EDC Panas Bumi Indonesia were incorporated in Jakarta Pusat, Indonesia as 95%-owned subsidiaries of EDC HKL.

As of December 31, 2019, all subsidiaries of EDC HKL remained non-operating.

EWEHI

EWEHI is a holding company incorporated on April 15, 2010. The following entities are the wholly owned subsidiaries of EWEHI:

- EBWPC was incorporated on April 13, 2010 to carry on the general business of generating, transmitting, and/or distributing energy. EBWPC operates the 150 MW Burgos Wind Project located in the Municipality of Burgos, Ilocos Norte.
- EPWPC was incorporated on February 29, 2012 to carry on the general business of generating, transmitting, and/or distributing energy. As of December 31, 2019, EPWPC remained non-operating.
- EBBWPC and EPBWPC were both incorporated on May 22, 2014 to carry on the general business of generating, transmitting, and/or distributing energy. As of December 31, 2019, EBBWPC and EPBWPC remained non-operating.
- M1REC, M2REC, M3REC and I1REC were all incorporated on February 9, 2016, while N1REC was incorporated on March 16, 2016 to carry on the general business of generating, transmitting, and/or distributing energy.



On May 9, 2019, the BOD and the stockholders of M1REC, M2REC, M3REC and N1REC approved the amendment of the articles of incorporation of these companies to shorten their corporate existence from 50 years to five (5) years from the date of their incorporation. The Amended Articles of Incorporation of M1REC, M2REC, M3REC and N1REC were approved by the Philippine SEC on August 23, 2019.

As of December 31, 2019, M1REC, M2REC, M3REC, N1REC and I1REC remained non-operating.

EBSEHI

EBSEHI is a holding company incorporated on May 23, 2014. The following entities are the wholly owned subsidiaries of EBSEHI:

- EDC Siklab was incorporated on May 22, 2014 to carry on the general business of generating, transmitting, and/or distributing energy.
- EDC Sinag was incorporated on November 19, 2014 to carry on the general business of generating, transmitting, and/or distributing energy. As of December 31, 2019, EDC Sinag remained non-operating.
- Sinag Iloilo, Siklab Iloilo and ECSVPC were incorporated on February 4, 2011, September 28, 2011 and June 25, 2014, respectively. These companies were incorporated to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On May 9, 2019, the BOD and the stockholders of Sinag Iloilo, Siklab Iloilo and ECSVPC approved the amendment of the articles of incorporation of these companies which shorten the corporate existence of Sinag Iloilo and Siklab Iloilo from 50 years to 10 years from the date of their incorporation and from 50 years to seven (7) years for ECSVPC. The Amended Articles of Incorporation of Sinag Iloilo and Siklab Iloilo were approved by the Philippine SEC on August 23, 2019 and September 10, 2019, respectively. As of December 31, 2019, ECSVPC is awaiting for the approval of its Amended Articles of Incorporation from the Philippine SEC.

As of December 31, 2019, Sinag Iloilo, Siklab Iloilo and ECSVPC remained non-operating.

EWEHI2

EWEHI2 is a holding company incorporated on January 5, 2017. EWEHI2 has 100% ownership over CREC, BREC4 and BREC3. CREC and BREC4 were incorporated on January 27, 2017 while BREC3 was incorporated on January 25, 2017, to carry on the general business of generating, transmitting, and/or distributing energy.

On May 9, 2019, the BOD and the stockholders of CREC, BREC4 and BREC3 approved the amendment of the articles of incorporation of these companies to shorten their corporate existence from 50 years to four (4) years from the date of their incorporation. The Amended Articles of Incorporation of CREC, BREC4 and BREC3 were approved by the Philippine SEC on August 30, 2019.

As of December 31, 2019, CREC, BREC4 and BREC3 remained non-operating.



FG Hydro

FG Hydro was incorporated on March 13, 2006 with primary activities on power generation, transmission, distribution and other energy-related businesses. FG Hydro operates the 132 MW PAHEP/MAHEP located in Nueva Ecija, Philippines. FG Hydro buys from and sells electricity to the WESM and to various privately-owned DUs under the PSAs and PSCs, and to NGCP through ancillary services under the ASPA.

Principal Office Address

The registered principal office address of the Parent Company is One Corporate Centre, Julia Vargas corner Meralco Avenues, Ortigas Center, Pasig City.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements were reviewed and recommended for approval by the Audit and Governance Committee to the Board of Directors (BOD) on February 28, 2020. The same consolidated financial statements were approved and authorized for issuance by the BOD on March 2, 2020.

2. Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments, financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI) that are measured at fair value. The consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company's functional currency. All values are rounded to the nearest ₱, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Company are prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

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, 2019:

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation 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 recognize most leases on the statement of financial position. 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 be also required to remeasure the lease liability upon the occurrence of certain events (e.g., 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). Lessees 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 PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. However, PFRS 16 introduces a key change in the control model. Accordingly, arrangements accounted as lease under Philippine Interpretation IFRIC-4 may no longer qualify as a lease under PFRS 16.

The Company 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 Company has lease contracts for various items of buildings, improvements and other structures. Before the adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 4 for the accounting policy prior to January 1, 2019.

Upon adoption of PFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Refer to Note 4 for the accounting policy beginning January 1, 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases - Company as lessee

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Leases previously accounted for as operating leases - Company as lessor

The Company applied the requirements of PFRS 16 on its agreements where the Company is considered as a lessor, including those that were previously accounted as operating leases based on the requirements of Philippine Interpretation IFRIC-4 and PAS 17. Based on the evaluation, the Company concluded that certain arrangements will no longer qualify as a lease applying the criteria in PFRS 16, and accordingly, were accounted for under PFRS 15, *Revenue from Contracts with Customers*.

Revenue from sale of electricity under EDC's PPAs for the year ended December 31, 2019 amounting to ₱13,847.4 million, which were previously considered as arrangements that contain a lease prior to adoption of PFRS 16, are now presented as part of "Revenue from contracts with customers" accounted under PFRS 15 (see Note 21).



The effect of adoption of PFRS 16 as at January 1, 2019 is, as follows:

	Increase (Decrease) in Consolidated Statements of Financial Position
Assets	
Property, plant and equipment	P621,072,094
Other current assets	(14,996,942)
Other noncurrent assets	(152,474,945)
Total assets	P453,600,207
Liabilities	
Current portion of lease liability	P125,303,017
Long-term lease liability - net of current portion	328,297,190
Total liabilities	P453,600,207

Based on the above, as at January 1, 2019:

- Property, plant and equipment amounting to P621.1 million were recognized, representing the amount of right-of-use assets set up on transition date. This includes prepaid lease payments previously included under other current assets and other noncurrent assets.
- Prepaid lease payments included under other current assets and other noncurrent assets amounting to P15.0 million and P152.5 million, respectively, were derecognized and included as part of the right-of-use assets set up on transition date.
- Additional lease liabilities of P453.6 million were recognized.
- Deferred tax assets increased by P45.4 million, which were offset by the corresponding increase in deferred tax liabilities of the same amount.

The lease liability at as January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018 (Note 32)	P355,860,505
Weighted average incremental borrowing rate at January 1, 2019	7.56%
Discounted operating lease commitments at January 1, 2019	288,089,078
Add: Payments in optional extension periods not recognized at December 31, 2018	165,511,129
Lease liabilities recognized at January 1, 2019	P453,600,207

Due to the adoption of PFRS 16, the Company's consolidated operating profit in 2019 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have any impact on equity in 2019, since the Company elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

- 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*. It 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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its tax compliance review and assessment, and in consultation with its tax counsel, that it is probable that its tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Company.

- 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 (FVOCI), 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.

These amendments had no impact on the consolidated financial statements of the Company.

- 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 had no impact on the consolidated financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

- 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 (ECL) 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*.

These amendments had no impact on the consolidated financial statements as the Company neither has an associate nor long-term interests in its joint venture.

- 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. These amendments had no impact on the consolidated financial statements of the Company as there is no transaction where joint control is obtained.



- 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. These amendments had no impact on the consolidated financial statements of the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.

- 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.

Since the Company's current practice is in line with these amendments, the amendments had no impact on the consolidated financial statements of the Company.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities in future periods.

Judgments

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

Determination of Functional Currency

Each entity within the Company determines its own functional currency. The respective functional currency of EDC and its subsidiaries is the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the sale of services and the costs of providing services.

The presentation currency of the Company is the Philippine Peso, which is the Parent Company's functional currency. The functional currency of each of the Company's subsidiaries, as disclosed in Note 4 to the consolidated financial statements, is determined based on the economic substance of the underlying circumstances relevant to each subsidiary.



Applicability of Philippine Interpretation IFRIC-12, Service Concession Arrangements on the Geothermal Renewable Energy Service Contract, Wind Energy Service Contract and Solar Energy Service Contract

An arrangement would fall under Philippine Interpretation IFRIC-12 if the two (2) conditions below are met:

- a) the grantor controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and
- b) the grantor controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

Based on management's judgment, the Geothermal Renewable Energy Service Contracts (GRESs), Wind Energy Service Contracts (WESs) and Solar Energy Service Contracts (SESs) entered into by the Company are outside the scope of Philippine Interpretation IFRIC-12 since the Company controls the significant residual interest in the properties (i.e., the estimated useful lives of the assets exceed the service concession periods) at the end of the concession term through ownership.

Joint Venture Agreement between the Company and Alterra Power Corporation on Mariposa Geothermal Project

On May 20, 2013, EDC and Alterra Power Corporation (Alterra, a publicly-traded company and listed at the Toronto Stock Exchange) executed a joint venture agreement (JVA) for the exploration and development of the Mariposa geothermal project in Chile (Mariposa Project). Following the execution of such JVA, EDC, Alterra and their relevant subsidiaries have executed Shareholders' Agreement and other related agreements all with effect on June 17, 2013 for the implementation of the terms of the JVA. Under the Shareholders' Agreement, EDC (through EDC Geotermica SpA, its wholly owned subsidiary in Chile) will subscribe to a 70% interest in Compañía De Energía (Enerco), an Alterra subsidiary in Chile that owns the Mariposa Project. On June 17, 2013, EDC subscribed to a 70% interest in Enerco through a Subscription Deed with Alterra.

While EDC Geotermica owns 70% interest in Enerco, it does not have the sole ability to direct the relevant activities which most significantly affect the returns of Enerco as the key operating and financial decisions of Enerco require the unanimous vote and consent of the parties sharing control. Accordingly, the investment in Enerco has been determined by management to be a joint arrangement to be accounted for as joint venture (see Note 15).

Deferred Revenue on Stored Energy

Under its addendum agreements with NPC, the Parent Company has a commitment to NPC with respect to certain volume of stored energy that NPC may lift for a specified period, provided that the Parent Company is able to generate such energy over and above the nominated energy for each given year in accordance with the related PPAs. The Company has made a judgment based on historical information that future lifting by NPC from the stored energy is not probable and accordingly, has not deferred any portion of the collected revenues. The stored energy commitments are, however, disclosed in Note 32 to the consolidated financial statements.



Effect of Adoption of PFRS 16 on the Company's PPAs

The Parent Company has three (3) 25-year PPA with NPC covering EDC's Unified Leyte and Mindanao Geothermal Power Projects (Mindanao I and Mindanao II). Prior to the adoption of PFRS 16, these arrangements were accounted as operating leases based on the requirements of Philippine Interpretation IFRIC-4 and PAS 17.

Upon adoption of PFRS 16, the Parent Company evaluated its PPAs with NPC by applying the requirements of PFRS 16. It was concluded that the PPAs with NPC do not contain a lease as the arrangements did not convey to NPC the right to direct the use of the identified asset. Accordingly, as of January 1, 2019, the Parent Company accounted for the consideration received from the PPAs under PFRS 15 (see Notes 2 and 21).

Operating Leases - Company as a Lessor (Applicable prior to adoption of PFRS 16)

Prior to January 1, 2019, the PPAs of the Parent Company qualify as a lease on the basis that the Parent Company sells significant amount of its output to NPC. This type of arrangement is determined to be an operating lease where a significant portion of the risks and rewards incidental to ownership of the assets are retained by the Parent Company since it does not include transfer of the Parent Company's assets. Accordingly, the power plant assets are recorded as part of the cost of property, plant and equipment, and the capacity fees billed to NPC are recorded as operating revenue based on the terms of the PPAs.

Operating Leases - Company as a Lessee (Applicable prior to adoption of PFRS 16)

The Company has also entered into commercial property leases where it has determined that the lessor retains all the significant risks and rewards of ownership of these properties and has classified the leases as operating leases (see Note 32).

In connection with the installation of Burgos Wind Project's wind turbines and related dedicated point-to-point limited facilities, the Company entered into uniform land lease agreements and contracts of easement of right of way, respectively, with various private landowners. The term of the land lease agreement starts from the execution date of the contract and ends after 25 years from the commercial operations of the Burgos Wind Project. The contract of easement of right of way, on the other hand, creates a perpetual easement over the subject property. Both the land lease agreement and contract of easement of right of way were classified as operating leases. All payments made in connection with the agreements are recorded as part of "Prepaid expenses" included under "Other current assets" and "Other noncurrent assets". Prepaid lease will be amortized on a straight-line basis over the lease term, whereas prepaid rights of way will be amortized on a straight-line basis over the term of the WESC, including the extension based on management's judgment of probability of extension (see Notes 11, 12 and 15).

Revenue from Contracts with Customers (Applicable after adoption of PFRS 15)

Beginning January 1, 2018, the Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

a) 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 customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.



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:

1. each distinct good or services in the series are transferred over time; and
2. 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 revenue contracts under PPAs (upon scoping out of PFRS 16), PSAs, ASPAs including spot market sales to WESM and sale of electricity covered by the FIT scheme which capacity and energy dispatched are separately identified, these are combined and considered as one (1) performance obligation since these are not distinct within the context of PFRS 15 as the buyer cannot benefit from the contracted capacity without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. Revenue from sale of electricity through PPAs with NPC are accounted for under PFRS 15 upon adoption of PFRS 16 on January 1, 2019 (see Note 2).

Retail electricity supply also qualifies as a series of distinct goods or services which is accounted for as one performance obligation since the delivery of energy every month are distinct services.

b) Allocation of Variable Consideration

Variable consideration may be attributable to the entire contract or to a specific part of the contract. For revenue contracts under PPAs (upon scoping out of PFRS 16), PSAs, RSCs, ASPAs including spot market sales to WESM and sale of electricity covered by the FIT scheme, revenue streams which are considered as series of distinct services that are substantially the same and have the same pattern of transfer, the Company allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Company.

c) Timing of Revenue Recognition

The Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Company determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Company concluded that revenue from sale of electricity from contracts with customers are to be recognized over time, since customers simultaneously receive and consume the benefits as the Company supplies power.

d) 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 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.

The Company determined that the output method is the best method in measuring progress as actual electricity is supplied to customers.



Contractual Cash Flows Assessment (Applicable after adoption of PFRS 9)

Beginning January 1, 2018, for each financial asset, the Company assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Evaluation of business model in managing financial instruments (Applicable after adoption of PFRS 9)

Beginning January 1, 2018, the Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Company’s assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at financial 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. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.



Provision for Expected Credit Losses of Trade Receivables and Other Receivables

(Applicable after adoption of PFRS 9)

Beginning January 1, 2018, the Company uses a provision matrix to calculate ECLs for 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 geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, 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.

The information about the ECLs on the Company's trade and other receivables is disclosed in Note 7.

Impairment of Receivables (Applicable prior to adoption of PFRS 9)

Prior to January 1, 2018, the Company maintains an allowance for impairment of receivables at a level that management considers adequate to provide for potential uncollectibility of its trade and other receivables. The Company evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Company uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectibility of the accounts including, but not limited to, the age and status of the receivables, collection experience and past loss experience. The review is made by management on a continuing basis to identify accounts to be provided with allowance. The specific allowance is re-evaluated and adjusted as additional information received affects the amount estimated.

In addition to specific allowance against individually significant receivables, the Company also provides a collective impairment allowance against exposures, which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on historical default experience.

The aggregate carrying amounts of current and noncurrent trade and other receivables amounted to ₱6,343.6 million as of December 31, 2018 (see Notes 7 and 15). The total amount of provision for impairment recognized amounted to ₱6.7 million and ₱12.7 million in 2018 and 2017, respectively (see Notes 7, 15 and 23).

Estimating Net Realizable Value of Parts and Supplies Inventories

The Company measures its parts and supplies inventories at net realizable value when such value is lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The carrying amounts of parts and supplies inventories as of December 31, 2019 and 2018 amounted to ₱4,300.4 million and ₱3,972.8 million, respectively (see Note 10). Reversal of allowance for impairment of parts and supplies inventories amounted to ₱63.4 million in 2019 (see Notes 10 and 23). Provision for impairment of parts and supplies inventories amounted to ₱96.6 million and ₱70.5 million in 2018 and 2017, respectively (see Notes 10 and 23).



Estimating Useful Lives of Property, Plant and Equipment (excluding Land and Construction in Progress), Water Rights and Other Intangible Assets

The Company estimates the useful lives of property, plant and equipment (excluding Land and Construction in Progress), water rights and other intangible assets based on the period over which each asset is expected to be available for use and on the collective assessment of industry practices, internal evaluation and experience with similar arrangements.

The estimated useful life is revisited at the end of each financial reporting period and updated if expectations differ materially from previous estimates.

No impairment loss on property, plant and equipment was recognized in 2019 and 2018. The carrying amount of the property, plant and equipment excluding land and construction in progress amounted to ₱83,820.0 million and ₱84,868.1 million as of December 31, 2019 and 2018, respectively (see Note 12). The carrying amount of water rights and other intangible assets amounted to ₱1,391.8 million and ₱1,399.4 million as of December 31, 2019 and 2018, respectively (see Note 13).

Impairment of Non-financial Assets other than Goodwill

The Company assesses impairment on these non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company assesses whether there are any indicators of impairment for all non-financial assets, other than goodwill, at each financial reporting date.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use (VIU) approach. Recoverable amount is estimated for an individual asset or, if it is not possible, for the cash-generating unit (CGU) to which the asset belongs. In the case of prepaid taxes, where the collection of tax claims is uncertain, the Company provides allowance for impairment of prepaid taxes based on the assessment of management and the Company's legal counsel.

The Company recorded a provision for impairment of prepaid taxes amounting to ₱228.4 million, ₱237.0 million and ₱166.4 million in 2019, 2018 and 2017, respectively (see Notes 15 and 23). The carrying amount of prepaid taxes amounted to ₱3,304.3 million and ₱4,448.2 million as of December 31, 2019 and 2018, respectively (see Note 15).

Loss on direct write-off of input VAT claims amounting to ₱66.3 million, ₱100.9 million and ₱93.9 million in 2019, 2018 and 2017, respectively, are included in "Miscellaneous income" in the consolidated statements of income (see Notes 15 and 27).

For property, plant and equipment and intangible assets, when VIU calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and discounts such cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset to calculate the present value as of the financial reporting date.



Management also makes an assessment whether previously recognized impairment loss should be reversed. Reversal of an impairment loss is recognized when there is an increase in the estimated service potential of an asset, either from use or from sale, since the date when the Company last recognized an impairment loss for that asset.

The carrying amount of property, plant and equipment as of December 31, 2019 and 2018 amounted to ₱90,559.3 million and ₱90,702.1 million, respectively (see Note 12). The carrying amount of water rights as of December 31, 2019 and 2018 amounted to ₱1,142.3 million and ₱1,238.5 million, respectively (see Note 13). The carrying amount of other intangible assets as of December 31, 2019 and 2018 amounted to ₱249.6 million and ₱160.9 million, respectively (see Note 13).

Recoverability of Goodwill

As of December 31, 2019 and 2018, the Company's goodwill is allocated to the following CGUs:

Entity	CGU	2019	2018
GCGI	Palinpinon power plant complex	₱2,107.5 million	₱2,107.5 million
GCGI	Tongonan power plant complex	134.2 million	134.2 million
FG Hydro	Pantabangan-Masiway hydroelectric plants	293.3 million	293.3 million
EDC HKL *	Hot Rock entities	127.7 million	132.7 million
		₱2,662.7 million	₱2,667.7 million

*Changes in the carrying amount is due to the foreign exchange adjustment.

Goodwill is tested for recoverability annually as at September 30 for GCGI and December 31 for FG Hydro and Hot Rock or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

This requires an estimation of the VIU of the CGUs to which goodwill is allocated. Estimating VIU requires the Company to estimate the expected future cash flows from the CGUs and discounts such cash flows using weighted average cost of capital to calculate the present value of those future cash flows.

The recoverable amounts have been determined based on VIU calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections in 2019 ranges from 9.38% to 9.60%; while in 2018, the pre-tax discount rate applied ranges from 10.73% to 10.88%. The cash flows beyond the remaining term of the existing agreements are extrapolated using the growth rate of 3.2% and 4.0% in 2019 and 2018, respectively.

Following are the key assumptions used:

- *Budgeted Gross Margin*

Budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year, increased for expected efficiency improvements.



- *Discount Rate*

Discount rate reflects the current market assessment of the risk specific to each CGU. The discount rate is based on the average percentage of EDC's weighted average cost of capital. This rate is further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.

- *Growth Rate*

Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at the terminal value of each CGU.

No impairment loss on goodwill was recognized in 2019, 2018 and 2017 (see Note 13).

Recoverability of Exploration and Evaluation Assets

Exploration and evaluation costs are recognized as assets in accordance with PFRS 6, *Exploration for and Evaluation of Mineral Resources*. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific geothermal reserve.

The application of the Company's accounting policy for exploration and evaluation assets requires judgment and estimates in determining whether it is likely that the future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after the exploration and evaluation assets are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statements of income in the period when the new information becomes available.

The Company reviews the carrying values of its exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. The factors that the Company considers important which could trigger an impairment review of exploration and evaluation assets include the following:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of geothermal reserve in the specific area is neither budgeted nor planned;
- exploration for and evaluation of geothermal reserve in the specific area have not led to the discovery of commercially viable geothermal reserve and the Company decided to discontinue such activities in the specific area; 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.

The Company determines impairment of projects based on the technical assessment of its resident scientists in various disciplines or based on management's decision not to pursue any further commercial development of its exploration projects.



In 2019, the exploration and evaluation costs incurred for Balingasag amounting to ₱2.5 million was assessed by management to be no longer recoverable. Accordingly, the book value of this exploration and evaluation asset was directly written off (see Notes 14, 27 and 33).

Also in 2017, the exploration and evaluation costs incurred for Mt. Ampiro, Lakewood and certain foreign exploration projects totaling to ₱38.5 million were directly written off. The write-off recognized in 2017 is equivalent to the book values of the related exploration and evaluation assets. No similar loss was recognized in 2018. As of December 31, 2019 and 2018, the carrying amount of exploration and evaluation assets amounted to ₱3,117.4 million and ₱3,076.3 million, respectively (see Notes 14, 27 and 33).

Retirement and Other Post-employment Benefits

The cost of defined benefits retirement plan and other post-employment medical and life insurance benefits are determined using the projected unit credit method of actuarial valuations. An actuarial valuation involves making assumptions about discount rates, future salary increases, medical trend rate, mortality and disability rates and employee turnover rates. 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. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at financial reporting date. 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 in the Philippines.

As of December 31, 2019 and 2018, the net retirement and other post-employment benefits liability amounted to ₱1,552.8 million and ₱1,144.5 million, respectively (see Note 28). The detailed information with respect to the Company's net retirement and other post-employment benefits is presented in Note 28 to the consolidated financial statements.

Provision for Rehabilitation and Restoration Costs

In 2009, with the conversion of its Geothermal Service Contracts (GSCs) to GRESCs, the Company has made a judgment that the GRESCs are subject to the provision for restoration costs. Similarly, under the WESC, the Company has made a judgment that EBWPC is responsible for the removal and the disposal of all materials, equipment and facilities installed in the contract area used for the wind energy project. In determining the amount of provisions for rehabilitation and restoration costs, assumptions and estimates are required in relation to the expected cost to rehabilitate and restore sites and infrastructure when such obligation exists.

As of December 31, 2019 and 2018, the Company adjusted its provision for rehabilitation and restoration costs to ₱1,256.4 million and ₱860.7 million, respectively, presented under "Provisions and other long-term liabilities" account in the consolidated statements of financial position (see Note 18). The revisions in estimate were mainly attributable to changes in discount rates.

Provision for Liabilities on Regulatory Assessments and Other Contingencies

The Company has pending assessments from various regulatory agencies and outstanding legal cases. The Company's estimate of the probable costs for the resolution of these assessments and legal cases has been developed in consultation with in-house and external legal counsels handling the defense of these cases, and is based upon the thorough analysis of the potential outcomes. Management, in consultation with its in-house and external legal counsels, believe that the Company's positions on these assessments are consistent with the relevant laws, and these assessments would not have a material adverse effect on the Company's consolidated financial position and results of operations.



It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. As of December 31, 2019 and 2018, provisions for these liabilities amounting to ₱575.6 million and ₱664.0 million, respectively, are recorded and recognized as part of “Others” under “Provisions and other long-term liabilities” (see Note 18). Interest on liability from litigation amounted to ₱7.8 million in 2019, 2018 and 2017 (see Note 25).

Estimation of Liability from Shortfall Generation

The Parent Company’s Unified Leyte PPA with NPC requires the annual nomination of capacity that EDC shall deliver to NPC. On a monthly basis, EDC bills a uniform capacity to NPC based on the nominated energy. At the end of the contract year, EDC’s fulfillment of the nominated capacity and the parties’ responsibilities for any shortfall shall be determined. On the other hand, the PPAs for Mindanao I and II provide a minimum offtake energy, which the Parent Company shall meet each contract year. The contract year for the Unified Leyte PPA is for fiscal period ending July 25 while the contract year for the Mindanao I and Mindanao II PPAs is for fiscal period ending December 25 (see Note 21). Assessment is made at every reporting date whether the nominated capacity or minimum offtake energy would be met based on management’s projection of electricity generation covering the entire contract year. If the occurrence of shortfall generation is determined to be probable, the amount of estimated reimbursement to NPC is accounted for as a reduction to revenue for the period and a corresponding liability to NPC is recognized. As of December 31, 2019 and 2018, the Company’s estimated liability arising from such shortfall generation amounted to ₱1,679.1 million and ₱1,320.8 million, respectively, shown under “Trade and other payables” account specifically under “Other payables” (see Note 16).

Moreover, the amount of estimations relating to the shortfall generation under the PPAs may be subsequently adjusted or reported depending on the subsequent reconciliation by the Technical or Steering Committee established in accordance with the PPAs, in view of the parties’ responsibilities in connection with the consequences of typhoons and similar events. As of March 2, 2020, the reconciliation with NPC for the contract years 2013-2014, 2016-2017 and 2017-2018 for Unified Leyte PPA, and contract years 2018 and 2019 for Mindanao I and II PPAs, is still ongoing.

Leases - Estimating the Incremental Borrowing Rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company 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 Company ‘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 Company 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 subsidiary’s stand-alone credit rating).

Recognition of Deferred Income Tax Assets

Deferred income tax assets are recognized to the extent that it is probable that sufficient future taxable profits will be available against which the assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. This includes the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognized deferred tax assets amounted to ₱2,124.3 million and ₱2,041.2 million as of December 31, 2019 and 2018, respectively (see Note 29). The Company also has deductible



temporary differences pertaining to carryforward benefits of unused NOLCO and fair value adjustments related to EBWPC's hedging activities as of December 31, 2019 and 2018 for which no deferred income tax asset was recognized (see Note 29).

4. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2019, 2018 and 2017.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investees 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.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Company's voting rights and potential voting rights.

The Company re-assesses 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 acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Company and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. 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, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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, which is 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 of the acquiree at fair value or at the proportionate share of the



acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in "General and Administrative Expenses" in the consolidated statements of income.

When the Company acquires a business, it assesses the financial assets and financial 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, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with changes in fair value recognized either in profit or loss. Contingent Consideration classified as equity is not remeasured and its 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 non-controlling interests 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 reassesses 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 profit or loss.

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 CGUs 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.

Joint Venture

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 the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Company's investment in joint venture is accounted for using the equity method (see Note 3).

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net



assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of income reflects the Company's share of the results of operations of the 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 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 joint venture is eliminated to the extent of the interest in the joint venture.

The aggregate of the Company's share of profit or loss of a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture is 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 on joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the 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 joint venture and its carrying value, and then recognizes the loss within profit or loss.

Upon loss of 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 joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Current versus Noncurrent Classification

The Company presents assets and liabilities in statement of financial position based on current/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 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 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.



The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Foreign Currencies

The Company's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. Each entity within the Company determines its own functional currency and measures items included in their financial statements using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's entities in the respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange prevailing at financial reporting date. All differences are taken to the profit or loss as part of "Foreign exchange gains (losses)" account.

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 date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

The functional currency of the Company's subsidiaries is Philippine Peso, except for the following subsidiaries:

Subsidiary	Functional Currency
EDC Burgos Wind Power Corporation	US dollar
EDC HKL	- do -
EDC HKIIL	- do -
EDC Chile Holdings SPA	Chilean peso
EDC Geotermica Chile	- do -
EDC Chile Limitada	- do -
EDC Peru Holdings S.A.C.	Peruvian nuevo sol
EDC Geotermica Peru S.A.C.	- do -
EDC Peru S.A.C.	- do -
EDC Geotermica Del Sur S.A.C.	- do -

(Forward)



Subsidiary	Functional Currency
EDC Energía Azul S.A.C.	Peruvian nuevo sol
Geotermica Crucero Peru S.A.C.	- do -
EDC Energía Perú S.A.C.	- do -
Geotermica Tutupaca Norte Peru S.A.C.	- do -
EDC Energía Geotérmica S.A.C.	- do -
EDC Progreso Geotérmico Perú S.A.C.	- do -
Geotermica Loriscota Peru S.A.C.	- do -
EDC Energía Renovable Perú S.A.C.	- do -
EDC Soluciones Sostenibles Ltd	- do -
EDC Desarrollo Sostenible Ltd	- do -
EDC Energia Verde Chile SpA	- do -
EDC Energia de la Tierra SpA	- do -
EDC Energia Verde Peru SAC	- do -
PT EDC Indonesia	Indonesian rupiah
PT EDC Panas Bumi Indonesia	- do -

Translation

For subsidiaries whose functional currency is different from the presentation currency, the Company translates the results of their operations and financial position into the presentation currency. As at the financial reporting date, the assets and liabilities presented (including comparatives) are translated into the presentation currency at the closing rate of exchange prevailing at the financial reporting date while the capital stock and other equity balances are translated at historical rates of exchange. The income and expenses for the profit or loss presented (including comparatives) are translated at the exchange rates at the dates of the transactions, where determinable, or at the weighted average rate of exchange during the reporting period. The exchange differences arising on the translation to the presentation currency are recognized as a separate component of equity under the “Cumulative translation adjustments” account in the consolidated statement of financial position.

On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition date are treated as assets and liabilities of the foreign operation and translated at the closing rate of exchange of financial reporting date.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and in banks, and short-term deposits with original maturities of three (3) months or less from dates of acquisition and that are subject to insignificant risk of changes in value. Money market securities with maturity of more than three (3) months but less than 12 months are presented as “Short-term investments” under “Other Current Assets”.

Parts and Supplies Inventories

Parts and supplies inventories are valued at the lower of cost and net realizable value. Cost includes the invoice amount, net of trade and cash discounts. Cost is calculated using the moving average method. Net realizable value represents the current replacement cost.

Prepaid Expenses

Prepayments are expenses paid in advance and recorded as asset before these are utilized. This account comprises prepaid expenses, creditable withholding taxes, tax credit certificates and advances



to contractors. The prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in the profit or loss when incurred; creditable withholding taxes are deducted from income tax payable on the same year the revenue was recognized; and the advances to contractors are reclassified to the proper asset or expense account and deducted from the contractor's billings as specified on the provision of the contract. Prepayments that are expected to be realized for a period of no more than 12 months after the financial reporting period are classified as other current assets; otherwise, these are classified as other noncurrent assets.

Property, Plant and Equipment

Property, plant and equipment, except land, is stated at cost less accumulated depreciation, amortization and impairment in value, if any. The initial cost of property, plant and equipment consist of the purchase price including import duties, borrowing costs (during construction period) and other costs directly attributable to bringing the assets to its working condition and location for its intended use. Cost also includes the cost of replacing part of the property, plant and equipment, and the borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives, depreciation and amortization. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized in the profit or loss as incurred. Property, plant and equipment also include the estimated rehabilitation and restoration costs of the Company's steam fields and power plants contract areas for which the Company is legally and constructively liable. These costs are included under "Fluid Collection and Recycling System (FCRS) and Production Wells" and "Power Plants" (see Notes 12 and 18).

Land is carried at cost less accumulated impairment losses, if any.

The income generated wholly and necessarily as a result of the process of bringing the asset into the location and condition for its intended use (i.e., net proceeds from selling any items produced while testing whether the asset is functioning properly) is credited to the cost of asset up to the extent of cost of testing capitalized during the testing period. Any excess of net proceeds over costs is recognized in profit or loss and not cost of the property, plant and equipment. When the incidental operations are not necessary to bring an item to the location and condition necessary for it to be capable of operating in the manner intended by management, the income and related expenses of incidental operations are not offset against the cost of the property, plant and equipment but are recognized in profit or loss and included in their respective classifications of income and expense.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Power plants	15-30
Production wells and Fluid Collection and Recycling System (FCRS)	10-25
Buildings, improvements and other structures	5-35
Exploration, machinery and equipment	2-25
Transportation equipment	5-10
Furniture, fixtures and equipment	3-10
Laboratory equipment	5-10

Depreciation and amortization of an item of property, plant and equipment begin 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 and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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 profit or loss in the year the asset is derecognized.

The useful lives of property, plant and equipment are reviewed at each financial year-end and adjusted, prospectively, if appropriate.

Construction in progress represents structures under construction and is stated at cost, net of accumulated impairment losses, if any. This includes costs of construction and other direct costs. Costs also include interest on borrowed funds and amortization of deferred financing costs on these borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the assets are put into operational use.

Liquidated damages received arising from breach of contract are deducted from the cost of the asset unless these can be directly linked to the amount of lost revenue. Liquidated damages are recognized only when receipt is virtually certain.

Effective January 1, 2019, it is the Company's policy to classify right-of-use (ROU) assets as part of property, plant and equipment. Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment (refer to Impairment of Non-Financial Assets policy).

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment loss, if any. Internally-generated intangible assets, if any, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in which the expenditure is incurred.



The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Water Rights

The cost of water rights of FG Hydro is measured on initial recognition at cost.

Following initial recognition of the water rights, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses, if any. Water rights are amortized using the straight-line method over 25 years, which is the term of the agreement with the National Irrigation Administration (NIA).

Computer Software and Licenses

The costs of acquisition of computer software and licenses are capitalized as intangible asset if such costs are not integral part of the related hardware.

These intangible assets are initially measured at cost. Subsequently, these are measured at cost less accumulated amortization and allowance for impairment losses, if any. Amortization of computer software is computed using the straight-line method over its estimated useful life of five (5) years.

Exploration and Evaluation Assets

The Company follows the full cost method of accounting for its exploration costs determined on the basis of each service contract area. Under this method, all exploration costs relating to each service contract are accumulated and deferred under the "Exploration and evaluation assets" account in the consolidated statement of financial position pending the determination of whether the wells have proved reserves. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in profit or loss when incurred. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalized as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated.



If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when management decides to use the unproductive wells, for recycling or waste disposal.

Once the technical feasibility and commercial viability of the project to produce proved reserves are established, the exploration and evaluation assets are reclassified to property, plant and equipment.

Exploration and evaluation assets also include the estimated rehabilitation and restoration costs of the Company that are incurred as a consequence of having undertaken the exploration for and evaluation of geothermal resources.

Impairment of Non-financial Assets

For non-financial assets such as property, plant and equipment, intangible assets, exploration and evaluation assets, and prepaid taxes for refund/tax credits, the Company assesses at each financial reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its VIU and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining VIU, 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in profit or loss in the expense categories consistent with the function of the impaired asset.

For non-financial assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot 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 profit or loss.

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. When the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized immediately in profit or loss. Impairment loss relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Financial Instruments

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 and Measurement

Prior to January 1, 2018, financial assets within the scope of PAS 39 are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held-to-maturity investments, available-for-sale 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 fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Company determines the classification of its financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation of each financial reporting date.

Beginning January 1, 2018 upon adoption of PFRS 9, financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI; FVOCI) and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15 (refer to Revenue Recognition policy).

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

Subsequent Measurement

Beginning January 1, 2018 under PFRS 9, for purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL



Financial Assets at Amortized Cost (Debt Instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, DSRA, short-term investments and long-term receivables. Prior to adoption of PFRS 9 on January 1, 2018, these financial assets were classified as loans and receivables.

Financial Assets at FVOCI (Debt Instruments)

The Company measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- 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.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's debt instruments at FVOCI includes in government securities, government bonds and notes, and corporate bonds. Prior to adoption of PFRS 9 on January 1, 2018, these financial assets were classified as AFS investments.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its quoted equity investments under this category. Prior to adoption of PFRS 9 on January 1, 2018, these quoted equity investments were classified as AFS investments.



Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. 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. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes derivative instruments, financial asset at FVPL and unquoted equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the consolidated statement of income when the right of payment has been established. Prior to January 1, 2018, these financial assets were also classified as financial assets at FVPL except for the unquoted equity investments which were classified as AFS investments.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. 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 the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Loans and Receivables (Policy applicable prior to adoption of PFRS 9)

Prior to January 1, 2018, loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as or designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are carried at amortized cost using the EIR method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are not integral part of the EIR. The amortization is included in "Interest income" account in the consolidated statement of income.

The losses arising from impairment of loans and receivables are recognized in the statement of income. The level of allowance for impairment losses is evaluated by management on the basis of the factors that affect the collectibility of accounts. Loans and receivables are classified as current assets when it is expected to be realized within 12 months after the financial reporting date or within the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.



Classified under loans and receivables are cash and cash equivalents, trade and other receivables, DSRA, short-term investments and long-term receivables.

AFS Investments (Policy applicable prior to adoption of PFRS 9)

Prior to January 1, 2018, AFS investments are those non-derivative financial assets that are designated as such or are not classified as financial assets designated at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value with unrealized gains and losses being recognized as other comprehensive income (OCI) in the “Net accumulated unrealized gain on available-for-sale investments” account until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity are recognized in the profit or loss. The Company uses the specific identification method in determining the cost of securities sold. Interest earned on the investments is reported as interest income using the effective interest rate method. Dividends earned on investment are recognized in the profit or loss when the right to receive payment has been established.

AFS investments are classified as current if they are expected to be realized within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

AFS investments include quoted investments in government securities, government bonds and notes, corporate bonds, and unquoted securities.

HTM Investments (Policy applicable prior to adoption of PFRS 9)

Prior to January 1, 2018, HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Company has the positive intention and ability to hold to maturity. Where the Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and would have to be reclassified as AFS investments. Furthermore, the Company would be prohibited to classify any financial assets as HTM investments for the following two years. After initial measurement, HTM investments are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. Gains and losses are recognized in the profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process. The effect of restatement of foreign currency-denominated HTM investments are also recognized in profit or loss.

The Company has no HTM investments as of December 31, 2017.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Debt instruments at FVOCI Note 9
- Trade and other receivables Note 7

Beginning January 1, 2018 upon adoption of PFRS 9, the Company recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will



include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes 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 debt instruments at FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at FVOCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by credit rating agencies such as Moody's Corporation (Moody's) and/or Standard & Poor's Financial Services LLC (S&P), and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from Moody's and/or S&P both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Prior to adoption of PFRS 9, the Company assesses at each reporting date whether there is an objective evidence that a financial or group of financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers 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 where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



The Company triggers its assessment whether its financial asset is in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

In the case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where 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 financial asset previously recognized in profit or loss, is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through the profit or loss. Increases in fair value after impairment are recognized directly in the OCI.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in a subsequent year, the fair value of a debt instrument increases and that increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition

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 its 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.

Write-offs

The Company's write-off policy under PFRS 9 remained the same as it was under PAS 39. A financial asset together with the associated allowance is written off either partially or in their entirety when there is no realistic prospect of future recovery.



Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

Beginning January 1, 2018 upon adoption of PFRS 9, the Company's financial liabilities which include trade and other payables, due to related parties, lease liability and long-term debts are classified as loans and borrowings. Prior to adoption of PFRS 9, these were classified as other financial liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as 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 PFRS 9. 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 PFRS 9 are satisfied. The Company has not designated any financial liability as at FVPL.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss 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 as finance costs in the consolidated statement of income.

Prior to adoption of PFRS 9, the Company categorizes its financial liabilities as other financial liabilities.

This category is applied for those issued financial liabilities or their components where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares, which are not designated as financial liabilities at FVPL.



Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair Value of Financial Instruments

The Company measures financial instruments, such as derivatives, financial assets at FVPL, financial assets at FVOCI and AFS investments, at fair value at each reporting date.

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 to 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.

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 as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 re-assessing 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.



“Day 1” Differences

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 profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss 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.

Derivative Financial Instruments and Hedge Accounting

Initial recognition and subsequent measurement

The Company uses cross-currency swaps, interest rate swaps and forwards to manage its interest rate and foreign currency risk exposures in its US dollar-denominated loans. Accrual of interest on the received and pay legs of the interest rate swaps are recorded as adjustments to the interest expense on the related foreign currency-denominated loans. Accrual of interest on the pay legs of the various currency swaps are recognized in the consolidated statements of income as “Interest expense”.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the profit or loss.

For the purpose of hedge accounting, derivatives can be designated as cash flow hedges or fair value hedges, depending on the type of risk exposure.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Prior to adoption of PFRS 9, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning January 1, 2018 upon adoption of PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company 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 Company actually hedges and the quantity of the hedging instrument that the Company 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 profit or loss 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 profit or loss.

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.

In 2014, EBWPC designated its interest rate swaps as cash flow hedges for its exposure on interest rate risks on portions of its floating rate US\$150 million ECA and US\$37.5 million Commercial Debt Facilities that is benchmarked against US LIBOR (see Notes 17 and 31). In 2018 and 2017, the Parent Company designated its call spread swaps as cash flow hedges for its exposures on its \$80.0 million term loan that is benchmarked against US LIBOR.

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.



Embedded Derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the hybrid or combined contract if all the following conditions are met:

- (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid instrument is not recognized at FVPL.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

Retirement and Other Post-employment Benefits

The Company maintains funded, non-contributory defined benefits retirement plans. The Company also provides post-employment medical and life insurance benefits which are unfunded.

The Company recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to



retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods, but are closed directly to retained earnings at the end of every reporting period.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of an entity's decision to terminate an employee's employment before the normal retirement date for authorized causes under the Labor Code.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Provisions

Provision for Rehabilitation and Restoration Costs

Provision for rehabilitation and restoration costs arose from the Company's obligation under the GRESCs and WESC to restore the existing sites of the Company upon termination of the cooperation period. The nature of these activities includes plugging of drilled wells and restoration of pads and road networks. When the liability is initially recognized, the present value of the estimated costs is capitalized as part of the carrying amount of the related "FCRS and production wells" and "Power Plants" under property, plant and equipment, and exploration and evaluation assets. Provision for rehabilitation and restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows.

The amount of provision for rehabilitation and restoration costs in the consolidated statement of financial position is increased by the accretion expense recognized in profit or loss using the effective interest method. The periodic unwinding of the discount is recognized in the consolidated statement of income as "Interest expense".

For closed sites or areas, changes to estimated costs are recognized immediately in profit or loss. Decrease in rehabilitation and restoration costs that exceeds the carrying amount of the corresponding rehabilitation asset is recognized immediately in profit or loss.



The estimated future costs of rehabilitation and restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the related asset.

Other Provisions

Provisions are recognized when (i) the Company has a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. Where 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 any provision is presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where 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 "Interest expense" in the consolidated statement of income.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Capital Stock

Capital stock is measured at par value for all shares issued. When the Parent Company issues more than one (1) class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" (APIC) account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to the APIC account. If APIC is not sufficient, the excess is charged against the "Equity reserve" account.

Treasury Stock

The Parent Company's own equity instruments that are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent 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 stock.

Common Shares in Employee Trust Account

Common shares in the employee trust account, which consist of common shares irrevocably assigned to the Banco de Oro Trust and Investment Group (BDO Trust) account, are recognized at the amount at which such common shares were reacquired by the Parent Company for the purpose of its executive/employee stock grant or such similar plans, and proportionately reduced upon vesting of



the benefit to the executive/employee grantee of the related number of common shares. This account is shown as a separate line item in the equity section of the consolidated statement of financial position.

Employee Stock Ownership Plan

Awards granted under the employee stock option plan of the Parent Company are accounted for as equity-settled transactions. The cost of equity-settled transaction is measured by reference to the fair value of the equity instruments at the date it is granted. Such cost, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the grantee becomes fully entitled to the award (“vesting date”). The cumulative expense recognized for equity-settled transactions at each financial reporting date until the vesting date reflects the extent to which the vesting period has expired, as well as the Parent Company’s best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, in which, awards are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognized for any modification which increases the total fair value of the share-based payment transaction or which is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Parent Company or the employee are not met. 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.

Retained Earnings

The amount included in retained earnings includes profit or loss attributable to EDC Group’s equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are declared by the Parent Company’s BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. The remeasurement gains and losses on retirement benefits are also included in the amount of retained earnings.

Retained earnings may also include the effect of changes in accounting policies as may be required by the standards’ transitional provisions.

Portions of the retained earnings are restricted from being declared as dividend such as (1) amount pertaining to the treasury stocks; and (2) remeasurement gains on retirement benefits.

Dividend on Preferred and Common Stocks

EDC Group may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders’ meeting called for such purpose, and by the Philippine SEC. EDC Group may declare dividends only out of its unrestricted retained earnings.



Cash and property dividends on preferred and common shares are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to APIC.

Leases

Accounting policy applicable before 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. 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.

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 of the leased item 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 in finance costs in profit or loss.

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 and the lease term.

Operating lease payments are recognized as expense in profit or loss 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.

Accounting policy applicable after adoption of PFRS 16

The Company assesses at contract inception all arrangements to determine whether it is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-Use Assets

Refer to Property, Plant and Equipment policy.

ii) Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed



payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term Leases and Leases of Low-value Assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Company as a Lessor

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. The Company will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. 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.

Revenue Recognition

Revenue from Contracts with Customers (Applicable after adoption of PFRS 15)

The Company has contracts with customers in the form of PSAs, ASPAs, RSCs, sale of electricity to spot market and sale of electricity covered by the feed-in-tariff scheme. Beginning January 1, 2019, upon adoption of PFRS 16, EDC's PPAs with NPC, which were previously considered as operating leases based on the requirements of PAS 17 and Philippine Interpretation IFRIC-4, are now presented as part of "Revenue from contracts with customer" accounted under PFRS 15.

Revenue from contracts with customers is consummated whenever the electricity generated by the Company is transmitted through the transmission line designated by the buyer, for a consideration. Revenues from sale of electricity using hydroelectric and geothermal power are based on sales price and are composed of generation fees from spot market sales to the WESM, PSAs with various customers such as distribution utilities, electric cooperatives and industrial customers, and PPAs with NPC (upon adoption of PFRS 16). Revenue from sale of electricity using wind and solar power is based on the applicable FIT rate as approved by the Energy Regulatory Commission (ERC). Revenue from sale of electricity is recognized monthly based on the actual energy delivered.

Meanwhile, revenue from sale of electricity through ancillary services to the NGCP is recognized monthly based on the capacity scheduled and/or dispatched and provided. For RSCs, revenue from



sale of electricity 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 revenues, which correspond to the amount billed monthly, are presented as “Revenue from contracts with customers” in the consolidated statement of income for the year ended December 31, 2018. Prior to the adoption of PFRS 15, the Company presents these revenues as “Revenue from sale of electricity” in the consolidated statement of income for the year ended December 31, 2017 (see Notes 5 and 21).

The Company has concluded that it is acting as a principal in all 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 disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

*Revenue from Sale of Electricity Under Contracts Outside the Scope of PFRS 15
(Applicable after adoption of PFRS 15)*

Revenue from sale of electricity under contracts outside the scope of PFRS 15 is based on the PPAs of EDC with NPC. These contracts qualify as leases on the basis that EDC sell all of its output to NPC.

Beginning January 1, 2019, upon adoption of PFRS 16, EDC’s PPAs with NPC which were previously considered as operating leases based on the requirements of PAS 17 and Philippine Interpretation IFRIC-4, are now presented as part of “Revenue from contracts with customer” accounted under PFRS 15.

These agreements call for a take-and/or-pay arrangement where payment is made principally on the basis of the availability of the power plant and is recognized monthly based on energy made available. These arrangements are determined to be operating leases where a significant portion of the risks and benefits of ownership of the assets are retained by EDC (see Note 3).

Revenue from Sale of Electricity (Applicable prior to adoption of PFRS 15)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measure, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

Revenue from 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 using hydroelectric and geothermal power is based on sales price and is composed of generation fees from spot sales to the WESM and PSCs/PSAs/PPAs with various customers. Revenue from sale of electricity using wind and solar power is based on the applicable FIT rates as approved by the ERC. Revenue from sale of electricity is 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. For sale of electricity covered by Retail Supply Contracts (RSCs), revenue 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.

Dividend Income

Revenue is recognized when the Company's right to receive the payment is established.

Interest Income

Interest income is recognized as interest accrues, using the EIR method.

Costs of Sale of Electricity

These include expenses incurred by the departments directly responsible for the generation of revenues from electricity (i.e., Plant Operations, Production, Maintenance, Transmission and Dispatch, Wells Drilling and Maintenance Department) at operating project locations. Costs of sales of electricity are expensed when incurred.

General and Administrative Expenses

General and administrative expenses constitute cost of administering the business and normally include the expenses incurred by the departments in the Head Office (i.e., Management and Services, and Project Location's Administrative Services Department). General and administrative expenses are expensed when incurred.

Income from Insurance Claims

Income from insurance claims are recognized in other income and are recognized only when receipt is virtually certain.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of the assets, until such time that the assets are substantially ready for their intended use or sale, which necessarily take a substantial period of time. Income earned on temporary investment of specific borrowings, pending the expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance the project to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxes

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the financial reporting date.



Deferred Tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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 profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where 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 tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses [i.e., net operating loss carry-over (NOLCO)], to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred 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 profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 as at the financial reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.



When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common shareholders of the Parent Company with the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted EPS is computed in the same manner, with the net income for the year attributable to common shareholders of the Parent Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

As of December 31, 2019, 2018 and 2017, the Company does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

Operating Segments

The Company's operating businesses are organized and managed separately according to the geographical segments. The Company's identified operating segments are consistent with the segments reported to the BOD which is the Company's Chief Operating Decision Maker (CODM). Financial information on the operating segment is presented in Note 5 to the consolidated financial statements.

Events After the Financial Reporting Date

Events after the financial reporting date that provide additional information about the Company's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the financial reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements.

Future Changes in Accounting Policies

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 to have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

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 judgments.

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.

The amendments are not expected to have any impact on the Company's consolidated financial statements.

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.

5. Operating Segment Information

The Company's operating segments are determined based on geographical segment, with each segment representing a strategic business location that has similar economic and political conditions, proximity of operations and specific risks associated with operations in a particular area.

The Company's identified reportable segments below are consistent with the segments reported to the BOD, which is the CODM of the Company.

- a. Leyte Geothermal Facilities - This segment pertains to Leyte Geothermal Production Field and Power Plants. This includes projects in Tongonan, Mahanagdong, Upper Mahiao, Malitbog, ULGEI and other projects in Leyte Province.
- b. Negros Island Geothermal Facility - This segment refers to Southern Negros Geothermal Production Field and Power Plants. Power plants included in Negros are Palinpinon I, Palinpinon II and Nasulo.
- c. Bacon-Manito Geothermal Facility - This segment relates to Bacon-Manito Geothermal Production Field and Power Plants.
- d. Mt. Apo Geothermal Business Facility - This segment refers to Mt. Apo Geothermal Production Field and Power Plants.
- e. Pantabangan/Masiway - This segment relates to Pantabangan-Masiway hydroelectric complex located in Nueva Ecija Province.
- f. Wind Business Facility - This segment pertains to wind project commercially operating in Northern Luzon.
- g. Solar Business Facility - This segment pertains to solar projects commercially operating in Northern Luzon and Visayas.
- h. Others - This refers to other renewable energy projects including foreign investments and Head Office of the Company.

Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Finance costs, finance income, income taxes and other charges and income are managed on a group basis.

Segment performance is evaluated based on net income for the year and earnings before interest, taxes, and depreciation and amortization (EBITDA). Net income for the year is measured consistent with net income reported in the consolidated financial statements. EBITDA is calculated as revenue from sale of electricity minus costs of sales of electricity and general and administrative expenses, excluding non-cash items such as depreciation and amortization, impairment loss on property, plant and equipment, and loss on disposal of property, plant and equipment, among others.



In 2019, 2018 and 2017, two (2) customers accounted for 33.1% and 20.9%; 36.0% and 9.8%; and 41.5% and 9.8%, respectively, of the total revenue from sale of electricity.

Substantially all of the segment revenues of Leyte, Negros Island, Bacon-Manito and Mt. Apo are derived from the sale of electricity to these customers.

Financial information on the operating segments are summarized as follows:

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan / Masiway	Wind	Solar	Others	Total
Year ended									
December 31, 2019									
Segment revenue	P21,688,884,689	P14,495,867,682	P8,942,084,903	P2,496,425,619	P2,391,251,080	P2,908,214,450	P126,138,282	P-	P53,048,866,705
Intersegment revenue	(4,466,722,637)	(3,779,147,525)	(2,934,578,997)	-	-	-	-	-	(11,180,449,159)
Total segment revenue	17,222,162,052	10,716,720,157	6,007,505,906	2,496,425,619	2,391,251,080	2,908,214,450	126,138,282	-	41,868,417,546
Segment expenses	(12,212,533,314)	(5,734,426,243)	(4,515,153,178)	(2,139,034,091)	(1,245,121,800)	(1,542,245,410)	(70,650,035)	-	(27,459,164,071)
Unallocated expenses	-	-	-	-	-	-	-	488,429,395	488,429,395
Interest income	317,033,142	84,276,486	59,483,590	55,639,715	21,812,398	25,436,320	667,191	34,213	564,383,055
Interest expense	(1,545,624,326)	(557,071,194)	(439,327,156)	(266,141,471)	(1,303,385)	(745,787,486)	(15,771,030)	(316,886,257)	(3,887,912,305)
Other income	-	-	-	-	-	-	-	-	-
(charges) - net	2,013,027,627	44,888,040	350,880,364	24,670,523	3,392,106	(137,958,062)	170,591	(417,823,311)	1,881,247,878
Benefit from (provision for) income tax	(505,793,992)	(410,574,729)	(26,591,750)	35,147,462	(112,581,904)	184,382,102	(3,960,094)	(262,657,126)	(1,102,630,031)
Segment result	P5,288,271,189	P4,143,812,517	P1,436,797,776	P206,707,757	P1,057,448,495	P692,041,914	P36,594,905	(P508,903,086)	P12,352,771,467
EBITDA	P8,678,968,536	P6,069,457,743	P2,670,012,334	P1,044,461,779	P1,594,815,556	P2,184,088,328	P98,357,469	P-	P22,340,161,745
Unallocated Expenses	-	-	-	-	-	-	-	-	(242,594,393)
									P22,097,567,352

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan / Masiway	Burgos	Solar	Others	Total
Year ended									
December 31, 2018									
Segment revenue	P19,579,422,614	P12,154,853,857	P8,245,768,063	P2,801,791,101	P1,864,286,646	P3,208,827,398	P116,855,674	P7,147,452	P47,978,952,805
Intersegment revenue	(3,418,735,602)	(3,523,948,591)	(3,003,814,712)	-	(46,825,450)	-	-	-	(9,993,324,355)
Total segment revenue	16,160,687,012	8,630,905,266	5,241,953,351	2,801,791,101	1,817,461,196	3,208,827,398	116,855,674	7,147,452	37,985,628,450
Segment expenses	(12,363,614,098)	(4,565,559,790)	(3,730,047,074)	(2,035,542,701)	(1,212,285,011)	(1,512,218,940)	(60,415,499)	-	(25,479,683,113)
Unallocated expenses	-	-	-	-	-	-	-	197,502,578	197,502,578
Interest income	256,109,615	71,826,227	42,420,532	45,903,409	13,417,981	97,164,174	2,330,567	141,951	529,314,456
Interest expense	(1,525,467,886)	(653,731,843)	(480,204,079)	(258,613,250)	(27,933,628)	(806,343,460)	(16,891,930)	(326,797,171)	(4,095,983,247)
Other income	-	-	-	-	-	-	-	-	-
(charges) - net	1,877,029,613	(165,782,788)	(71,743,998)	(68,601,942)	2,272,339	157,841,541	(361,537)	(7,809,755)	1,722,843,473
Benefit from (provision for) income tax	(550,204,441)	(394,466,801)	(50,120,718)	(2,758,122)	(112,100,631)	(154,776,258)	(3,736,906)	4,089,666	(1,264,074,211)
Segment result	P3,854,539,815	P2,923,190,271	P952,258,014	P482,178,495	P480,832,246	P990,494,455	P37,780,369	(P125,725,279)	P9,595,548,386
EBITDA	P6,761,821,305	P5,188,887,845	P2,520,459,164	P1,403,595,354	P1,049,087,080	P2,548,372,127	P92,445,912	P7,147,452	P19,571,816,239
Unallocated Expenses	-	-	-	-	-	-	-	-	(299,947,257)
									P19,271,868,982

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan / Masiway	Burgos	Solar	Others	Total
Year ended									
December 31, 2017									
Segment revenue	P17,528,789,179	P10,697,426,428	P6,851,051,082	P2,506,566,891	P1,645,073,828	P3,173,870,770	P103,038,686	P3,397,605	P42,509,214,469
Intersegment revenue	(3,036,315,408)	(3,415,704,730)	(2,801,558,714)	-	(444,893)	-	-	-	(9,254,023,745)
Total segment revenue	14,492,473,771	7,281,721,698	4,049,492,368	2,506,566,891	1,644,628,935	3,173,870,770	103,038,686	3,397,605	33,255,190,724
Segment expenses	(10,491,650,902)	(3,327,647,079)	(2,137,856,193)	(1,833,853,012)	(895,543,140)	(1,512,876,991)	(54,065,499)	-	(20,253,492,816)
Unallocated expenses	-	-	-	-	-	-	-	(95,773,052)	(95,773,052)
Interest income	124,309,825	39,558,811	20,032,925	22,540,754	7,536,112	59,045,458	1,476,443	157,433	274,657,761
Interest expense	(1,515,147,928)	(667,692,296)	(490,027,522)	(239,045,974)	(50,729,609)	(823,825,734)	(18,120,898)	(326,026,303)	(4,130,616,264)
Other income	-	-	-	-	-	-	-	-	-
(charges) - net	265,544,465	(179,687,976)	(145,884,105)	(54,921,242)	16,840,387	(13,090,065)	192,350	37,410,900	(73,595,286)
Benefit from (provision for) income tax	(426,250,746)	(385,754,651)	(83,869,533)	(27,696,894)	(141,796,855)	(12,848,192)	(281,958)	43,624,816	(1,034,874,013)
Segment result	P2,449,278,485	P2,760,498,507	P1,211,887,940	P373,590,523	P580,935,830	P870,275,246	P32,239,124	(P337,208,601)	P7,941,497,054
EBITDA	P6,610,966,065	P5,010,869,328	P2,659,535,625	P1,119,909,377	P1,198,606,009	P2,455,411,922	P81,543,916	P3,397,605	P19,140,239,847
Unallocated Expenses	-	-	-	-	-	-	-	-	(40,998,256)
									P19,099,241,591



	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan / Masiway	Wind	Solar	Elimination	Total
As of and for the year ended December 31, 2019									
Segment assets	₱81,661,671,968	₱24,184,259,618	₱12,070,610,955	₱10,289,442,183	₱5,137,297,807	₱18,190,789,548	₱1,163,927,665	(₱60,804,235,229)	₱91,893,764,515
Unallocated corporate assets									42,983,158,626
Total assets									₱134,876,923,141
Segment liabilities	₱33,988,666,526	₱12,915,097,654	₱11,567,415,376	₱4,713,149,175	₱213,758,740	₱12,433,918,577	₱767,822,228	(₱62,760,117,465)	₱13,839,710,811
Unallocated corporate liabilities									61,232,196,180
Total liabilities									₱75,071,906,991
Capital expenditure	₱4,380,639,453	₱877,692,527	₱772,934,824	₱87,668,362	₱83,634,890	₱190,246,175	₱2,267,588	₱-	₱5,700,083,819
Unallocated capital expenditure									168,350,142
Total capital expenditure									₱5,868,433,961
Depreciation and amortization	₱2,706,257,821	₱912,283,678	₱772,091,540	₱630,624,653	₱448,686,277	₱817,197,879	₱42,572,486	₱26,526,213	₱6,356,240,547
Unallocated depreciation and amortization									58,629,351
Total depreciation and amortization									₱6,414,869,898
Other non-cash items	₱963,081,978	₱174,880,151	₱405,568,066	₱56,445,599	₱-	₱921,409	₱296,736	(₱816,179,358)	₱785,014,581

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan / Masiway	Burgos	Solar	Elimination	Total
As of and for the year ended December 31, 2018									
Segment assets	₱79,932,344,126	₱21,678,746,275	₱12,081,494,560	₱10,694,743,381	₱5,038,806,788	₱20,839,688,885	₱1,107,401,592	(₱52,064,570,483)	₱99,308,655,124
Unallocated corporate assets									36,617,480,454
Total assets									₱135,926,135,578
Segment liabilities	₱33,197,344,204	₱12,433,365,102	₱12,409,325,314	₱4,789,515,674	₱164,166,891	₱13,463,573,519	₱723,222,247	(₱53,250,337,322)	₱23,930,175,629
Unallocated corporate liabilities									55,758,671,968
Total liabilities									₱79,688,847,597
Capital expenditure	₱2,435,332,764	₱478,086,870	₱93,667,285	₱151,610,265	₱36,820,654	₱1,192,448	₱45,456,560	(₱3,800,000)	₱3,238,366,846
Unallocated capital expenditure									385,729,230
Total capital expenditure									₱3,624,096,076
Depreciation and amortization	₱2,620,298,828	₱936,959,548	₱744,352,616	₱575,692,341	₱443,910,897	₱822,836,980	₱35,707,059	(₱26,526,212)	₱6,153,232,057
Unallocated depreciation and amortization									74,778,292
Total depreciation and amortization									₱6,228,010,349
Other non-cash items	₱344,449,562	₱186,582,821	₱264,200,271	₱61,654,613	₱-	₱28,926,688	₱298,680	(₱545,701,915)	₱340,410,720

The following table shows the Company's reconciliation of EBITDA to the consolidated net income for the years ended December 31, 2019, 2018 and 2017.

	2019	2018	2017
EBITDA	₱22,097,567,352	₱19,271,868,982	₱19,099,241,591
Add (deduct):			
Depreciation and amortization (Notes 12, 13, 22 and 23)	(6,414,869,898)	(6,228,010,349)	(5,943,705,408)
Interest expense (Notes 17, 25 and 31)	(3,887,912,305)	(4,095,983,247)	(4,130,616,264)
Income from insurance claims (Note 32)	2,263,416,199	2,306,996,910	643,463,439
Provision for income tax (Note 29)	(1,102,630,031)	(1,264,074,211)	(1,034,874,013)
Provisions for impairment of trade and other receivables, and prepaid taxes (Notes 7, 15 and 23)	(848,371,753)	(243,767,845)	(179,138,858)
Interest income (Notes 6, 11, 25 and 31)	564,383,055	529,314,456	274,657,761
Loss on loan extinguishment (Note 17)	(114,648,317)	-	(514,584,725)
Foreign exchange gains (losses) (Notes 26 and 31)	68,940,401	(518,411,862)	(50,174,076)
Reversal of (provision for) impairment of parts and supplies inventories (Notes 3, 10 and 23)	63,357,171	(96,642,873)	(70,472,469)
Miscellaneous income (Note 27)	(336,460,407)	(65,741,575)	(152,299,924)
Consolidated net income	₱12,352,771,467	₱9,595,548,386	₱7,941,497,054

In the normal course of business, entities within the Company engage in intercompany sale and purchase of steam and electricity. Intersegment revenues are all eliminated in consolidation. Segment information is measured in conformity with the accounting policies adopted for preparing



and presenting the consolidated financial statements. Intersegment revenues are made at normal commercial terms and conditions.

Unallocated expenses pertain to expenses of the corporate, technical and administrative support groups, while unallocated corporate assets and liabilities, which include among others certain cash and cash equivalents, property, plant and equipment, parts and supplies inventories, trade and other payables and retirement and post-retirement benefits, pertain to the Head Office and are managed on a group basis.

Disaggregation of revenues

	2019	2018	2017
Revenue from:			
Sale of electricity from contracts with customers	₱41,868,417,546	₱24,266,213,460	₱—
Sale of electricity from contracts outside the scope of PFRS 15	—	13,719,414,990	—
Sale of electricity under PAS 18	—	—	33,255,190,724
	₱41,868,417,546	₱37,985,628,450	₱33,255,190,724

Revenue from sale of electricity in 2017 consists of revenue from contracts with customers and revenue from contracts accounted for as lease.

Set out below is the disaggregation of the Company's revenue from contracts with customers for the years ended December 31, 2019 and 2018:

Type of contracts	2019	2018
Revenue from PPAs	₱13,847,359,302	₱—
Revenue from PSAs	12,871,186,695	15,597,827,274
Revenue from sales under FIT	2,994,981,758	3,299,716,009
Revenue from RES and other customer contracts	12,154,889,791	5,368,670,177
	₱41,868,417,546	₱24,266,213,460

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information for the years ended December 31, 2019 and 2018:

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Wind	Solar	Total
Year ended December 31, 2019								
Segment revenue	₱21,688,884,689	₱14,495,867,682	₱8,942,084,903	₱2,496,425,619	₱2,391,251,080	₱2,908,214,450	₱126,138,282	₱53,048,866,705
Intersegment revenue	(4,466,722,637)	(3,779,147,525)	(2,934,578,997)	—	—	—	—	(11,180,449,159)
Revenue from contracts with customers	₱17,222,162,052	₱10,716,720,157	₱6,007,505,906	₱2,496,425,619	₱2,391,251,080	₱2,908,214,450	₱126,138,282	₱41,868,417,546

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Wind	Solar	Total
Year ended December 31, 2019								
Revenue from PPAs	₱11,341,275,853	₱—	₱—	₱2,496,425,619	₱—	₱—	₱9,657,830	₱13,847,359,302
Revenue from PSAs	4,320,334,448	6,689,585,253	1,555,462,195	—	305,804,799	—	—	12,871,186,695
Revenue from sales under FIT	—	—	—	—	—	2,908,214,450	86,767,308	2,994,981,758
Revenue from RES and other customers	1,560,551,751	4,027,134,904	4,452,043,711	—	2,085,446,281	—	29,713,144	12,154,889,791
Revenue from contracts with customers	₱17,222,162,052	₱10,716,720,157	₱6,007,505,906	₱2,496,425,619	₱2,391,251,080	₱2,908,214,450	₱126,138,282	₱41,868,417,546



	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Burgos	Solar	Total
Year ended December 31, 2018								
Segment revenue	P19,579,422,614	P12,154,853,857	P8,245,768,063	P2,801,791,101	P1,864,286,646	P3,208,827,398	P124,003,126	P47,978,952,805
Intersegment revenue	(3,418,735,602)	(3,523,948,591)	(3,003,814,712)	—	(46,825,450)	—	—	(9,993,324,355)
Revenue from sale of electricity	16,160,687,012	8,630,905,266	5,241,953,351	2,801,791,101	1,817,461,196	3,208,827,398	124,003,126	37,985,628,450
Less: Revenue from contracts accounted for as lease	10,884,509,374	—	—	2,801,791,101	—	—	33,114,515	13,719,414,990
Revenue from contracts with customers	P5,276,177,638	P8,630,905,266	P5,241,953,351	P—	P1,817,461,196	P3,208,827,398	P90,888,611	P24,266,213,460

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan/ Masiway	Burgos	Solar	Total
Year ended December 31, 2018								
Revenue from PSAs	P4,626,007,494	P6,483,750,541	P3,622,963,436	P—	P865,105,803	P—	P—	P15,597,827,274
Revenue from sales under FIT	—	—	—	—	—	3,208,827,398	90,888,611	3,299,716,009
Revenue from retail electricity sales and other customer contracts	650,170,144	2,147,154,725	1,618,989,915	—	952,355,393	—	—	5,368,670,177
Revenue from contracts with customers	P5,276,177,638	P8,630,905,266	P5,241,953,351	P—	P1,817,461,196	P3,208,827,398	P90,888,611	P24,266,213,460

6. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	P2,794,809,389	P3,013,978,993
Cash equivalents	11,459,311,342	11,974,528,834
	P14,254,120,731	P14,988,507,827

Cash in banks earns interest at the respective bank deposit rates ranging from 0.1% to 0.9% for the years ended December 31, 2019, 2018 and 2017. Cash equivalents consist of money market placements, which are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company. Total interest earned on cash and cash equivalents, net of final tax, amounted to P526.2 million, P403.0 million and P206.5 million in 2019, 2018 and 2017, respectively (see Note 25).

7. Trade and Other Receivables

	2019	2018
Trade receivables:		
Third parties	P7,471,005,431	P6,018,647,927
Related parties (Note 20)	92,193,384	183,286,337
Others:		
Non-trade accounts receivable (Note 32)	1,497,038,668	138,388,339
Loans and notes receivables	55,016,751	61,315,344
Advances to employees	20,128,677	26,291,487
	1,572,184,096	225,995,170
	9,135,382,911	6,427,929,434
Less allowance for impairment	952,968,496	333,062,905
	P8,182,414,415	P6,094,866,529



Trade receivables are non interest-bearing and are generally collectible in 30 to 60 days. Non-trade receivables are non interest-bearing and include receivable from insurance claims, accrued interest and other receivables arising from transactions not in the usual course of the Company's business.

The table below shows the rollforward analysis of the allowance for impairment of trade and other receivables as of December 31, 2019 and 2018:

	2019	2018
Balances at beginning of year	₱333,062,905	₱326,255,996
Provision for impairment (Note 23)	619,969,714	6,806,909
Other adjustment	(64,123)	—
Balances at end of year	₱952,968,496	₱333,062,905

8. Financial Asset at Fair Value Through Profit or Loss

In January 2014, the Parent Company entered into an investment management agreement (IMA) with Security Bank as the Investment Manager, whereby the Parent Company availed of its service relative to the management and investment of funds amounting to ₱500.0 million. The Parent Company invested an additional ₱500.0 million in 2015.

Among others, following are the significant provisions of the IMA:

- The Investment Manager shall administer and manage the fund as allowed and subject to the requirements of the Bangko Sentral ng Pilipinas and in accordance with the written investment policy and guidelines mutually agreed upon and signed by Security Bank and the Parent Company.
- The agreement is considered as an agency and not a trust agreement. The Parent Company, therefore, shall at all times retain legal title to the fund.
- The IMA does not guaranty a yield, return, or income on the investments or reinvestments made by the Investment Manager. Any loss or depreciation in the value of the assets of the fund shall be for the account of the Parent Company.

In 2018, the Parent Company invested ₱1.0 million in BDO Institutional Cash Reserve Fund (ICRF), a money unit investment trust fund.

In 2019, the Parent Company invested additional US\$6.0 million in money unit investment trust fund thru BDO Dollar Money Market Fund while FG Hydro entered into an IMA with BDO ICRF with ₱501.3 million investment fund.

Fund investments include quoted government securities and other quoted securities.

The Parent Company accounts for the entire investment as a financial asset to be carried at fair value through profit or loss. Mark-to-market gain (loss) adjustment on the securities taken up in the profit or loss amounted to ₱119.2 million, (₱32.9) million and ₱15.0 million in 2019, 2018 and 2017, respectively (see Note 27).



As of December 31, 2019 and 2018, the movements of the financial assets at FVPL account are as follows:

	2019	2018
Balances at beginning of year	₱801,650,104	₱1,342,015,647
Additions for the year	808,300,000	1,000,000
Redemptions for the year	(372,495,123)	(513,378,979)
Mark-to-market gain (loss) on financial assets at FVPL (Note 27)	119,246,784	(32,881,224)
Realized income from redemption (Note 27)	241,204	4,894,660
Realized foreign exchange gain (Note 26)	262,938	—
Balances at end of year	₱1,357,205,907	₱801,650,104

9. Investments in Debt and Equity Securities

Financial assets at FVOCI

As at December 31, 2019 and 2018, the movements in the financial assets at FVOCI are as follows:

	2019	2018
Balances at beginning of year	₱434,120,734	₱398,731,228
Changes in fair value of equity instruments at FVOCI	54,257,294	54,066,942
Changes in fair value of debt instruments at FVOCI	29,105,168	(18,677,436)
Balances at end of year	₱517,483,196	₱434,120,734

Financial assets at FVOCI consists of the following as of December 31, 2019 and 2018:

	2019	2018
Equity instruments designated at FVOCI		
<i>Quoted equity instruments</i>		
First Gen Corporation	₱296,953,230	₱245,678,076
Wack Wack Golf & Country Club	35,000,000	35,000,000
Alabang Country Club	14,200,000	14,000,000
Others	14,318,036	11,535,896
	360,471,266	306,213,972
Debt instruments at FVOCI		
<i>Quoted debt instruments</i>		
Government bonds and notes	121,914,350	95,566,300
Corporate bonds	35,097,580	32,340,462
	157,011,930	127,906,762
	₱517,483,196	₱434,120,734



The movements of the net accumulated unrealized gain related to financial assets at FVOCI in 2019 and 2018 are presented in the consolidated statements of comprehensive income with details as follows:

	2019	2018
Balances at beginning of year	₱76,065,250	₱40,675,744
Changes in fair value of equity instruments at FVOCI	54,257,294	54,066,942
Changes in fair value of debt instruments at FVOCI	29,105,168	(18,677,436)
Balances at end of year	₱159,427,712	₱76,065,250

Investments in quoted equity securities consist mainly of shares traded in the PSE and investments in golf and country club shares.

Quoted government debt securities consist of investments in fixed rate bonds, fixed rate treasury notes and retail treasury bonds with maturities between 2023 and 2037 as of December 31, 2019 and 2018, and interest rates ranging from 4.6% to 6.1% for both years.

AFS investments

AFS investments as at December 31, 2017 consists of quoted and unquoted equity securities, quoted government bonds and notes, and quoted corporate bonds. Upon adoption of PFRS 9, these were accounted for as financial assets at FVOCI except for unquoted equity securities which were reclassified to financial assets at FVPL.

The movements of the net accumulated unrealized gain related to AFS investments in 2017 is presented in the consolidated statement of comprehensive income with details as follows:

Net accumulated unrealized gain on AFS investments at beginning of year	₱102,467,745
Changes in fair value recognized in OCI	(50,616,524)
Realized gain on sale of AFS recognized in profit or loss	(755,853)
Net accumulated unrealized gain on AFS investments at end of year	₱51,095,368

Changes in fair value recognized in the consolidated statements of comprehensive income pertain to the unrealized gains and losses during the period brought about by the temporary increase or decrease in the fair value of the debt and equity securities.

10. Parts and Supplies Inventories

	2019	2018
Parts and supplies inventories:		
At Cost	₱3,458,831,239	₱3,402,544,758
At NRV	841,601,852	570,226,716
	₱4,300,433,091	₱3,972,771,474



Allowance for inventory obsolescence:

	2019	2018
Balances at beginning of year	₱512,116,332	₱415,473,459
Provision for (reversal of) impairment (Note 23)	(63,357,171)	96,642,873
Balances at end of year	₱448,759,161	₱512,116,332

Parts and supplies inventories include items that are carried at net realizable value amounting to ₱841.6 million and ₱570.2 million as of December 31, 2019 and 2018, respectively, and have costs amounting to ₱1,290.4 million and ₱1,082.3 million, respectively. The rest of the parts and supplies inventories are carried at cost.

The amount of parts and supplies inventories charged to expense amounted to ₱1,173.9 million, ₱1,209.0 million and ₱1,071.3 million in 2019, 2018 and 2017, respectively (see Notes 22 and 23).

Details of parts and supplies inventories issued are as follows:

	2019	2018	2017
Costs of sales of electricity (Note 22)	₱1,087,312,417	₱1,103,309,646	₱940,780,082
General and administrative expenses (Note 23)	86,593,849	105,673,705	130,492,828
	₱1,173,906,266	₱1,208,983,351	₱1,071,272,910

11. Other Current Assets

	2019	2018
Prepaid expenses	₱663,062,260	₱665,281,817
Debt service reserve account (Note 17)	661,239,713	1,421,924,529
Advances to contractors	39,763,163	16,152,324
Tax credit certificates (Note 15)	18,262,231	10,841,455
Short-term investments	—	223,727,900
Others	60,262,128	173,824,422
	₱1,442,589,495	₱2,511,752,447

The debt service reserve account (DSRA) pertains to the restricted peso interest-bearing accounts opened and established by the Company in accordance with certain loan agreements that will serve as a cash reserve or deposit to service the principal and/or interest payments due on the loans (see Note 17). Total interest earned on DSRA, net of final tax, amounted to ₱21.1 million, ₱44.0 million and ₱15.1 million in 2019, 2018 and 2017, respectively (see Notes 17 and 25).

Short-term investments consist of money market securities with maturity of more than three (3) months but less than 12 months. Total interest earned on short-term investments, net of final tax, amounted to ₱10.6 million, ₱15.6 million and ₱8.2 million in 2019, 2018 and 2017, respectively (see Note 25)



12. Property, Plant and Equipment

2019

	Land	Power Plants	FCRS and Production Wells	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Right of Use of Assets - Buildings, Improvements and Other Structures	Construction in Progress	Total
Cost											
Balances at January 1, as previously reported	₱631,964,195	₱73,771,018,039	₱45,075,729,780	₱7,590,979,406	₱3,391,351,970	₱118,778,644	₱1,445,513,004	₱693,182,275	₱-	₱5,242,995,938	₱137,961,513,251
Effect of adoption of PFRS 16 (Notes 2, 11 and 15)	-	-	-	-	-	-	-	-	621,072,094	-	621,072,094
Balances at January 1, as restated	631,964,195	73,771,018,039	45,075,729,780	7,590,979,406	3,391,351,970	118,778,644	1,445,513,004	693,182,275	621,072,094	5,242,995,938	138,582,585,345
Additions	226,140	17,755,592	-	12,264,104	18,643,974	4,890,634	36,162,604	19,863,072	131,292,187	5,627,335,654	5,868,433,961
Disposals/retirements (Note 27)	-	(1,871,308)	-	(2,566,665)	(140,942,245)	(26,650,391)	(77,773,851)	(19,259,467)	-	-	(269,063,927)
Reclassifications/adjustments (Note 18)	-	1,061,092,628	3,244,107,027	536,889,209	32,415,627	(3,407,543)	100,999,230	57,872,297	(50,041,779)	(4,722,220,392)	257,706,304
Foreign exchange adjustments	-	(692,146,325)	-	(47,093,307)	(33,980)	-	(179,733)	(63,978)	(5,838,469)	-	(745,355,792)
Balances at December 31	632,190,335	74,155,848,626	48,319,836,807	8,090,472,747	3,301,435,346	93,611,344	1,504,721,254	751,594,199	696,484,033	6,148,111,200	143,694,305,891
Accumulated Depreciation, Amortization and Impairment											
Balances at January 1	17,627,581	26,093,798,785	14,368,998,995	2,438,512,735	2,646,130,081	72,506,236	1,121,734,069	476,804,281	-	23,322,433	47,259,435,196
Depreciation and amortization (Note 22 and 23)	-	3,650,080,644	1,568,484,194	432,200,507	202,749,838	22,212,771	188,706,733	60,892,430	149,873,730	-	6,275,200,847
Disposals/retirements (Note 27)	-	(1,580,481)	-	(1,631,347)	(136,316,763)	(22,956,998)	(75,503,214)	(19,434,622)	-	-	(257,423,425)
Reclassifications	-	11,019,490	(2,263,841)	1,568,683	(8,550,012)	(3,811,971)	(1,752,262)	1,525,911	-	-	(2,264,002)
Foreign exchange adjustments	-	(128,854,367)	-	(10,551,723)	(34,812)	-	(179,467)	(18,957)	(315,652)	-	(139,954,978)
Balances at December 31	17,627,581	29,624,464,071	15,935,219,348	2,860,098,855	2,703,978,332	67,950,038	1,233,005,859	519,769,043	149,558,078	23,322,433	53,134,993,638
Net Book Value	₱614,562,754	₱44,531,384,555	₱32,384,617,459	₱5,230,373,892	₱597,457,014	₱25,661,306	₱271,715,395	₱231,825,156	546,925,955	₱6,124,788,767	₱90,559,312,253

(Forward)



2018

	Land	Power Plants	FCRS and Production Wells	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Construction in Progress	Total
Cost										
Balances at January 1	₱624,552,251	₱71,670,931,981	₱41,689,159,955	₱6,835,621,881	₱4,184,064,998	₱130,211,071	₱1,372,598,217	₱675,470,574	₱7,348,642,492	₱134,531,253,420
Additions	1,099,444	18,740,289	—	21,003,275	52,341,166	11,876,071	44,297,938	24,256,119	3,450,481,774	3,624,096,076
Disposals/retirements (Note 27)	—	(52,733,760)	—	(74,437,707)	(786,547,090)	(20,644,083)	(51,068,179)	(37,173,576)	—	(1,022,604,395)
Reclassifications/adjustments (Note 18)	6,312,500	1,189,641,276	3,386,569,825	744,628,839	(58,553,400)	(2,664,415)	79,446,761	30,584,766	(5,556,128,328)	(180,162,176)
Foreign exchange adjustments	—	944,438,253	—	64,163,118	46,296	—	238,267	44,392	—	1,008,930,326
Balances at December 31	631,964,195	73,771,018,039	45,075,729,780	7,590,979,406	3,391,351,970	118,778,644	1,445,513,004	693,182,275	5,242,995,938	137,961,513,251
Accumulated Depreciation, Amortization and Impairment										
Balances at January 1	17,627,581	22,171,066,413	12,964,405,202	2,090,265,468	3,180,512,527	76,994,936	995,853,896	453,451,487	23,322,433	41,973,499,943
Depreciation and amortization (Notes 22 and 23)	—	3,814,790,313	1,425,854,559	406,487,670	222,185,638	15,156,413	185,948,937	59,224,104	—	6,129,647,634
Disposals/retirements (Note 27)	—	(52,173,030)	—	(70,201,068)	(750,860,841)	(19,586,761)	(44,456,612)	(36,191,356)	—	(973,469,668)
Reclassifications	—	21,648,824	(21,260,766)	35,740	(5,748,709)	(58,352)	(15,822,770)	297,519	—	(20,908,514)
Foreign exchange adjustments	—	138,466,265	—	11,924,925	41,466	—	210,618	22,527	—	150,665,801
Balances at December 31	17,627,581	26,093,798,785	14,368,998,995	2,438,512,735	2,646,130,081	72,506,236	1,121,734,069	476,804,281	23,322,433	47,259,435,196
Net Book Value	₱614,336,614	₱47,677,219,254	₱30,706,730,785	₱5,152,466,671	₱745,221,889	₱46,272,408	₱323,778,935	₱216,377,994	₱5,219,673,505	₱90,702,078,055



Construction in Progress

The Company's construction in progress account includes steam assets and other ongoing construction projects. Steam assets are mainly composed of in-progress production wells and FCRS, while other construction projects include ongoing rehabilitation activities in the plants, Control Systems Integration (CSI), retrofitting projects and other constructions.

Estimated Rehabilitation and Restoration Costs

FCRS and production wells include the estimated rehabilitation and restoration costs of the Company's steam fields and power plants' contract areas at the end of the contract period. These were based on technical estimates of probable costs, which may be incurred by the Company in the rehabilitation and restoration of the said steam fields' and power plants' contract areas from 2031 up to 2044, using a risk-free discount rate and adjusted the cash flows to settle the provision.

Also, the Company has recorded an estimated provision for asset retirement obligation relating to the removal and disposal of all wind farm materials, equipment and facilities from the contract areas at the end of contract period. The amount of provision was recorded as part of the costs of power plants.

Depreciation and Amortization

Details of depreciation and amortization charges recognized in profit or loss are shown below:

	2019	2018	2017
Property, plant and equipment	₱6,275,200,847	₱6,129,647,634	₱5,825,239,000
Intangible assets (Note 13)	141,933,053	119,271,229	131,786,296
Capitalized depreciation	(2,264,002)	(20,908,514)	(13,319,888)
	₱6,414,869,898	₱6,228,010,349	₱5,943,705,408
Costs of sales of electricity (Note 22)	₱5,943,540,328	₱5,935,783,921	₱5,622,296,146
General and administrative expenses (Note 23)	471,329,570	292,226,428	321,409,262
	₱6,414,869,898	₱6,228,010,349	₱5,943,705,408

Reclassifications

The reclassifications in the cost of property, plant and equipment include adjustments to the provision for rehabilitation and restoration costs amounting to ₱315.9 million and ₱157.7 million in 2019 and 2018, respectively (see Note 18), and adjustments to ROU assets arising from the amendments of certain lease contract (see Note 32). Meanwhile, the reclassifications in the accumulated depreciation of property, plant and equipment include capitalized depreciation charges amounting to ₱2.3 million and ₱20.9 million in 2019 and 2018, respectively. Other reclassifications were due to the results of reassessment made by the Company on the nature of the assets.



13. Goodwill and Intangible Assets

	2019			
	Goodwill	Water Rights	Other Intangible Assets	Total
Cost				
Balances at January 1	₱2,667,683,785	₱2,404,778,918	₱390,179,517	₱5,462,642,220
Additions	—	—	134,380,452	134,380,452
Foreign exchange translation adjustment	(4,958,020)	—	—	(4,958,020)
Balances at December 31	2,662,725,765	2,404,778,918	524,559,969	5,592,064,652
Accumulated Amortization				
Balances at January 1	—	1,166,317,776	229,258,206	1,395,575,982
Amortization (Notes 12, 22 and 23)	—	96,191,157	45,741,896	141,933,053
Balances at December 31	—	1,262,508,933	275,000,102	1,537,509,035
Net Book Value	₱2,662,725,765	₱1,142,269,985	₱249,559,867	₱4,054,555,617

	2018			
	Goodwill	Water Rights	Other Intangible Assets	Total
Cost				
Balances at January 1	₱2,662,328,640	₱2,404,778,918	₱228,626,734	₱5,295,734,292
Additions	—	—	161,552,783	161,552,783
Foreign exchange translation adjustment	5,355,145	—	—	5,355,145
Balances at December 31	2,667,683,785	2,404,778,918	390,179,517	5,462,642,220
Accumulated Amortization				
Balances at January 1	—	1,070,126,619	206,178,134	1,276,304,753
Amortization (Notes 12, 22 and 23)	—	96,191,157	23,080,072	119,271,229
Balances at December 31	—	1,166,317,776	229,258,206	1,395,575,982
Net Book Value	₱2,667,683,785	₱1,238,461,142	₱160,921,311	₱4,067,066,238

Goodwill

GCGI

On September 2, 2009, GCGI acquired the then 192.5 MW Palinpinon (in Negros Oriental) and 112.5 MW Tongonan 1 (in Leyte) geothermal power plants in an auction conducted by PSALM where GCGI submitted the highest complying financial bid of US\$220.0 million. This financial bid was subsequently reduced by US\$6.7 million as PSALM agreed that the Company will directly assume the obligations to procure the equipment/services indicated in the Purchase Requisitions being processed by NPC under Schedule R-Purchase Orders in the Asset Purchase Agreement (APA). The total acquisition cost incurred by the Company amounted to ₱10,165.3 million resulting to goodwill of ₱2,241.7 million.

FG Hydro

On September 8, 2006, FG Hydro participated and won the bid for the 112 MW PAHEP/MAHEP facility conducted by PSALM in connection with the privatization of NPC assets. FG Hydro paid a total consideration of US\$129.0 million (₱6,448.2 million) and recognized goodwill amounting to ₱293.3 million.

EDC HKL

As discussed in Note 3 to the consolidated financial statements, EDC HKL, a wholly owned subsidiary of EDC purchased 100% interest in Hot Rock companies, namely: EDC Soluciones Sostenibles Ltd, EDC Desarrollo Sostenible Ltd, EDC Energia Verde Chile SpA, EDC Energia de la Tierra SpA and EDC Energia Verde Peru SAC. The total consideration amounting to



US\$3.0 million (P133.2 million) was paid in cash which resulted to the recognition of goodwill amounting to US\$2.5 million (P134.0 million).

Breakdown of the goodwill per CGU and the details of the goodwill impairment review are shown in Note 3 to the consolidated financial statements.

Water rights

Water rights pertain to FG Hydro's right to use water from the Pantabangan reservoir to generate electricity. NPC through a certification issued to FG Hydro dated July 27, 2006, gave its consent to the transfer to FG Hydro, as the winning bidder of the PAHEP/MAHEP, of the water permit for Pantabangan river issued by the National Water Resources Council on March 15, 1997.

Water rights are amortized using the straight-line method over 25 years, which is the term of the Agreement with National Irrigation Administration (NIA). The remaining amortization period of water rights is 11.9 years and 12.9 years as of December 31, 2019 and 2018.

Other intangible assets

Other intangible assets pertain to the Parent Company's and BGI's computer software and licenses. Acquisition of other intangible assets include non-cash additions amounting to nil and P99.5 million in 2019 and 2018, respectively.

14. Exploration and Evaluation Assets

	2019	2018
Balances at January 1	P3,076,257,283	P3,063,186,879
Additions	33,952,955	16,467,172
Direct write-off (Note 27)	(2,540,807)	—
Adjustments (Note 18)	9,715,492	(3,396,768)
Balances at December 31	P3,117,384,923	P3,076,257,283

Carrying amount of exploration and evaluation assets per project are as follows:

	2019	2018
Rangas/Kayabon	P1,732,449,009	P1,725,841,841
Mindanao III	1,174,594,721	1,171,188,694
Dauin/Bacong	79,396,649	77,438,870
Others	130,944,544	101,787,878
	P3,117,384,923	P3,076,257,283

In 2019, the exploration and evaluation costs incurred for Balingasag amounting to P2.5 million was assessed by management to be no longer recoverable. Accordingly, the book value of the exploration and evaluation asset was directly written off (see Notes 3, 27 and 33).

Also in 2017, the exploration and evaluation costs incurred for Mt. Ampiro, Lakewood and certain foreign exploration projects totaling to P38.5 million were directly written off (see Notes 3, 27 and 33). The write-off recognized in 2017 is equivalent to the book values of the related exploration and evaluation assets. No similar loss was recognized in 2018.



15. Other Noncurrent Assets

	2019	2018
Prepaid taxes	₱4,063,415,976	₱5,039,527,261
Tax credit certificates	1,340,542,608	1,462,014,204
Long-term receivables (Note 31)	211,527,648	347,114,486
Special deposits	193,356,451	142,825,236
Prepaid expenses - net of current portion (Note 2)	14,676,777	170,630,756
Others	1,184,281,892	1,639,123,702
	7,007,801,352	8,801,235,645
Less allowance for impairment	857,555,423	689,769,955
	₱6,150,245,929	₱8,111,465,690

Prepaid Taxes

Prepaid taxes include input VAT and real property tax (RPT) payments under protest and creditable withholding taxes (CWTs).

Input VAT

Input VAT represents VAT from purchases of goods or services that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT from sale of goods and services. As of December 31, 2019 and 2018, this input VAT amounted to ₱2,324.4 million and ₱2,202.5 million, respectively.

Input VAT also includes the outstanding input VAT claims that were applied by the Company for refund with the BIR/Supreme Court (SC). As of December 31, 2019 and 2018, the outstanding input VAT claims which are still pending with the BIR/SC amounted to ₱755.2 million and ₱2,065.4 million, respectively.

RPT payments under protest

RPT payments under protest to certain local government units amounted to ₱891.6 million and ₱771.6 million as of December 31, 2019 and 2018, respectively.

The amounts paid in protest were in excess of the amounts determined using the 1.5% RPT rate stated in the Renewable Energy (RE) Law, and are pending with the Local Board of Assessment Appeals and Central Board of Assessment Appeals.

Tax Credit Certificates (TCC)

As of December 31, 2019 and 2018, the Company classified a portion of their TCCs as current assets totaling to ₱18.3 million and ₱10.8 million, respectively, and presented under “Other Current Assets” (see Note 11). These are expected to be utilized for payment of various taxes within 12 months from the end of the reporting date.

TCCs that remain unutilized after five (5) years from the date of original issuance are still valid provided that these are duly revalidated by the BIR within the period allowed by law.

Prepaid Expenses

In connection with the installation of Burgos Wind Project’s wind turbines and related dedicated point-to-point limited facilities, the Company entered into uniform land lease agreements and contracts of easement of right of way with various private landowners. The term of the land lease agreements starts from the execution date of the contract and ends after 25 years from the commercial operations of the Burgos Wind Project. As of December 31, 2018, the total prepaid lease amounted to ₱157.9 million with ₱7.5 million classified as current portion presented as “Prepaid expense” under



“Other Current Assets”. Upon adoption of PFRS 16 on January 1, 2019, this prepaid lease has been reclassified as ROU asset under “Property, Plant and Equipment” (see Notes 2 and 12).

Others

Others include investment in Enerco amounting to ₱1,155.3 million and ₱1,605.4 million as of December 31, 2019 and 2018, respectively, which is accounted for as investment in joint venture (see Note 3).

As of December 31, 2019, basic surface studies as well as civil works, road rehabilitation, base camp and avalanche controls have already been completed. Additional roads, drilling pad construction, base camp expansion and water supply system have been installed and completed. Exploration drilling program is intended to resume as soon as power supply agreements have been secured, access to transmission line has been negotiated and all the relevant permits have been obtained.

As of December 31, 2019 and 2018, the total assets of Enerco amounted to ₱1,892.3 million (US\$37.4 million) and ₱2,266.3 million (US\$43.1 million), respectively, of which current assets amounted to ₱317.4 million (US\$6.3 million) and ₱339.9 million (US\$6.5 million) as of December 31, 2019 and 2018, respectively. Enerco also has current liabilities amounting to ₱7.0 million (US\$0.1 million) and ₱8.7 million (US\$0.2 million) as of December 31, 2019 and 2018, respectively.

In 2019, 2018 and 2017, Enerco incurred total comprehensive loss amounting to ₱512.4 million (US\$10.2 million), ₱6.2 million (US\$0.1 million) and ₱10.1 million (US\$0.2 million), respectively, which include interest expense amounting to ₱4,825 million (US\$95.0 million), ₱4,206 million (US\$80.0 million) and ₱9,718 million (US\$193 million) in 2019, 2018 and 2017, respectively, and depreciation and amortization expenses amounting to ₱85.8 million (US\$1.7 million), ₱19.1 million (US\$0.4 million) and ₱19.5 million (US\$0.4 million) in 2019, 2018 and 2017, respectively.

In 2019, the Company recognized its share in net losses amounting to ₱377.2 million (US\$7.3 million), which includes the unrecognized share in net losses as of December 31, 2018 amounting to ₱18.5 million (US\$0.4 million), (see Notes 3 and 27). No share in net losses has been recognized in prior years given that the project is still in its early stages and the share in net losses to be taken up is not yet significant.

Allowance for impairment

The rollforward analysis of the allowance for impairment pertaining to prepaid taxes and long-term receivables is presented below.

	2019		
	Prepaid Taxes	Long-term receivables	Total
Beginning of year	₱591,342,724	₱98,427,231	₱689,769,955
Provision for impairment (Note 23)	228,402,039	—	228,402,039
Write-off	(60,616,571)	—	(60,616,571)
End of year	₱759,128,192	₱98,427,231	₱857,555,423



	2018		
	Prepaid Taxes	Long-term receivables	Total
Beginning of year	₱440,603,879	₱101,327,422	₱541,931,301
Provision for (reversal of) impairment (Note 23)	237,025,983	(65,047)	236,960,936
Write-off	(86,287,138)	(2,835,144)	(89,122,282)
End of year	₱591,342,724	₱98,427,231	₱689,769,955

Loss on direct write-off of input VAT claims amounting to ₱66.3 million, ₱100.9 million and ₱93.9 million in 2019, 2018 and 2017, respectively, were recognized as part of “Miscellaneous income” in the consolidated statements of income (see Note 27).

16. Trade and Other Payables

	2019	2018
Trade payables:		
Third parties	₱6,243,091,235	₱6,475,665,281
Related parties (Note 20)	699,191,255	773,472,638
Others:		
Dividends payable (Notes 19 and 20)	4,207,469,094	7,469,094
Accrued interest on long-term debts (Note 17)	777,441,934	892,424,605
Withholding and other taxes payable	357,715,155	384,980,590
Government share payable (Note 33)	66,050,486	58,257,968
SSS and other contributions payable	7,290,935	3,604,900
Other payables (Note 3)	2,544,489,105	1,930,673,792
	7,960,456,709	3,277,410,949
	₱14,902,739,199	₱10,526,548,868

Accounts payable are non-interest bearing and are normally settled on a 30 to 60 days payment term.

“Government share payable” pertains to outstanding payable to the government for its share on certain earnings of the Company generated from renewable energy.

Under the RE Law, the Parent Company shall pay government share equivalent to 1.5% of its gross income. Such fiscal incentive was applied by the Parent Company beginning February 1, 2009 (see Note 33).

On May 8, 2012, upon execution of their respective Geothermal Operating Contracts with the DOE, GCGI and BGI also became subject to government share of 1.5% of their gross income (see Note 33).

In 2014, upon receipt of COE for FIT eligibility, EBWPC became subject to government share of 1% of its gross income.

On February 22, 2017 and February 27, 2017, upon approval of FG Hydro’s application for registration as an RE developer and Hydropower Operating Contracts for PAHEP and MAHEP, respectively, FG Hydro became subject to 10% statutory income tax rate and government share of 1% of its gross income.



Government share is allocated between the DOE and Local Government Units (LGUs) where the geothermal and hydro resources are located and payable within 60 days after the end of each quarter in the case of EDC, GCGI, BGI and EBWPC. For FG Hydro, government share is paid to DOE (60%) and LGU (40%) within 60 days after the end of each quarter. Government share amounted to ₱301.6 million, ₱245.0 million and ₱248.6 million in 2019, 2018 and 2017, respectively (see Note 22).

“Other payables” account includes provision for shortfall generation amounting to ₱1,679.1 million and ₱1,320.8 million in 2019 and 2018, respectively (see Note 3), and deferred output VAT amounting to ₱67.0 million and ₱289.9 million in 2019 and 2018, respectively, and other accruals.

17. Long-term Debts

The details of the Company’s long-term debts are as follows:

Creditor/Project	Maturities	Interest Rate	2019	2018
EDC Loans				
US\$181.1 Million Notes	January 20, 2021	6.50%	₱9,158,188,689	₱11,064,512,185
International Finance Corporation (IFC)				
▪ IFC 1 - ₱4.1 Billion	2012-2023	6.07% per annum from April 16, 2014 to June 21, 2018; 4.52% from June 22, 2018 to October 15, 2018; and 6.37% from October 16, 2018 until maturity	1,158,050,000	1,478,683,068
▪ IFC 2 - ₱3.3 Billion	2013-2025	6.98% per annum from April 16, 2016 to June 21, 2018; and 4.78% from June 22, 2018 until next repricing date	1,406,981,187	1,626,491,677
▪ IFC 3 - ₱4.8 Billion	March 15, 2033	7.80%	4,399,895,798	4,721,816,596
Fixed Rate Note Facility (FXCN)				
▪ ₱4.0 Billion	2012-2022	5.25%	3,205,846,687	3,338,580,210
▪ ₱3.0 Billion	2012-2022	5.25%	2,403,979,790	2,503,356,405
2013 Peso Fixed-Rate Bonds				
▪ ₱4.0 billion	May 3, 2023	4.7312%	3,949,243,196	3,943,788,802
▪ ₱3.0 billion	May 3, 2020	4.1583%	2,997,814,350	2,991,578,411
₱291.2 Million Term Loan	December 17, 2030	5.50%	245,058,657	267,235,749
₱1.5 Billion Term Loan	December 5, 2026	5.25%	1,345,116,386	1,434,243,227
₱1.0 Billion Term Loan	December 5, 2031	5.5788%	974,280,295	983,715,725
UBP ₱2.0 Billion Term Loan	April 12, 2032	5.44%	1,658,071,152	1,790,141,493
SBC ₱3.0 Billion Term Loan	May 4, 2027	5.32%	2,388,954,069	2,626,398,756
SBC ₱1.0 Billion Term Loan	May 4, 2032	5.43%	828,971,888	895,001,263
BPI ₱1.0 Billion Term Loan	June 1, 2027	5.21%	796,891,118	876,178,415
PNB ₱500.0 Million Term Loan	June 1, 2022	4.74%	249,317,710	348,729,319
SBC ₱500.0 Million Term Loan	May 4, 2032	5.49%	414,451,225	447,461,258
BOC ₱2.0 Billion Term Loan	October 29, 2021	0.60% margin plus PDST-R2	—	895,098,865
BPI ₱5.0 Billion Term Loan	October 29, 2021	0.60% margin plus PDST-R2	—	1,290,701,062
BDO ₱4.0 Billion Term Loan	October 29, 2021	0.60% margin plus PDST-R2	—	1,191,398,459
MBL ₱500.0 Million Term Loan	November 26, 2021	PHIREF	—	298,232,066

(Forward)



Creditor/Project	Maturities	Interest Rate	2019	2018
EBWPC Loans				
• Commercial Debt Facility US\$37.5 Million	October 23, 2029	2% margin plus LIBOR	₱1,456,354,537	₱1,619,699,376
• ECA Debt Facility US\$150 Million	October 23, 2029	2.35% margin plus LIBOR	5,788,111,406	6,432,878,293
• Commercial Debt Facility ₱5.6 Billion	October 23, 2029	2% + PDST-F rate	4,340,746,817	4,650,211,490
GCGI Loan				
• ₱8.5 Billion Term Loan	March 18, 2022	5.25%	3,895,935,779	4,905,576,025
BGI Loan				
• ₱5.0 Billion Term Loan	October 7, 2025	5.25%	2,588,125,405	3,181,014,480
Total			55,650,386,141	65,802,722,675
Less current portion			7,663,234,539	4,359,417,518
Noncurrent portion			₱47,987,151,602	₱61,443,305,157

The Company's foreign-currency denominated long-term loans were translated into Philippine peso based on the prevailing foreign exchange rates as at financial reporting date (US\$1= ₱50.64 on December 31, 2019) (US\$1= ₱52.58 on December 31, 2018).

The long-term debts are presented net of unamortized transaction costs. A rollforward analysis of unamortized transactions costs follows:

	2019	2018
Balances at beginning of year	₱659,876,005	₱704,486,770
Additions	–	162,562,317
Amortization (Note 25)	(139,525,248)	(207,173,082)
Write-off (Note 27)	(26,000,001)	–
Balances at end of year	₱494,350,756	₱659,876,005

Parent Company Loans

The Parent Company entered into unsecured long-term loan arrangements with domestic and international financial institutions for its various development projects and working capital requirements.

US\$181.1 Million Notes

On January 20, 2011, the Parent Company issued a 10-year US\$300.0 million notes (₱13,350.0 million) at 6.50% interest per annum which will mature in January 2021. The notes are intended to be used by the Company to support the business expansion plans, finance capital expenditures, service debt obligations and for general corporate purposes. Such notes were listed and quoted on the Singapore Exchange Securities Trading Limited (SGX-ST).

On February 11, 2019, EDC issued an invitation to holders of its US\$211.0 million 6.5% Notes due on 2021, to tender the Notes up to an aggregate amount of US\$50.0 million for purchase by EDC for cash. On February 20, 2019, EDC accepted valid tender offers of Notes representing an aggregate of US\$29.9 million in the nominal amount of the Notes at a purchase price of US\$1,057 per US\$1,000 principal amount of the Notes. The Company recognized loss on redemption amounting to ₱92.4 million which includes ₱3.8 million worth of transaction cost arising from the valid tender offers.

In 2017, the Company made a partial redemption of a total of \$89.0 million (₱4,525.4 million) in nominal amount for \$99.1 million (₱5,040.0 million), resulting to a loss on extinguishment on the loan amounting to \$10.1 million (₱514.6 million), which includes unamortized transaction cost amounting to ₱21.1 million.

Notes redeemed were cancelled and subsequently de-listed from the SGX-ST in accordance with the procedures thereof.



IFC

The Parent Company entered into a loan agreement with IFC, a shareholder of the Parent Company, on November 27, 2008 for US\$100.0 million or its Peso equivalent of ₱4.1 billion.

On January 7, 2009, the Parent Company opted to draw the loan in Peso and received the proceeds amounting to ₱4,048.8 million, net of ₱51.5 million front-end fee. The loan is payable in 24 equal semi-annual installments after a three-year grace period at an interest rate of 7.4% per annum for the first five (5) years subject to repricing for another five (5) to 10 years.

On May 20, 2011, the Parent Company signed a 15-year US\$75.0 million loan facility with the IFC to fund its medium-term capital expenditures program. The loan was drawn in Peso on September 30, 2011 amounting to ₱3,262.5 million. The loan is payable in 24 equal semi-annual installments after a two-year grace period at an interest rate of 6.657% per annum subject to repricing for another five (5) to 10 years.

On March 22, 2018, the Parent Company signed a 15-year US\$90.0 million loan facility with IFC to fund its 2018 capital expenditures and other general corporate requirements of its existing geothermal operations. The loan was drawn in Peso on June 22, 2018 amounting to ₱4,804.0 million at an interest rate of 7.804%.

Following the consummation of this financing agreement, EDC and IFC have agreed to amend and reduce the spread of the first two (2) loans to 1.30%.

In 2018, the reduction in the interest rate resulted to a gain totaling to ₱182.6 million which is the difference between the original contractual cash flows and modified cash flows discounted using the original effective interest rate (see Note 27).

All other terms and conditions of IFC Loans 1 and 2 remained the same.

FXCN

On April 4, 2012, EDC signed a 10-year FXCN facility agreement amounting to ₱7.0 billion which is divided into two (2) tranches. The proceeds were used by EDC to prepay in full the previously issued FRCN amounting to ₱7.0 billion. The FXCN tranches 1 and 2 bears a coupon rate of 6.6173% and 6.6108% per annum, respectively.

Debt issuance costs amounting to ₱100.2 million was capitalized as part of the new FXCN.

Amended FXCN

On April 30, 2015, EDC and the Noteholders amended the FXCN loan agreement to reduce the interest rate to 5.25% for both Tranche 1 and Tranche 2 as well as to effect other amendments in order to align the same with the other loan covenants of EDC.

Transaction costs related to the amended FXCN amounting to ₱64.7 million were capitalized to the carrying amount of the FXCN loan.

2013 Peso Fixed-Rate Bonds

On May 3, 2013, EDC issued fixed-rate peso bonds with an aggregate principal amount of ₱7.0 billion. The bonds, which have been listed on the PDEX, are comprised of ₱3.0 billion seven-year bonds at 4.1583% and ₱4.0 billion 10-year bonds at 4.7312% due on May 3, 2020 and May 3, 2023, respectively. Interest is payable semi-annually starting November 3, 2013. Transaction costs incurred in connection with the issuance of the seven-year bonds and 10-year bonds amounted to ₱39.1 million and ₱52.1 million, respectively.



The net proceeds were used by the Parent Company to partially fund the Burgos wind project located in the municipality of Burgos, Ilocos Norte with estimated project cost US\$300.0 million.

US\$80.0 Million Term Loan

On March 21, 2013, the Parent Company entered into a credit agreement with certain banks to avail of a term loan facility of up to US\$80 million with availability period of 12 months from the date of the agreement.

On December 6, 2013, the Parent Company availed of the full amount of the term loan with maturity date of June 21, 2018. The proceeds are intended to be used by the Parent Company for business expansion, capital expenditures, debt servicing and for general corporate purposes. The term loan carries an interest rate of 1.8% margin plus LIBOR. Debt issuance costs related to the term loan amounted to US\$1.9 million (₱78.2 million), including front-end fees and commitment fee. The repayment of the term loan shall be made based on the following schedule: 4% and 5% of the principal amount on the 15th and 39th month from the date of the credit agreement, respectively; and 91% of the principal amount on maturity date.

On June 21, 2018, the Parent Company fully settled the US\$80.0 million term loan.

₱291.2 Million Term Loan

On December 8, 2015, EDC signed a ₱291.2 million loan at 5.75% per annum maturing on December 17, 2030 with Development Bank of the Philippines. The ₱291.2 million term loan was used to finance the Burgos Solar Phase I Project. On December 17, 2017, the loan agreement was amended to reduce the interest rate to 5.50% per annum.

₱1.5 Billion Term Loan

On June 24, 2016, EDC secured a ₱1.5 billion loan at 5.25% per annum maturing on December 5, 2026 with Union Bank of the Philippines. The ₱1.5 billion term loan was used to refinance the outstanding ₱3.5 billion fixed rate bonds which matured on December 4, 2016 and to fund other general corporate purposes.

₱1.0 Billion Term Loan

On December 1, 2016, EDC secured a ₱1.0 billion loan at 5.58% per annum maturing on December 5, 2031 with Security Bank Corporation. The ₱1.0 billion term loan was used to refinance the outstanding ₱3.5 billion fixed rate bonds which matured on December 4, 2016 and to fund other general corporate purposes.

UBP ₱2.0 Billion Term Loan

On April 5, 2017, EDC secured a ₱2.0 billion loan at 5.44% per annum maturing on April 12, 2032 with Union bank of the Philippines.

SBC ₱3.0 and ₱1.0 Billion Term Loans

On April 26, 2017, EDC secured ₱3.0 billion loan at 5.32% per annum and ₱1.0 billion loan at 5.43% with Security Bank Corporation maturing on May 4, 2027 and May 4, 2032, respectively.

BPI ₱1.0 Billion Term Loan

On May 26, 2017, EDC secured a ₱1.0 billion loan at 5.21% per annum maturing on June 1, 2027 with Bank of the Philippine Island.



PNB ₱500.0 Million Term Loan

On May 26, 2017, EDC secured a ₱500.0 million loan at 4.74% per annum maturing on June 1, 2022 with Philippine National Bank.

SBC ₱500.0 Million Term Loan

On July 26, 2017, EDC secured a ₱500.0 million loan at 5.49% per annum maturing on May 4, 2032 with Security Bank Corporation.

BOC ₱2.0 Billion Term Loan

On July 19, 2018, EDC secured a ₱2.0 billion floating loan maturing on October 29, 2021 with Bank of Commerce. On March 28, 2019, EDC prepaid this term loan and recognized loss on prepayment amounting to ₱4.6 million which pertains to unamortized transaction cost (see Note 27).

BPI ₱5.0 Billion Term Loan

On July 20, 2018, EDC secured a ₱5.0 billion floating loan maturing on October 29, 2021 with Bank of the Philippine Island. On April 1, 2019, EDC prepaid this term loan and recognized loss on prepayment amounting to ₱8.6 million which pertains to unamortized transaction cost (see Note 27).

BDO ₱4.0 Billion Term Loan

On July 25, 2018, EDC secured a ₱4.0 billion floating loan maturing on October 29, 2021 with BDO Unibank, Inc. On April 29, 2019, EDC prepaid this term loan and recognized loss on prepayment amounting to ₱7.7 million which pertains to unamortized transaction cost (see Note 27).

MBL ₱500.0 Million Term Loan

On November 21, 2018, EDC secured a ₱500.0 million loan at 6.59% per annum maturing on November 26, 2021 with Mizuho Bank, LTD. On May 27, 2019, EDC prepaid this term loan and recognized loss on prepayment amounting to ₱1.3 million which pertains to unamortized transaction cost (see Note 27).

EBWPC Loan

On October 17, 2014, EDC has signed a secured US\$315.0 million loan for Burgos Wind Project (Commercial Debt Facility US\$37.5 million, ECA Debt Facility US\$150 million, Commercial Debt Facility ₱5.6 billion). This is a financing facility for the construction of the 150 MW Burgos Wind Project (BWP) in Ilocos Norte. The facility, which consists of US dollar and Philippine peso tranches, will mature in 15 years. Portion of the proceeds received from the financing facility was used to settle the outstanding bridge loans in October 2014.

On June 15, 2015, EBWPC has fully drawn the US\$315.0 million financing agreement in ECA Debt Facility, USD Commercial Debt Facility, and Peso Commercial Debt Facility with various banks. As of December 31, 2019, EBWPC has seven (7) interest rate swaps (IRS) with aggregate notional amount of US\$181.25 million. This is to partially hedge the interest rate risks on its ECA and USD Commercial Debt Facility (Hedged Loan) that is benchmarked against six (6) months US LIBOR (see Note 31).

Under the agreement of the EBWPC's Project Financing, EBWPC's debt service is guaranteed by the Parent Company.



As part of the agreement, EBWPC has provided a DSRA for the principal and interest payment of the loan due in next six (6) months amounting to ₱796.7 million as of December 31, 2018 (see Note 11).

In August 2019, pursuant to the “reserve support instruments” clause of the loan agreement, EBWPC secured an acceptable credit support instrument issued by Sumitomo Mitsui Banking Corporation in lieu of the cash deposit standing in DSRA.

₱8.5 Billion GCGI Term Loan

On March 6, 2015, GCGI completed the execution of separate loan agreement each with Asia United Bank Corporations, Bank of the Philippine Islands, BDO Unibank Inc., Development Bank of the Philippines, Land Bank of the Philippines, Rizal Commercial Banking Corporation, Robinsons Bank Corporation and Union Bank of the Philippines for the total amount of ₱8.5 billion at 5.25% per annum maturing on March 6, 2022. BDO Capital and Investment Corporation acted as sole arranger.

As part of the agreement, GCGI has provided a DSRA for the principal and interest payment of the loan amounting to ₱467.5 million and ₱430.2 million as of December 31, 2019 and 2018, respectively (see Note 11).

₱5.0 Billion BGI Term Loan

On September 9, 2015, BGI completed the execution of separate loan agreements with BDO Unibank, Inc, Bank of the Philippine Islands and Security Bank Corporation for the total amount of ₱5.0 billion with maturity period of 10 years.

The initial drawdown amounting to ₱2.5 billion was made on October 7, 2015 while the remaining ₱2.5 billion was drawn on December 7, 2015.

BDO Capital and Investment Corporation acted as a structuring supervisor and sole bookrunner.

As part of the agreement, BGI has provided a DSRA for the principal and interest payment of the loan amounting to ₱193.7 million and ₱195.0 million as of December 31, 2019 and 2018, respectively (see Note 11).

FG Hydro Loan

On May 7, 2010, FG Hydro signed a 10-year ₱5.0 billion loan agreement with PNB and Allied Bank, maturing on May 7, 2020. The loan is secured by a real estate and chattel mortgages on all present and future mortgageable assets of FG Hydro. The loan carries an interest rate of 9.025% subject to repricing after five years. Loan repayment is semi-annual based on increasing percentages yearly with the first payment made on November 8, 2010. The loan proceeds were used to finance the full payment of the Deferred Payment Facility and the PRUP, and fund general corporate and working capital requirements of FG Hydro.

On November 7, 2012, FG Hydro’s outstanding loan amounting to ₱4.3 billion was restructured by way of an amendment to the loan agreement. The amended agreement provided for a change in the determination of the applicable interest rates and extended the maturity date of the loan by two years with the last repayment to be made on November 7, 2022. FG Hydro has the option to select its new applicable interest rate between a fixed or a floating interest rate. FG Hydro initially opted to avail of the loan at the floating rate which is the higher of the 6-month PDST-F rate plus a margin of 1.50% per annum or the BSP overnight rate plus a margin of 1% per annum as determined on the interest rate setting date. On May 7, 2015, both parties agreed to replace the six-month PDST-F rate with the six-month PDST-R2 rate as the floating benchmark rate going forward, while the floor rate for a floating loan was pegged at the BSP overnight rate. FG Hydro had a one-time option to convert to a fixed interest rate for the remaining life of the loan at least seven (7) banking days before any



interest setting date. The principal and the interest on the loan are payable on a semi-annual basis. On February 29, 2016, the loan agreement was amended to release from the loan security all present and future chattel and non-critical real assets as specified under the amendment.

On May 7, 2018 and May 8, 2017, FG Hydro made voluntary partial prepayments of the principal loan balance amounting to ₱0.5 billion and ₱0.6 billion, respectively.

On November 7, 2018, FG Hydro fully paid the remaining outstanding loan amounting to ₱0.3 billion.

On November 16, 2018, following the full repayment of the loan, PNB Trust Banking Group executed a release of mortgage in favor of FG Hydro to cancel and discharge the Real Estate mortgages created under the loan. The release was registered with the Register of Deeds in Talavera, Nueva Ecija on December 5, 2019, thereby terminating the mortgages on FG Hydro's assets.

FG Hydro was obligated to comply with certain covenants with respect to maintaining specified debt-to-equity and minimum debt service coverage ratios, as set forth in its loan covenant with creditors. As of December 31, 2017 and until the full payment of the PNB Loan in November 2018, FG Hydro was in compliance with these covenants.

Unused Credit Facilities

As of December 31, 2019 and 2018, the Company has ₱23,553.5 million and ₱24,693.3 million, respectively, of unused credit facilities from various local banks, which may be availed of for future operating activities.

Loan Covenants

The loans of the Parent Company and its subsidiaries are subject to certain financial covenants. The Parent Company is only required to maintain a certain level of debt to equity ratio while EBWPC is obliged to meet an acceptable level of debt to equity ratio and debt service coverage ratio.

As of December 31, 2019 and 2018, the Parent Company, EBWPC, GCGI and BGI are in compliance with the loan covenants of all their respective outstanding debts.

18. Provisions and Other Long-term Liabilities

	2019	2018
Provision for rehabilitation and restoration costs (Notes 3, 12 and 14)	₱1,256,441,245	₱860,660,280
Provision for sick leave and vacation leave	295,045,572	310,023,570
Others (Notes 3, 25 and 32)	632,513,451	664,006,583
	₱2,184,000,268	₱1,834,690,433

Provision for rehabilitation and restoration costs

This account includes the provision for rehabilitation and restoration costs of the Company which pertain to the present value of estimated costs of legal and constructive obligations required to restore all the existing sites upon termination of the cooperation period. The nature of these restoration activities includes dismantling and removing structures, rehabilitating wells, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment at the site is disturbed. When the liability is initially recognized, the present value of the estimated costs is capitalized as part of the carrying amount of the related FCRS and production wells under



“Property, plant and equipment” and “Exploration and evaluation assets” accounts (see Notes 12 and 14).

The rollforward analysis of the provision for rehabilitation and restoration costs is presented below:

	2019	2018
Balances at beginning of year	₱860,660,280	₱972,734,293
Effect of revision of estimate (Notes 12 and 14)	337,104,723	(168,736,315)
Accretion of interest (Note 25)	58,676,242	56,662,302
Balances at end of year	₱1,256,441,245	₱860,660,280

Provision for sick leave and vacation leave

This account consists of provision for vacation and sick leave entitlement of active employees which can be monetized and converted into cash. The provision pertains to the unused vacation and sick leaves at the end of the calendar year up to the maximum allowed leave credits for provision. Vacation and sick leave credits exceeding the maximum allowed are forfeited.

The calculation of the provision for vacation and sick leave entitlement is actuarially determined using assumptions such as discount rate and salary rate increase. In determining the appropriate discount rate, the Company considers the interest rates on government bonds denominated in Peso and have terms to maturity approximating the terms of related liability.

Details of provision for vacation and sick leave as of and for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Balances at beginning of year	₱310,023,570	₱301,889,741
Expense (reversal)	(14,977,998)	8,133,829
Balances at end of year	₱295,045,572	₱310,023,570

Others

Others include provision for pending assessments from various regulatory agencies and outstanding legal cases including the corresponding interest thereon. Such estimated costs were developed in consultation with in-house and external legal counsels and are based on the thorough analysis of the potential outcomes. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Others also include the deposits from contestable customers pursuant to the Retail Supply Contract entered into by BGI and its customers.



As of December 31, 2019 and 2018, provision for pending assessments and outstanding legal cases amounted to ₱575.6 million and ₱664.0 million, respectively. Details of provision for pending assessments are as follows:

	2019	2018
Balances at beginning of year	₱664,006,583	₱631,192,616
Addition	48,126,639	48,126,639
Accretion of interest (Notes 3 and 25)	7,811,107	7,750,706
Settlements	(144,379,918)	(23,063,378)
Balances at end of year	₱575,564,411	₱664,006,583

19. Equity

Capital Stock

As required under the Philippine Constitution, the Parent Company is subject to the nationality requirement that at least 60% of its capital stock must be owned by Filipino citizens since it is engaged in the exploration and exploitation of the country's energy resources. The Parent Company is compliant with the said nationality requirement as of December 31, 2019 and 2018.

Beginning December 13, 2006, the 15.0 billion common shares of EDC were listed and traded on the PSE at an initial public offering price of ₱3.2 per share.

On May 19, 2009, the BOD and the stockholders approved an increase in EDC's authorized capital stock from ₱15.1 billion comprising of 15.0 billion common shares with a par value of ₱1.00 per share or aggregate par value of ₱15.0 billion, and 7.5 billion preferred shares with a par value of ₱0.01 per share or aggregate par value of ₱75.0 million to ₱30.1 billion divided into 30.0 billion common shares with a par value of ₱1.00 per share or aggregate par value of ₱30.0 billion, and 15.0 billion preferred shares with a par value of ₱0.01 per share or aggregate par value of ₱150.0 million. The increase in authorized capital stock of the common shares was effected by way of a 25% stock dividend, to be taken from EDC's unrestricted retained earnings as of December 31, 2008.

On October 12, 2009, the Philippine SEC approved the increase in the EDC's authorized capital stock from ₱15.1 billion to ₱30.1 billion divided into 30 billion common shares with a par value of ₱1.00 per share and 15.0 billion preferred shares with a par value of ₱0.01 per share by way of common stock dividends (totaling 3.75 billion common shares with any fractional shares being subscribed by the EDC Retirement Fund and/or Trust for the EDC Executive/Employee Stock Ownership Plan) and the subscription by the current preferred stockholders to 1.875 billion preferred shares, representing 25% of the increase in the preferred shares at par value. The stock dividends were distributed on November 23, 2009 to stockholders as of the record date of October 27, 2009.

On February 28, 2014, the BOD approved the reclassification of EDC's 3.0 billion common shares with a par value of ₱1.00 per share or aggregate par value of ₱3.0 billion out of the unissued authorized common stock to 300.0 million non-voting preferred shares with a par value of ₱10.00 per share or aggregate par value of ₱3.0 billion thereby creating a new class of preferred shares. On November 24, 2014, the Philippine SEC approved the above reclassification from the unissued authorized common shares of the Parent Company.

On August 3, 2017, EDC received notice from PREHC that PREHC filed a Tender Offer Report with the Philippine SEC in which it indicated that it will launch a voluntary tender offer to acquire up to a maximum of 8.9 billion common shares of EDC, representing approximately 31.7% of EDC's total



outstanding voting shares, at a price of ₱7.25 per share. PREHC is indirectly held by a consortium of investors comprising funds managed by Macquarie Infrastructure Management (Asia) Pty Limited, Singapore Branch, a member of MIRA, and Arran Investment Pte Ltd, an affiliate of GIC Pte Ltd. of Singapore.

The tender offer began on August 10, 2017 and ended on September 18, 2017.

The completion of the tender offer resulted to PREHC owning 31.7% of EDC's outstanding voting shares while Red Vulcan retains the controlling interest with 60.0% ownership of EDC's outstanding voting shares.

On August 7, 2018, the BOD of EDC approved the voluntary delisting (the Delisting) of its common shares from the Main Board of the PSE and, in accordance with the PSE's delisting rules and regulations, to conduct a tender offer (the Tender Offer) for up to 2,040,006,713 common shares held collectively by all shareholders of the Company other than Red Vulcan Holdings Corporation (Red Vulcan), First Gen Corporation (First Gen), Northern Terracotta Power Corp. (NTPC), and PREHC, at a price of ₱7.25 per common share (the Tender Offer Price).

On September 19, 2018, EDC filed a petition for the Delisting with the PSE.

The Tender Offer began on September 24, 2018 and ended on October 22, 2018.

Following the completion of the Tender Offer, a total of 2,009,107,731 common shares, representing approximately 10.72% of EDC's outstanding voting shares were tendered pursuant to the Tender Offer, accepted and thereafter purchased by EDC via a block sale through the facilities of the PSE on November 5, 2018. The shares were purchased at the Tender Offer Price with a total transaction value of ₱14,566.0 million.

On November 14, 2018, the BOD of the PSE granted the petition for voluntary delisting filed by EDC and accordingly ordered the delisting of EDC's common shares from the official registry of the PSE (electronic and board ticker) effective on November 29, 2018.

On December 3, 2018, the BOD of EDC approved the issuance of additional 326,250,000 non-preemption common shares to PREHC out of its existing unissued capital stock at an issue price of ₱7.25 per common share.

As of December 31, 2019 and 2018, the outstanding voting preferred and common shares are 65.0% held by Filipino citizens, with Red Vulcan holding a total of 16.9 billion shares, or an equivalent of 44% economic interest.

The ownership of the Parent Company's preferred shares is limited to Filipino citizens. The voting issued and outstanding preferred shares are entitled to 8% cumulative dividends. On April 5, 2019 and May 9, 2019, the BOD and the stockholders, respectively, approved the amendment to the Seventh Article of the Articles of Incorporation of the Parent Company, to increase the dividends of the voting preferred shares by adding a fixed annual dividends at the rate as may be determined and revised from time to time by the BOD, in addition to the current dividend rate of eight percent (8%) of the par value of the voting preferred shares. The Amended Articles of Incorporation of the Parent Company was approved by the Philippine SEC on October 17, 2019. Red Vulcan holds the entire 9.4 billion outstanding voting preferred shares equivalent to 35.5% voting interest in EDC as of December 31, 2019 and 2018. The combined interest of Red Vulcan entitles it to 63.9% voting interest and 44.0% economic interest in EDC as of December 31, 2019 and 2018.



The number of stockholders of the Parent Company as of December 31, 2019, 2018 and 2017 follows:

	2019	2018	2017
Voting preferred shares	1	1	1
Common shares	960	593	576

Details of the number of non-voting preferred shares, voting preferred shares and common shares as of December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Non-voting preferred shares - ₱10.00 par value per share			
Authorized	300,000,000	300,000,000	300,000,000
Issued and outstanding	—	—	—
Voting preferred shares - ₱0.01 par value per share			
Authorized	15,000,000,000	15,000,000,000	15,000,000,000
Issued and outstanding	9,375,000,000	9,375,000,000	9,375,000,000
Common shares - ₱1.00 per share par value			
Authorized	27,000,000,000	27,000,000,000	27,000,000,000
Issued	19,076,250,000	19,076,250,000	18,750,000,000
Outstanding (net of 2.0 billion Treasury Stock as at December 31, 2019 and 2018, and 13.0 million Treasury Stock as of December 31, 2017)	17,053,183,392	17,054,152,269	18,737,010,000

As of December 31, 2019, the Parent Company's preferred stock consists of the following:

- The voting preferred shares have voting rights, entitled to cumulative dividend rate of 8.0% per annum, and redeemable at par in the event that restrictions on foreign share ownership are lifted. On October 17, 2019, the Philippine SEC approved the amendment in the Parent Company's Articles of Incorporation to increase the dividends of the voting preferred shares by adding a fixed annual dividends at the rate as may be determined and revised from time to time by the BOD, in addition to the current dividend rate of eight percent (8%) of the par value of the voting preferred shares.
- The non-voting preferred shares have non-voting rights, entitled to cumulative dividend at a rate to be determined by the Board of Directors at the time of issuance, and redeemable at the option of the Parent Company.

Preferred shares, regardless if voting or non-voting, are non-participating and non-convertible to common shares.



Treasury Stock

On August 7, 2018, the BOD, as part of the Company's plan to voluntary delist, approved the buyback of up to 2.04 billion common shares held collectively by all shareholders of the Company other than Red Vulcan, First Gen, NTPC and PREHC at a price of ₱7.25 per common share.

On March 6, 2015, the BOD approved the authority to undertake a two-year share buy-back program authorizing the management to buy at its discretion from the market the Company's share up to an aggregate value of ₱4.0 billion worth of the Company's shares. The share buy-back program commenced on March 15, 2015 and concluded on March 14, 2017.

As of December 31, 2019, the details of the shares acquired are as follows:

Date of Acquisition	Number of Shares	Average price per share	Total Amount
October 16, 2019	680,000	₱7.2500	₱4,930,000
September 25, 2019	31,875	7.2500	231,094
June 6, 2019	111,670	7.2500	809,607
April 21, 2019	19,707	7.2500	142,876
April 11, 2019	5,625	7.2500	40,781
February 22, 2019	120,000	7.2500	870,000
November 5, 2018	2,009,107,731	7.2500	14,566,031,050
May 3, 2016	1,000,000	5.6350	5,650,299
May 2, 2016	390,000	5.6623	2,214,701
April 8, 2016	2,000,000	5.6370	11,303,312
January 11, 2016	900,000	5.5475	5,005,731
January 8, 2016	3,700,000	5.6394	20,921,074
December 14, 2015	2,000,000	5.5813	11,190,764
December 11, 2015	3,000,000	5.7267	17,225,627
Total	2,023,066,608		₱14,646,566,916

Common Shares in Employee Trust Account

On March 25, 2008, the BOD of the Parent Company approved a share buyback program involving up to ₱4.0 billion worth of the Parent Company's common shares, representing approximately 4% of the Parent Company's market capitalization as of the date of the approval. The buyback program was carried out within a two-year period which commenced on March 26, 2008 and ended on March 25, 2010. The Parent Company intended to implement an executive/employee stock option ownership plan through options, grants, purchases, or such other equivalent methods. In 2008, the Parent Company acquired a total of 93.0 million common shares for a total cost of ₱404.2 million.

In 2009, 93.0 million common shares (before the 25% stock dividend) held in treasury that were acquired in 2008 at the cost of ₱404.2 million have been issued irrevocably by the Parent Company to BDO Trust for the benefit of the executive/employee grantees under the Parent Company's Employee Stock Grant Plan (ESGP).

The ESGP is an integral part of the Parent Company's total rewards program for its officers and employees and is intended to provide an opportunity for participants to have real and personal direct interest in the Parent Company.

The BDO Trust is an independent and separate legal entity. EDC has neither control nor discretion over the administration and investment activity on the common shares in executive/employee benefit trust held by BDO Trust. These shares are part of the issued and outstanding common shares and are entitled to vote and receive dividend. These shares will not revert to EDC even if the planned stock



grant plan or other such plan is terminated. Any fruits or interests of these shares shall be for the sole and exclusive benefit of the officers and employees of EDC who are identified grantees of such stock plans. Any capital appreciation or decline in value, dividends, or other benefits declared on these shares shall accrue to the trust account and EDC shall not have any claim thereon. The issuance of the common shares to BDO Trust was recognized under the “Common shares in employee trust account” account in the consolidated statements of financial position.

The stock grants are given in lieu of cash incentives and bonuses. The grant of shares under the ESGP does not require an exercise price to be paid by the awardees. The granted shares will vest over a three-year period as follows: 20% after the first anniversary of the grant date; 30% after the second anniversary of the grant date; and the remaining 50% after the third anniversary of the grant date. Awardees that resign or are terminated will lose any right to unvested shares. There are no cash settlement alternatives.

The ESGP covers officers and employees of the Parent Company or other individuals whom the Committee may decide to include. The Committee shall maintain the sole discretion over the selection of individuals to whom awards may be granted for any given calendar year.

Total stock awards granted by the Committee to officers and employees of EDC from 2009 to 2013 amounted to 17.1 million shares of which 15.5 million shares vested. No stock awards have been granted by the Committee since 2013.

In 2017, in connection with the public tender offer of PREHC to acquire common shares of EDC, the BDO Trust tendered a total of 88.0 million EDC common shares out of the 100.7 million remaining common shares which have been issued irrevocably by EDC, for ₱633.7 million at ₱7.20 per share, resulting to an APIC of ₱327.7 million. The proceeds from the sale of these shares were transferred by the BDO Trust to the Company’s retirement fund (see Note 28).

In 2018, in connection with the tender offer of EDC to acquire its common shares owned by the public as part of its planned voluntary delisting, the BDO Trust tendered all the remaining common shares which have been issued irrevocably by EDC, for ₱111.8 million, resulting to an APIC of ₱67.5 million. The proceeds from the sale of these shares were transferred by the BDO Trust to the Company’s retirement fund (see Note 28).

In November 2019, 10 years after the Plan’s adoption date, which reckoned from the filing of the 10-1 with the SEC in November 2009, the Parent Company’s ESGP ended.

Cumulative Translation Adjustments

The details of cumulative translation adjustments as of December 31, 2019 and 2018 are as follows:

	2019	2018
Foreign exchange adjustments	₱259,863,962	₱397,973,803
EBWPC’s change in functional currency	417,367,032	417,367,032
Balances at end of year	₱677,230,994	₱815,340,835

The movements in the “Foreign exchange adjustments” account in 2019 and 2018 are as follows:

	2019	2018
Balances at beginning of year	₱397,973,803	₱59,501,819
Foreign exchange adjustments	(138,109,841)	338,471,984
Balances at end of year	₱259,863,962	₱397,973,803



In 2016, EBWPC changed its functional currency to US Dollar. In accordance with PAS 21, such change in functional currency was accounted for prospectively. Balances as of January 1, 2016 were translated using the exchange rate at the date of change and the resulting translated amounts for nonmonetary items are treated as their historical cost. The change in functional currency resulted in an exchange difference amounting to ₱417.4 million which was presented as part of the “Cumulative translation adjustments” in the consolidated statement of financial position.

Equity Reserve

On October 16, 2008, EDC, First Gen and FG Hydro entered into a Share Purchase and Investment Agreement (SPIA), whereby EDC shall own 60% of the outstanding equity of FG Hydro, which was then a wholly owned subsidiary of First Gen prior to the SPIA. FG Hydro and EDC were subsidiaries of First Gen at that time and were, therefore, under common control of First Gen. The acquisition was accounted for similar to a pooling-of-interests method since First Gen controlled FG Hydro and EDC before and after the execution of the SPIA. EDC recognized equity reserve amounting to ₱3,706.4 million pertaining to the difference between the acquisition cost and EDC’s proportionate share in the paid-in capital of FG Hydro.

Retained Earnings

Dividends

Following are the dividends declared by the Parent Company:

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount
2019:						
May 24, 2019	May 23, 2019	June 19, 2019	Common	Regular	₱0.1759	₱2,999,822,352
			Preferred	Regular	0.0305	286,000,000
			Preferred	Regular	0.0008	7,500,000
			Preferred	Regular	0.0008	7,500,000
November 15, 2019	December 20, 2019	January 16, 2020	Common	Regular	0.2461	4,200,000,000
						₱7,500,822,352

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount
2017:						
February 28, 2017	March 20, 2017	April 12, 2017	Common	Regular	₱0.14	₱2,623,181,400
			Preferred	Regular	0.0008	7,500,000
						₱2,630,681,400

No dividends were declared in 2018.

Appropriation of Retained Earnings

In December 2018, the BOD of the Company approved a resolution to appropriate ₱20.0 billion out of the Company’s unrestricted retained earnings for its planned loan principal payment for loans maturing in 2020 to 2022. In December 2019, the BOD of the Company approved a resolution to appropriate additional ₱6.7 billion out of the Company's unrestricted retained earnings for the same purpose.

NCI

The non-controlling interests in the consolidated financial statements represent mainly the ownership by First Gen of 100% of preferred shares and 40% of common shares of FG Hydro.

In 2019 and 2018, FG Hydro declared and paid dividends amounting to ₱1.0 billion and ₱200.0 million, of which, ₱400.0 million and ₱80.0 million are attributable to non-controlling common shareholder, respectively. No similar dividends were declared and paid by FG Hydro in 2017.



Following are the summarized financial information of FG Hydro as at December 31, 2019 and 2018 and for each of the three (3) years in the period ended December 31, 2019:

Statements of financial position

	2019	2018
	<i>(In Thousand Pesos)</i>	
Current assets	₱1,115,417	₱672,002
Noncurrent assets	4,021,881	4,366,805
Total Assets	₱5,137,298	₱5,038,807

	2019	2018
	<i>(In Thousand Pesos)</i>	
Current liabilities	₱143,337	₱122,581
Noncurrent liabilities	70,422	41,586
Total Liabilities	213,759	164,167
Total Equity	4,923,539	4,874,640
Total Liabilities and Equity	₱5,137,298	₱5,038,807

Statements of comprehensive income

	2019	2018	2017
	<i>(In Thousand Pesos)</i>		
Revenue	₱2,391,251	₱1,864,287	₱1,645,074
Cost and operating expenses	(1,245,122)	(1,259,110)	(621,048)
Other charges	23,901	(12,244)	(301,293)
Income before income tax	1,170,030	592,933	722,733
Provision for income tax	(112,582)	(112,101)	(141,797)
Net income	1,057,448	480,832	580,936
Other comprehensive income	—	—	—
Total comprehensive income	₱1,057,448	₱480,832	₱580,936

Statements of cash flows

	2019	2018	2017
	<i>(In Thousand Pesos)</i>		
Net cash flows from operating activities	₱1,451,762	₱1,411,057	₱1,025,146
Net cash flows used in investing activities	(523,406)	(34,918)	(5,447)
Net cash flows used in financing activities	(1,000,000)	(1,214,960)	(876,315)
Net increase (decrease) in cash and cash equivalents	(₱71,644)	₱161,179	₱143,384

20. 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.



Following are the amounts of transactions and outstanding balances as of and for the years ended December 31, 2019, 2018 and 2017 with entities under common control:

Related Party	Nature of Transaction	Terms	Transactions for the years ended December 31			Outstanding Balances as of December 31	
			2019	2018	2017	2019	2018
Due to related parties							
First Gen	Consultancy fee	Unsecured and will be settled in cash	₱57,058,824	₱383,435,294	₱383,435,294	₱–	₱31,952,940
	Dividend		26,194,892	–	277,699,156	–	–
	Survey services		10,900,000	–	–	–	–
	Interest-free advances	- do -	11,063,272	17,932,290	33,814,841	2,642,871	2,654,181
FGP Corp	Interest-free advances	- do -	–	25,760	235,455	–	17,469
Lopez Holding	Interest-free advances	- do -	–	–	30,249,215	–	–
First Gas Power Corporation	Interest-free advances	- do -	12,401,786	215,858	2,293,851	–	–
			₱117,618,774	₱401,609,202	₱727,727,812	₱2,642,871	₱34,624,590
Dividends payable (Note 16)							
Philippine Renewable Energy Holdings Corp.	Dividend	Unsecured and will be settled in cash	₱3,895,309,434	₱–	₱–	₱2,272,317,626	₱–
Red Vulcan	Dividend	- do -	3,166,489,241	–	–	1,847,162,449	–
First Gen	Dividend	- do -	62,869,824	–	–	36,674,932	–
			₱7,124,668,499	₱–	₱–	₱4,156,155,007	₱–
Due from related parties							
First GES	Other services	- do -	₱6,811,916	₱41,024,013	₱71,911,910	₱30,515,382	₱794,735
Thermaprime	Lease drilling	- do -	1,597,534	–	–	1,597,534	–
			₱8,409,450	₱41,024,013	₱71,911,910	₱32,112,916	₱794,735
Trade and other receivables (Note 7)							
First GES	Sale of electricity	Unsecured and will be settled in cash	₱869,330,831	₱1,873,178,749	₱1,596,294,183	₱76,786,081	₱170,736,814
Rockwell Land Corporation - The Grove (RLC-TG)	- do -	- do -	76,256,269	69,255,165	16,667,203	5,118,689	7,979,388
Rockwell Land Corporation - Sheridan	- do -	- do -	54,584,196	–	–	4,865,100	–
Rockwell Land Corporation Edades Tower and Green (RLC-ETG)	- do -	- do -	42,421,006	43,262,385	10,201,080	2,742,845	4,569,812
Rockwell Land Corporation - Tera	- do -	- do -	37,405,245	–	–	2,680,669	–
First Philippine Industrial Corporation (FPIC)	- do -	- do -	–	1,144	1,384	–	323
First Gen Hydro Power Corporation (FGHPC)	- do -	- do -	–	46,825,451	8,229,508	–	–
Rockwell Land Corporation - Santolan	- do -	- do -	304,804	–	–	–	–
Rockwell Powerplant	- do -	- do -	1,856,476	–	–	–	–
Thermaprime	Sale of rigs	- do -	–	1,020,000	–	–	–
			₱1,082,158,827	₱2,033,542,894	₱1,631,393,358	₱92,193,384	₱183,286,337
Entities under common control							
Trade and other payables (Note 16)							
Thermaprime	Drilling and other related services	Unsecured and will be settled in cash	₱1,161,690,180	₱722,043,718	₱1,114,627,333	₱192,626,358	₱131,498,696
First Balfour Inc.	Civil Works and other services	- do -	881,513,707	663,476,497	1,021,737,911	487,064,889	625,882,087
First GES	Purchase of services and utilities	- do -	41,783,722	91,863,444	129,881,112	11,389,434	8,438,477
Rockwell Land Corporation	Purchase of services and utilities	- do -	–	50,631	6,649,211	2,431,475	2,431,475
First Philec Manufacturing Technologies Corp	Purchase of services and utilities	- do -	–	–	–	2,077,482	2,435,482
Skycable	Purchase of services and utilities	- do -	–	–	3,640,000	1,458,482	1,458,482

(Forward)



Related Party	Nature of Transaction	Terms	Transactions for the years ended December 31			Outstanding Balances as of December 31	
			2019	2018	2017	2019	2018
Adtel	Purchase of services and utilities	- do -	₱333,950	₱626,047	₱2,819,096	₱572,714	₱781,568
First Philippine Realty Corporation	Purchase of services and utilities	- do -	3,814,493	1,899,772	1,677,502	567,366	220,840
First Philippine Industrial Corporation	Purchase of services and utilities	- do -	151,544	326,455	—	465,225	321,931
First Philec Inc.	Purchase of services and utilities	- do -	—	373,110	—	358,000	—
ABS-CBN Corporation	Purchase of services and utilities	- do -	132,996	2,204,889	147,321	132,996	—
Securities Transfer Services, Inc.	Purchase of services and utilities	- do -	43,234	36,720	409,969	43,234	—
ABS-CBN Publishing, Inc.	Purchase of services and utilities	- do -	—	—	—	3,600	3,600
			₱2,089,463,826	₱1,482,901,283	₱2,281,589,455	₱699,191,255	₱773,472,638
Miscellaneous Income							
First Gen	Dividend	Unsecured and will be settled in cash	₱6,762,910	₱4,303,670	₱4,303,670	₱—	₱—

The amounts outstanding are unsecured and will be settled in cash. The Company did not recognize any impairment losses on receivables from related parties in 2019, 2018 and 2017. Entities under common control consists of subsidiaries (direct or indirect) of Lopez, Inc., the Company's ultimate parent.

i. First Gen

Consultancy agreement

First Gen provides financial consultancy, business development and other related services to the Parent Company under a consultancy agreement.

Under the latest contract, First Gen agrees to provide consultancy services to the Parent Company until December 31, 2020.

The total consultancy services amounted to ₱57.1 million in 2019 and ₱383.4 million in 2018 and 2017 and were included in the "Purchased services and utilities" under "General and administrative expenses" accounts (see Note 23).

Equity securities

As of December 31, 2019 and 2018, EDC owns First Gen shares with fair market values totaling to ₱297.0 million and ₱245.7 million, respectively. These acquired First Gen shares were recognized in the consolidated statements of financial position as financial assets at FVOCI as at December 31, 2019 and 2018 (see Note 9).

Dividend income earned from the investment in First Gen shares amounted to ₱6.8 million in 2019 and ₱4.3 million in 2018 and 2017 (see Note 9).

ii. First Balfour, Inc. (First Balfour)

Following the regular bidding process, the Company awarded to First Balfour procurement contracts for various works such as civil, structural and mechanical/piping works in the Company's geothermal, wind and solar power plants.

As of December 31, 2019 and 2018, the outstanding balance amounted to ₱487.1 million and ₱625.9 million, respectively, recorded under "Trade and other payables" account in the consolidated statements of financial position (see Note 16).



iii. Thermaprime

Thermaprime Well Services, Inc. (Thermaprime) is a subsidiary of First Balfour, a wholly owned subsidiary of First Holdings. Thermaprime provides drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering. Thermaprime provides drilling services and drilling rig preservation services to EDC.

On August 31, 2018, EDC entered into a contract with Thermaprime for the sale of Rigs and its ancillary items for an amount of ₱1.0 million, exclusive of VAT. The loss on sale amounting ₱38.0 million was recognized under “Miscellaneous income” (see Note 27).

As of December 31, 2019 and 2018, the outstanding balance payable to Thermaprime amounted to ₱192.6 million and ₱131.5 million, respectively, recorded under “Trade and other payables” account in the consolidated statements of financial position (see Note 16).

iv. Rockwell Land Corporation

In 2019, the Parent Company entered into an agreement with Rockwell Land Corporation (Rockwell) for the lease of an office space in Rockwell Business Center.

As December 31, 2019, the outstanding lease liability related to Rockwell amounted to ₱204.5 million.

Intercompany Guarantees

The Parent Company issued a credit line amounting to US\$80.0 million in favor of its subsidiary, EDC Chile Limitada, as evidence of the Parent Company’s financial support for EDC Chile Limitada’s participation in the bids for geothermal concession areas by the Chilean Government.

Also, the Parent Company issued letters of credit in favor of its subsidiaries in Peru, namely, EDC Peru S.A.C. and EDC Energia Verde Peru SAC at US\$0.27 million each as evidence of the Parent Company’s financial support for the geothermal authorizations related to the exploration drilling activities of the said entities. Except for the credit line issued to EDC Chile Limitada, and letters of credit issued in favor of EDC Chile Limitada, EDC Peru S.A.C. and EDC Energia Verde Peru SAC as mentioned above, there were no guarantees that have been given to and/or received from any other related party as of December 31, 2019 and 2018.

Remuneration of Key Management Personnel

The remuneration of the directors and other members of key management personnel by benefit type are as follows:

	2019	2018	2017
Short-term employee benefits	₱162,032,941	₱142,051,473	₱129,310,046
Post-employment benefits (Note 28)	11,490,354	11,533,421	12,394,480
	₱173,523,295	₱153,584,894	₱141,704,526



21. Revenue from Sale of Electricity

Revenue from contracts with customers

a. Power purchase agreements (PPAs)

588.4 MW Unified Leyte

The PPA provides, among others, that NPC shall pay the Parent Company a base price per kilowatt-hour of electricity delivered subject to inflation adjustments. The PPA stipulates a contracted annual energy of 1,370 GWH for Leyte-Cebu and 3,000 GWH for Leyte-Luzon throughout the term of the PPA. It also stipulates that the Parent Company shall specify the nominated energy for every contract year. The contract is for a period of 25 years, which commenced in November 1997.

52.0 MW Mindanao I

The PPA provides, among others, that NPC shall pay the Parent Company a base price per kilowatt-hour of electricity delivered, subject to inflation adjustments. The PPA stipulates a minimum offtake energy of 330 GWH for the first year and 390 GWH per year for the succeeding years. The contract is for a period of 25 years, which commenced in March 1997.

54.0 MW Mindanao II

The PPA provides, among others, that NPC shall pay the Parent Company a base price per kilowatt-hour of electricity delivered, subject to inflation adjustments. The PPA stipulates a minimum energy offtake of 398 GWH per year. The contract is for a period of 25 years, which commenced in June 1999.

b. Power supply agreements (PSAs)

EDC, GCGI, BGI, FG Hydro and ULGEI entered into various PSAs with private distribution utilities, electric cooperatives, retail electricity supplier and industrial customers with contract periods ranging from 11 months to 26 years as of December 31, 2019 and 2018. These contracts will expire on November 25, 2019 at the earliest and December 25, 2040 at the latest. Under these contracts, the aforementioned entities shall generate and deliver to its bilateral customers the contracted energy on a monthly basis, and are paid based on price per kilowatt-hour of electricity delivered, subject to certain adjustments such as foreign exchange and inflation.

c. Spot market sales

Electricity in excess of contracted capacity are sold to the spot market at spot market rate.

d. Feed-in-tariff (FIT)

EDC and EBWPC were issued a FIT COC by the ERC which entitles them to an applicable FIT rate, as prescribed by the ERC. EDC and EBWPC also signed agreements with National Transmission Corporation (TransCo), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, subject to adjustments as may be approved by the ERC, for the entire duration of its FIT eligibility period.



e. Retail supply contracts

BGI has entered into various retail supply contracts with contestable customers with contract periods ranging from 12 months to 24 months as of December 31, 2019 and 2018. The remaining periods of these contracts as at December 31, 2019 and 2018 ranges from two (2) months to 24 months. Under the RSCs, BGI charges the customer both the basic energy and pass through charges, as may be applicable.

f. Ancillary services procurement agreements (ASPAs)

EDC, GCGI and FG Hydro each have entered into ASPAs with NGCP which is effective for a period of five (5) years, commencing upon approval of the ERC.

22. Costs of Sale of Electricity

	2019	2018	2017
Purchased services and utilities (Notes 2 and 20)	₱6,765,576,353	₱6,068,037,438	₱2,846,265,671
Depreciation and amortization (Notes 2, 12 and 13)	5,943,540,328	5,935,783,921	5,622,296,146
Rental, insurance and taxes (Note 32)	2,196,655,797	1,851,854,237	1,418,338,877
Personnel costs (Notes 24 and 28)	1,816,209,771	1,790,786,732	1,791,859,918
Repairs and maintenance	1,624,140,348	2,000,355,631	2,071,210,744
Parts and supplies issued (Note 10)	1,087,312,417	1,103,309,646	940,780,082
Government share (Notes 16 and 33)	301,619,782	245,019,089	248,579,019
Business and related expenses	113,442,507	97,671,727	95,074,974
	₱19,848,497,303	₱19,092,818,421	₱15,034,405,431

Purchased services and utilities includes professional and technical services, hauling and handling costs, rig mobilization charges, contractual personnel costs and other services and utilities expense. In 2019 and 2018, purchased services include electricity purchased from the spot market amounting to ₱3,405.9 million and ₱2,578.5 million, respectively.

Business and related expenses cover the expenses incurred by the Company for local and foreign travel, company meeting expenses and advertising, and among other business expenses.



23. General and Administrative Expenses

	2019	2018	2017
Purchased services and utilities	₱2,317,620,219	₱2,480,336,855	₱2,052,416,382
Personnel costs (Notes 24 and 28)	1,957,009,436	1,741,843,577	1,492,924,240
Rental, insurance and taxes (Note 32)	1,022,328,458	829,922,699	665,693,295
Provisions for impairment of trade and other receivables, and prepaid taxes (Notes 7 and 15)	848,371,753	243,767,845	179,138,858
Depreciation and amortization (Notes 2, 12 and 13)	471,329,570	292,226,428	321,409,262
Business and related expenses	425,616,044	349,726,068	343,819,471
Parts and supplies issued (Note 10)	86,593,849	105,673,705	130,492,828
Provision for (reversal of) impairment of parts and supplies inventories (Notes 3, 5 and 10)	(63,357,171)	96,642,873	70,472,469
Repairs and maintenance	56,725,215	49,222,064	58,493,632
	₱7,122,237,373	₱6,189,362,114	₱5,314,860,437

24. Personnel Costs

	2019	2018	2017
Salaries and other benefits	₱3,633,084,079	₱3,245,189,090	₱2,990,183,497
Net retirement and other post-employment benefit expense (Note 28)	106,553,976	260,073,892	267,215,725
Social security costs	33,581,152	27,367,327	27,384,936
	₱3,773,219,207	₱3,532,630,309	₱3,284,784,158
Costs of sale of electricity (Note 22)	₱1,816,209,771	₱1,790,786,732	₱1,791,859,918
General and administrative expenses (Note 23)	1,957,009,436	1,741,843,577	1,492,924,240
	₱3,773,219,207	₱3,532,630,309	₱3,284,784,158



25. Interest Income and Interest Expense

Interest income consists of the following:

	2019	2018	2017
Interest income on cash and cash equivalents, debt service reserve account and other short-term investments (Notes 6 and 11)	₱557,889,408	₱462,616,895	₱229,765,883
Others	6,493,647	66,697,561	44,891,878
	₱564,383,055	₱529,314,456	₱274,657,761

Others include interest income from financial assets at FVOCI, AFS and interest income on late payments of Transco.

Interest expense consists of the following:

	2019	2018	2017
Interest on long-term debts including amortization of transaction costs (Notes 17 and 31)	₱3,797,715,772	₱4,031,570,239	₱4,072,124,918
Interest accretion on provision for rehabilitation and restoration costs (Notes 3, 12 and 18)	58,676,242	56,662,302	50,680,239
Interest on lease liability (Note 32)	23,709,184	—	—
Interest on liability from litigation (Notes 3 and 18)	7,811,107	7,750,706	7,811,107
	₱3,887,912,305	₱4,095,983,247	₱4,130,616,264

Interest on liability from litigation is related to land expropriation (see Notes 3 and 18).

26. Foreign Exchange Gains (Losses)

	2019	2018	2017
Realized foreign exchange losses - net	(₱67,339,375)	(₱229,319,185)	(₱134,652,394)
Unrealized foreign exchange gains (losses) - net	136,279,776	(289,092,677)	84,478,318
Net foreign exchange gains (losses)	₱68,940,401	(₱518,411,862)	(₱50,174,076)

This account pertains mainly to foreign exchange adjustments realized on repayment of loans and unrealized on restatement of outstanding balances of foreign currency-denominated long-term debt and trade payables, and cash and cash equivalents. The detailed information with respect to the closing foreign exchange rates used in the translation of monetary assets and liabilities of the Company as of December 31, 2019 and 2018 is presented in Note 31 to the consolidated financial statements.



27. Miscellaneous Income

	2019	2018	2017
Income from insurance claims (Note 32)	₱2,263,416,199	₱2,306,996,910	₱643,463,439
Mark-to-market gain (loss) on financial assets at FVPL (Note 8)	119,246,784	(32,881,224)	15,002,234
Loss on direct write-off of input VAT claims (Notes 3 and 15)	(66,253,553)	(100,862,942)	(93,928,404)
Derivative gains (losses) - net (Note 31)	24,298,301	(37,706,790)	(14,658,559)
Loss on direct write-off of exploration and evaluation assets (Notes 3 and 14)	(2,540,807)	—	(38,479,247)
Gain (loss) on disposal and retirement of property, plant and equipment - net (Notes 12 and 20)	1,319,631	(35,451,113)	14,180,768
Gain on debt modification (Note 17)	—	182,599,863	—
Others - net (Notes 3 and 15)	(412,530,761)	(41,439,369)	(34,416,716)
	₱1,926,955,794	₱2,241,255,335	₱491,163,515

Others include bank and other charges, and realized income from redemption of financial assets at FVPL.

28. Retirement and Other Post-employment Benefits

The Parent Company, GCGI and BGI have a funded, non-contributory, defined benefit retirement plan, while FG Hydro has unfunded, non-contributory defined benefit retirement plan. The Company also provides post-employment medical and life insurance benefits which are unfunded. The plan covers all permanent employees and is administered by trustee banks.

Generally, upon fulfillment of certain employment conditions, the retirement benefits are payable in lump sum upon retirement, which is determined on the basis of the retiree's final salary and computed at certain percentage of final monthly salary base pay for every year of service.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.



The following tables summarize the components of net benefit expense recognized in the profit or loss and the funded status and amounts recognized in the consolidated statements of financial position:

	2019	2018	2017
Current service cost	₱189,250,627	₱196,323,520	₱203,228,022
Net interest	82,885,162	51,074,320	63,987,703
Past service cost	—	12,676,052	—
Settlement gain	(165,581,813)	—	—
Retirement and other post-employment benefit expense (Note 24)	₱106,553,976	₱260,073,892	₱267,215,725

	2019	2018
Present value of defined benefits obligation	₱3,271,302,332	₱3,344,500,913
Fair value of plan assets	(1,718,509,236)	(2,199,997,742)
Net retirement and other post-employment benefits liability	₱1,552,793,096	₱1,144,503,171

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
Defined benefits obligation at beginning of year	₱3,344,500,913	₱3,245,322,326
Current service cost	189,250,627	196,323,520
Interest cost on benefits obligation	242,591,065	187,418,862
Settlement gain	(165,581,813)	—
Benefits paid	(794,589,911)	(164,961,073)
Past service cost	—	12,676,052
Remeasurements arising from:		
Changes in financial assumptions	407,624,706	(148,069,419)
Deviations of experience from assumptions	47,622,583	15,743,178
Foreign exchange adjustments	(115,838)	47,467
Defined benefits obligation at end of year	₱3,271,302,332	₱3,344,500,913

Changes in the fair value of plan assets are as follows:

	2019	2018
Fair value of plan assets at beginning of year	₱2,199,997,742	₱2,359,981,213
Interest income	159,705,903	136,344,542
Contributions to the plan	1,441,130	112,379,931
Benefits paid	(794,589,911)	(164,961,073)
Return on plan assets, excluding interest income	151,954,372	(243,746,871)
Fair value of plan assets at end of year	₱1,718,509,236	₱2,199,997,742
Actual return on plan assets	₱311,660,275	(₱107,402,329)

The retirement funds of EDC, GCGI and BGI are maintained by BDO Trust. This trustee bank is also responsible for investment of the plan assets. The investing decisions of the Plan are made by the respective retirement committees of the said company.



Management reviews the performance of the defined benefit retirement plan on a regular basis. The overall investment policy and strategy of the Company's retirement benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the Plan. The Company's current investment strategy is suited for an investor with a conservative investment risk profile.

The fair value of plan assets by each class at end of the reporting period follows:

	2019	2018
Investments quoted in active market		
Quoted equity investments (by industry)		
Holding firms	₱206,908,373	₱148,071,843
Property	128,581,727	206,887,415
Financials - banks	129,975,074	117,043,274
Services - telecommunications	32,848,021	37,069,375
Industrial - food, beverage, and tobacco	25,638,276	20,684,394
Industrial - electricity, energy, power and water	22,380,000	20,287,802
Retail	18,465,300	32,977,292
Transportation services	15,946,400	12,400,000
Services - casinos and gaming	9,705,333	17,289,200
Golf and country club	9,346,666	8,873,333
Mining	7,040,000	4,610,000
Industrial - construction, infrastructure and allied services	—	956,507
	606,835,170	627,150,435
Quoted debt instruments		
Government securities	670,814,468	754,585,500
Corporate bonds	350,206,877	461,474,379
	1,021,021,345	1,216,059,879
Unquoted investments		
Cash and cash equivalents	76,900,115	348,759,893
Receivables and other assets	13,752,606	8,027,535
	90,652,721	356,787,428
Fair value of plan assets	₱1,718,509,236	₱2,199,997,742

- Quoted equity investments pertain to listed shares in PSE. The classification by industry of quoted shares presented above is based on sector classification published by the PSE. Investment in quoted equity investments include investments in the following securities as of December 31, 2019 and 2018:

Issuer	Relationship	2019	2018
	Under common		
Lopez Holdings Corp.	control	₱23,764,962	₱29,622,600
First Gen Corp.	- do -	22,380,000	20,240,000
		₱46,144,962	₱49,862,600

The carrying amounts of investments in equity securities also approximate their fair values since they are marked-to-market.



Unrealized gains (losses) arising from investments in Lopez Holdings Corp., First Gen Corp., and FPH in 2019, 2018 and 2017 to as follows:

	2019	2018	2017
Lopez Holdings Corp.	(P12,747,424)	(P12,589,605)	(P53,041,484)
First Gen Corp.	2,380,000	240,000	3,396,541
First Philippine Holdings	—	—	(519,880)
	(P10,367,424)	(P12,349,605)	(P50,164,823)

The voting rights over these equity securities are exercised by the trustee banks.

- Investments in corporate bonds consist of both short-term and long-term corporate notes and bonds, which bear interest ranging from 4.50% to 6.36% and have maturities from 2020 to 2026.
- Investments in government securities consist of retail treasury bonds and fixed rate treasury notes that bear interest ranging from 3.50% to 8.75% and have maturities from 2021 to 2033.
- Cash and cash equivalents include regular savings and time deposits.
- Other financial assets held by these plans are primarily accrued interest income on cash deposits and debt securities held by the plans; and dividend receivable from equity securities. Liabilities of the plans pertain to trust fee payable and other accrued expenses payable.

The Company expects to contribute P193.4 million to its defined benefit retirement plan in 2020.

The principal actuarial assumptions used in determining retirement and other post-employment benefits as of December 31 of each year are as follows:

	2019	2018
Discount rate	4.68%-4.85%	7.26%-7.51%
Future salary increase rate	5%-8%	6%-8%
Medical costs trend rate	6%	7%

The assumption on the discount rate is based on the long-term government bond rates approximating the expected average remaining working life of the employees.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, assuming all other assumptions were held constant:

	2019	
	Increase/Decrease in Percentage Point	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+1%	(P338,678,886)
	-1%	394,466,599
Future salary increases	+1%	P385,129,348
	-1%	(338,666,033)
Medical costs trend	+1%	P3,615,495
	-1%	(3,131,286)



	2018	
	Increase/Decrease in Percentage Point	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+1%	(P304,021,806)
	-1%	346,715,596
Future salary increases	+1%	P254,777,559
	-1%	(232,548,145)
Medical costs trend	+1%	P3,514,199
	-1%	(3,087,840)

The estimated weighted average duration of benefit payment is 15 years in both 2019 and 2018.

Following are the information about the maturity profile of the defined benefit obligation as of December 31, 2019 and 2018:

	2019	2018
Less than one (1) year	P208,708,830	P259,227,461
One (1) year up to five (5) years	816,055,229	998,668,237
More than five (5) years up to 10 years	2,384,699,105	2,815,548,838
More than 10 years up to 15 years	2,377,292,421	3,472,191,705
More than 15 years	4,563,515,110	6,865,762,298

29. Income Tax

- a. The deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2019	2018
Deferred tax assets - net	P866,108,068	P980,631,837
Deferred tax liabilities - net	(14,503,841)	(244,926,042)
	P851,604,227	P735,705,795



The components of the Company's recognized deferred tax assets and liabilities follow:

	Beginning of Year	Charged to Income	Charged to OCI	End of Year
Deferred tax assets on:				
Impairment loss on property, plant and equipment	₱619,872,646	₱312,569	₱—	₱620,185,215
Allowance for impairment loss	283,823,991	(45,959,803)	—	237,864,188
Unrealized foreign exchange losses - BOT power plants	281,542,066	(105,320,740)	—	176,221,326
Unrealized foreign exchange losses	245,179,914	109,584,483	—	354,764,397
Revenue generated during testing period of BGI power plants	153,831,583	—	—	153,831,583
Provision for rehabilitation and restoration costs	136,453,491	449,746	—	136,903,237
Accrued retirement benefits	116,987,937	41,208,341	30,329,292	188,525,570
Differences in fair value versus cost of Tongonan and Palinpinon property, plant and equipment	83,300,273	(14,725,484)	—	68,574,789
Provision for impairment of parts and supplies inventories	39,853,046	9,919,503	—	49,772,549
Others	80,383,383	53,111,719	4,159,066	137,654,168
	2,041,228,330	48,580,334	34,488,358	2,124,297,022
Deferred income tax liabilities on:				
Differences between the carrying amount of nonmonetary assets and liabilities and the related tax base	(1,033,478,756)	(8,399,583)	—	(1,041,878,339)
Unrealized foreign exchange gains	(98,059,610)	—	—	(98,059,610)
Fair value changes on hedging transactions	(40,146,172)	—	44,652,148	4,505,976
Others	(133,837,997)	(3,422,825)	—	(137,260,822)
	(1,305,522,535)	(11,822,408)	44,652,148	(1,272,692,795)
	₱735,705,795	₱36,757,926	₱79,140,506	₱851,604,227

	2018				
	Beginning of Year	Charged to Retained Earnings (Note 2)	Charged to Income	Charged to OCI	End of Year
Deferred tax assets on:					
Impairment loss on property, plant and equipment	₱626,245,791	₱—	(₱6,373,145)	₱—	₱619,872,646
Unrealized foreign exchange losses - BOT power plants	386,862,806	—	(105,320,740)	—	281,542,066
Revenue generated during testing period of BGI power plants	153,831,583	—	—	—	153,831,583
Accrued retirement benefits	96,515,794	—	9,330,080	11,142,063	116,987,937
Differences in fair value versus cost of Tongonan and Palinpinon property, plant and equipment	99,698,536	—	(16,398,263)	—	83,300,273
Provision for rehabilitation and restoration costs	174,100,696	—	(37,647,205)	—	136,453,491
Allowance for impairment loss	168,812,939	29,789,791	85,221,261	—	283,823,991
Provision for impairment of parts and supplies inventories	39,822,376	—	30,670	—	39,853,046
Unrealized foreign exchange losses	227,411,096	—	17,768,818	—	245,179,914
Others	125,212,693	—	(44,829,310)	—	80,383,383
	2,098,514,310	29,789,791	(98,217,834)	11,142,063	2,041,228,330
Deferred income tax liabilities on:					
Differences between the carrying amount of nonmonetary assets and liabilities and the related tax base	(983,750,477)	—	(49,728,279)	—	(1,033,478,756)
Unrealized foreign exchange gains	(26,886,731)	—	(71,172,879)	—	(98,059,610)
Fair value changes on hedging transactions	(899,503)	—	—	(39,246,669)	(40,146,172)
Others	(115,748,484)	—	(4,617,377)	(13,472,136)	(133,837,997)
	(1,127,285,195)	—	(125,518,535)	(52,718,805)	(1,305,522,535)
	₱971,229,115	₱29,789,791	(₱223,736,369)	(₱41,576,742)	₱735,705,795



- b. The balance of NOLCO as of December 31, 2019 may be used by the Parent Company and certain subsidiaries as additional deductions against their respective future taxable income.

The balances of NOLCO with corresponding years of expiration, are as follows:

Incurring for the Year Ended December 31	Available Until December 31	Amount
2017	2020	₱601,902,744
2018	2021	527,405,332
2019	2022	655,966,900
		₱1,785,274,976

Movements of the Company's NOLCO are as follows:

	2019	2018
Balances at January 1	₱1,716,609,763	₱1,561,864,169
Addition	655,966,900	527,417,373
Expiration	(587,301,687)	(372,671,779)
Balances at December 31	₱1,785,274,976	₱1,716,609,763

As of December 31, 2019 and 2018, no deferred income tax asset was recognized for NOLCO amounting to ₱1,785.3 million and ₱1,716.6 million, respectively, pertaining to losses subject to the 30% tax regime, and fair value adjustments related to EBWPC's hedging activities amounting to ₱259.8 million and nil, respectively, as management believes that there will be no sufficient future taxable income to allow all or part of the deductible temporary difference to be utilized.

As of December 31, 2019 and 2018, the taxable temporary differences representing the excess of the carrying amount of the investments in subsidiaries over the tax base amounted to ₱8,330.6 million and ₱9,825.7 million, respectively. There is no corresponding deferred income tax liability recognized since these temporary differences pertain to investment in domestic companies and, accordingly, the reversals of these temporary differences are through regular dividend distribution not subject to income tax.

The 10% statutory rate applies to the relevant renewable energy operations covered by the RE Law, while the 30% applies, in general, to the other activities.



- c. A numerical reconciliation between provision for income tax and the product of accounting income multiplied by the tax rates of 10% or 30%, as applicable, follows:

	2019	2018	2017
Income before income tax	₱13,455,401,498	₱10,859,622,597	₱8,976,371,067
Income tax at statutory tax rates (10%/30%)	880,711,567	1,150,951,486	1,271,821,080
Adjustments for:			
Income tax holiday incentives	(223,051,065)	(164,262,176)	(247,496,348)
Non-deductible provisions/ (non-taxable recovery) - net	234,069,562	81,470,208	49,754,486
Net movement of unrecognized deferred tax asset on NOLCO	196,790,070	158,225,212	(22,227,239)
Translation adjustment on nonmonetary assets and liabilities	(51,847,990)	64,942,938	74,484,345
Interest income - net of final tax	(39,371,402)	(40,995,844)	(21,742,979)
Non-deductible interest expense	15,537,864	17,022,851	9,787,343
Net movement of temporary differences reversing during income tax holiday	13,129,327	907,986	(12,653,379)
Non-taxable/non-deductible foreign exchange gains on ROP bonds	(37,947)	(12,531,389)	(3,656,108)
Others	76,700,045	8,342,939	(63,197,188)
Provision for income tax	₱1,102,630,031	₱1,264,074,211	₱1,034,874,013

- d. On February 14, 2013, BGI was granted with an income tax holiday (ITH) incentive by the Board of Investments (BOI) covering its 130 MW BMGPP complex. On February 17, 2015, BGI received a Legal and Compliance Service letter from BOI granting the upward amendment of registered capacity of the BMGPP complex from 130 MW to 140 MW effective for 7-year period beginning in July 2013 or date of commissioning, whichever is earlier. Subject to certain conditions, BGI is entitled to income tax holiday for seven (7) years from July 2013 or date of commissioning of the power plants, whichever is earlier. BGI does not recognize deferred tax assets and deferred tax liabilities on temporary differences for its registered activities that are expected to reverse during the ITH period.
- e. On February 12, 2014, the BOI approved the ITH registration of the Nasulo Power Plant under the Renewable Energy Act of 2008 (RA 9513) effective for 7-year period beginning in January 2016 or date of commissioning, whichever is earlier. While the Nasulo power plant has a capacity of 49.4 MW, the ITH shall be limited only to the revenues derived from the sale of 30 MW.



- f. On June 29, 2011, the BOI approved the ITH registration of the 86 MW Burgos Wind Farm under the Renewable Energy Act of 2008 (RA 9513). On June 3, 2014, the Company received a legal service letter from BOI granting the upward amendment of registered capacity of the Burgos Wind Farm from 86 MW to 150 MW effective for 7-year period beginning in December 2015 or date of commissioning, whichever is earlier.
- g. On November 13, 2015, GCGI was granted with an ITH incentive by the BOI covering its 112.5 MW Tongonan Geothermal Power Plant, effective for 7-year period beginning in April 2015. Only revenues derived from power generated (i.e., 36.79 MW or the capacity in excess of the 75.71 MW, whichever is lower) and sold to the grid, other entities and/or communities shall be entitled to ITH.
- h. On June 16, 2015, the Parent Company was granted with an ITH incentive by the BOI covering its 4.16 MW Burgos Solar Plant - Phase 1, effective for 7-year period beginning in December 2015.
- i. On December 3, 2015, the Parent Company was granted with an ITH incentive by the BOI covering its 2.66 MW Burgos Solar Plant - Phase 2, effective for 7-year period beginning in June 2015.
- j. On December 11, 2015, GCGI was granted with an ITH incentive by the BOI covering its 192.5 MW Palinpinon Geothermal Power Plant, effective for 7-year period beginning in February 2014. Only revenues derived from power generated (i.e., 39.66 MW or the capacity in excess of the 152.84 MW, whichever is lower) and sold to the grid, other entities and/or communities shall be entitled to ITH.
- k. FG Hydro is registered with the BOI under the Omnibus Investments Code of 1987 as the new operator of the 112 MW PAHEP/MAHEP on a pioneer status. As a registered enterprise, FG Hydro was entitled to certain tax and non-tax incentives which include, among others, ITH for six (6) years commencing on April 13, 2007. On October 2, 2013, the BOI approved FG Hydro's application for an ITH extension by granting it another year or until April 12, 2014. On February 22, 2017, the DOE approved FG Hydro's application for registration as an RE Developer and signed the RE Contract with FG Hydro for PAHEP. On February 27, 2017, the RE Contract for MAHEP was also signed by FG Hydro and the DOE. As a result, FG Hydro is now subject to 10% statutory income tax rate on its RE operations as a RE Developer in 2017.
- l. On February 8, 2019, EDC Siklab was granted with an ITH incentive by the BOI covering its 1.03 MW Gaisano La Paz Solar Rooftop Project in Iloilo, effective for 7-year period beginning in March 2017.



30. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts were computed as follows:

	2019	2018	2017
Net income attributable to equity holders of the Parent Company	₱11,931,208,232	₱9,403,832,344	₱7,709,470,125
Less dividends on preferred shares (Note 19)	301,000,000	7,500,000	7,500,000
(a) Net income attributable to common shareholders of the Parent Company	₱11,630,208,232	₱9,396,332,344	₱7,701,970,125
(b) Weighted average number of common shares outstanding	17,053,798,194	18,428,950,215	18,737,010,000
Basic/diluted earnings per share (a/b)	₱0.682	₱0.510	₱0.411

The Parent Company does not have any dilutive potential common shares as at December 31, 2019, 2018 and 2017.

31. Financial Risk Management Objectives and Policies

The Company's financial instruments consist mainly of cash and cash equivalents, trade receivables, DSR, FVPL, AFS investments, FVOCI, trade payables, and long-term debts. The main purpose of these financial instruments is to finance the Company's operations and accordingly manage its exposure to financial risks. The Company has various other financial assets and liabilities such as short-term investments, other receivables, other payables and due to/from related parties, which arise directly from operations.

Financial Risk Management Policy

The main financial risks arising from the Company's financial instruments are credit risk, foreign currency risk, interest rate risk, equity price risk and liquidity risk. The Company's policies for managing the aforementioned risks are summarized hereinafter below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

The Company's geothermal and power generation business trades with two (2) key customers, NPC and TransCo, both a government-owned-and-controlled corporations. Any failure on the part of NPC and TransCo to pay their obligations to the Company would significantly affect the Company's business operations. As a practice, the Company monitors closely its collections from NPC and TransCo and may charge interest on delayed payments following the provision of the PPAs and REPA, respectively. Other customers include distribution utilities, electric cooperatives, industrial customers and contestable customers. Credit risk is controlled by the application of credit approval limit and monitoring procedures. It is the Company's policy to enter into credit-worthy parties to



mitigate any significant concentration of credit risk. Trade receivables balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is not significant. The maximum exposure of trade receivable is equal to its carrying amount.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix for the years ended December 31, 2019 and 2018:

2019

	Trade receivables					Credit Impaired	Total
	Days past due						
	Current	<30 days	30-60 days	61-90 days	>91 days		
(In Thousand Pesos)							
Expected credit loss rate	0.0%	1.6%	26.3%	6.0%	3.9%	100.0%	12.4%
Estimated total gross carrying amount at default (Note 7)	₱5,944,022	₱279,070	₱1,866	₱4,920	₱413,880	₱919,441	₱7,563,199
Expected credit loss	542	4,523	490	295	16,225	919,191	941,266

2018

	Trade receivables						Total
	Days past due						
	Current	<30 days	30-60 days	61-90 days	>91 days	Credit Impaired	
<i>(In Thousand Pesos)</i>							
Expected credit loss rate	0.3%	2.2%	1.7%	1.5%	15.5%	100.0%	5.2%
Estimated total gross carrying amount at default (Note 7)	₱4,753,878	₱169,658	₱43,217	₱38,008	₱1,061,350	₱135,823	₱6,201,934
Expected credit loss	15,341	3,706	738	558	165,012	136,005	321,360

Financial instruments and cash deposits

With respect to the credit risk arising from other financial assets of the Company, which comprise of cash and cash equivalents excluding cash on hand, financial asset at FVPL, short-term investments, other receivables, financial assets at FVOCI/AFS investments, DSRA and due from related party, 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. Credit risk from these instruments is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing.

Credit Quality of Financial Assets

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before due date. Financial assets are classified as a standard grade if the counterparties settle their obligation with the Company with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. As of December 31, 2019 and 2018, financial assets categorized as neither past due nor impaired are viewed by management as high grade, considering the collectibility of the receivables and the credit history of the counterparties. Meanwhile, past due but not impaired financial assets are classified as standard grade.

Concentration of Credit Risk

The Company's exposure to concentration of credit risk arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of the receivables from NPC and TransCo.



The table below shows the risk exposure in respect to credit concentration of the Company as of December 31, 2019 and 2018:

	2019	2018
Trade receivables from NPC	₱3,183,881,955	₱2,594,363,021
Trade receivables from TransCo	190,882,733	1,087,375,960
Total credit concentration risk	₱3,374,764,688	₱3,681,738,981
Total receivables	₱8,182,414,415	₱6,094,866,529
Credit concentration percentage	41.24%	60.41%

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's exposure to foreign currency risk is mainly from the financial assets and liabilities that are denominated in US dollar (US\$). This primarily arises from future payments of foreign currency-denominated loans and other commercial transactions and the Company's investment in ROP Bonds.

The Company's exposure to foreign currency risk to some degree is mitigated by some provisions in the Company's GRESCs, SSAs, PPAs and REPA. The service contracts allow full cost recovery while the sales contracts include billing adjustments covering the movements in Philippine peso and the US\$ rates, US Price and Consumer Indices, and other inflation factors.

To mitigate further the effects of foreign currency risk, the Company will prepay, refinance or hedge its foreign currency denominated loans, whenever deemed feasible. The Company also enters into derivative contracts to mitigate foreign currency risk.



The Company's foreign currency-denominated financial assets and liabilities (translated into Philippine peso) as of December 31, 2019 and 2018 are as follows:

	2019												
	Original Currency												
	Indonesian Rupiah (IDR)	US\$	Japanese yen (JPY)	Singapore dollar (SGD)	Sweden (SEK)	New Zealand dollar (NZD)	Euro	Hongkong dollar (HKD)	British pound (GBP)	Chilean Peso (CHP)	Peruvian Sol (PEN)	Australian dollar (AUD)	Peso Equivalent ¹
Financial Assets													
Loans and receivables:													
Cash													
equivalents	—	63,947,106	—	—	—	—	—	—	—	—	—	—	₱3,237,961,729
Cash on hand and in banks	21,426,392,611	3,360,315	—	—	—	—	—	—	—	379,273,056	113,640	—	277,136,185
Derivative assets designated as cash flow hedges	—	848,358	—	—	—	—	—	—	—	—	—	—	42,956,600
Total financial assets	21,426,392,611	68,155,779	—	—	—	—	—	—	—	379,273,056	113,640	—	₱3,558,054,514
Financial Liabilities													
Liabilities at amortized cost:													
Accounts payable	—	20,772,617	498,270,650	78,531	6,224,522	1,133,183	631,445	5,962	169,760	—	—	7,334	₱1,403,938,546
Long-term debt	—	323,902,842	—	—	—	—	—	—	—	—	—	—	16,400,820,331
Accrued interest on long-term debts	—	5,573,469	—	—	—	—	—	—	—	—	—	—	282,212,588
Derivative liability	—	5,550,519	—	—	—	—	—	—	—	—	—	—	281,050,520
Total financial liabilities	—	355,799,447	498,270,650	78,531	6,224,522	1,133,183	631,445	5,962	169,760	—	—	7,334	₱18,368,021,985

¹ US\$1 = ₱50.6350, JP¥1 = ₱0.4619, SGD1 = ₱37.4909, NZD1 = ₱33.8462, CHP1 = ₱0.0685, PEN1 = ₱15.2837, Euro1 = ₱56.3512, IDR1 = ₱0.0037, SEK = ₱5.3921, HKD1 = ₱6.5162, GBP1 = ₱65.9926, AUD1 = ₱35.2569 as of December 31, 2019 (see Note 26)



2018									
	Original Currency								
	Indonesian Rupiah (IDR)	US\$	Japanese yen (JP¥)	British pound (GBP)	New Zealand dollar (NZD)	Euro	Chilean Peso (CHP)	Peruvian Sol (PEN)	Peso Equivalent ¹
Financial Assets									
Loans and receivables:									
Cash equivalents	—	68,882,226	—	—	—	—	—	—	₱3,621,827,434
Cash on hand and in banks	1,609,429,211	1,689,727	—	—	—	—	115,579,006	745,865	115,038,800
Debt service reserve account	—	9,148,901	—	—	—	—	—	—	481,049,239
Short-term investments	—	4,255,000	—	—	—	—	—	—	223,727,900
Derivative assets designated as cash flow hedges	—	3,502,713	—	—	—	—	—	—	184,172,625
Total financial assets	1,609,429,211	87,478,567	—	—	—	—	115,579,006	745,865	₱4,625,815,998
Financial Liabilities									
Liabilities at amortized cost:									
Accounts payable	—	174,086,450	41,619,008	—	331,223	—	—	—	₱9,184,883,287
Long-term debt	—	363,476,359	—	—	—	—	—	—	19,111,586,934
Accrued interest on long-term debts	—	6,445,983	—	—	—	—	—	—	338,929,799
Derivative liability	—	140,605	—	—	—	—	—	—	7,393,005
Total financial liabilities	—	544,149,397	41,619,008	—	331,223	—	—	—	₱28,642,793,025

¹ US\$1 = ₱52.5800, JP¥1 = ₱0.4738, GBP1 = ₱66.7328, NZD1 = ₱35.3198, CHP1 = ₱0.0758, PEN1 = ₱15.6093, Euro1 = ₱60.3110 IDR1 = ₱0.0036 as of December 31, 2018 (see Note 26)



The following tables demonstrate the sensitivity to a reasonably possible change in the foreign currency exchange rates applicable to the Company, with all other variables held constant, of the Company's income (loss) before income tax and equity for the years ended December 31, 2019 and 2018. The impact on the Company's income before income tax is due to revaluation of monetary assets and monetary liabilities.

2019			
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax	Effect on Equity
USD	10% or ₱5.06350	(₱1,432,674,310)	₱—
	(10% or ₱5.06350)	1,432,674,310	—
JPY	10% or ₱0.04619	(23,017,269)	—
	(10% or ₱0.04619)	23,017,269	—
NZD	10% or ₱3.38462	(3,835,392)	—
	(10% or ₱3.38462)	3,835,392	—
IDR	10% or ₱0.00037	7,927,765	—
	(10% or ₱0.00037)	(7,927,765)	—
Euro	10% or ₱5.63512	(3,558,271)	—
	(10% or ₱5.63512)	3,558,271	—
CHP	10% or ₱0.00685	2,597,216	—
	(10% or ₱0.00685)	(2,597,216)	—
PEN	10% or ₱1.52837	173,684	—
	(10% or ₱1.52837)	(173,684)	—
SGD	10% or ₱3.74909	(294,421)	—
	(10% or ₱3.74909)	294,421	—
SEK	10% or ₱0.53921	(3,356,324)	—
	(10% or ₱0.53921)	3,356,324	—
HKD	10% or ₱0.65162	(3,885)	—
	(10% or ₱0.65162)	3,885	—
GBP	10% or ₱6.59926	(1,120,292)	—
	(10% or ₱6.59926)	1,120,292	—
AUD	10% or ₱3.52569	(25,856)	—
	(10% or ₱3.52569)	25,856	—
2018			
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax	Effect on Equity
USD	10% or ₱5.258	(₱2,418,853,177)	₱—
	(10% or ₱5.258)	2,418,853,177	—
JPY	10% or ₱0.04738	(1,971,902)	—
	(10% or ₱0.04738)	1,971,902	—
NZD	10% or ₱3.53198	(1,169,873)	—
	(10% or ₱3.53198)	1,169,873	—
CHP	10% or ₱0.00758	875,655	—
	(10% or ₱0.00758)	(875,655)	—
PEN	10% or ₱1.56093	1,164,244	—
	(10% or ₱1.56093)	(1,164,244)	—
IDR	10% or ₱0.00036	579,395	—
	(10% or ₱0.00036)	(579,395)	—



Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates, derivative assets, derivative liabilities and debt instruments at FVOCI.

The interest rates of some of the Company's long-term borrowings and debt instruments at FVOCI are fixed at the inception of the loan agreement.

The Company regularly evaluates its interest rate risk by taking into account the cost of qualified borrowings being charged by its creditors. Prepayment, refinancing or hedging the risks are undertaken when deemed feasible and advantageous to the Company.

Interest Rate Risk Table

The following tables provide for the effective interest rates and interest payments by period of maturity of the Company's long-term debts:

	2019					
	Interest Rates	Within 1 Year	More than 1 year but less than 4 years	More than 4	More than 5 Years	Total
				Years but less than 5 Years		
(In Thousand Pesos)						
Fixed Rate						
US\$181.1 Million Notes	6.50%	₱596,112	₱298,056	₱—	₱—	₱894,168
IFC 1 - ₱4.1 Billion	6.37%	71,724	82,293	—	—	154,017
IFC 2 - ₱3.3 Billion	4.78%	70,038	136,466	21,206	8,965	236,675
IFC 3 - ₱4.8 Billion	7.80%	342,623	872,731	239,198	989,249	2,443,801
FXCN						
₱4.0 Billion	5.25%	167,790	237,510	—	—	405,300
₱3.0 Billion	5.25%	125,843	178,133	—	—	303,976
2013 Peso Fixed-Rate						
₱4.0 Billion	4.73%	189,248	473,120	—	—	662,368
₱3.0 Billion	4.16%	62,375	—	—	—	62,375
₱291.2 Million Term Loan	5.50%	13,244	32,340	8,316	24,024	77,924
₱1.5 Billion Term Loan	5.25%	68,709	181,913	53,156	70,875	374,653
₱1.0 Billion Term Loan	5.58%	55,442	151,864	43,956	211,897	463,159
UBP ₱2.0 Billion	5.44%	90,304	226,048	60,817	220,610	597,779
SBC ₱3.0 Billion Term Loan	5.32%	126,464	295,842	63,214	72,651	558,171
SBC ₱500.0 Million Term Loan	5.49%	22,790	57,047	15,348	55,661	150,846
BPI ₱1.0 Billion Term Loan	5.21%	41,283	96,581	20,641	23,739	182,244
SBC ₱1.0 Billion Term Loan	5.43%	45,060	112,791	30,345	110,052	298,248
PNB ₱500.0 Million Term Loan	4.74%	10,834	7,196	—	—	18,030
₱8.5 Billion Term Loan	5.25%	189,656	167,344	—	—	357,000
₱5.0 Billion Term Loan	5.25%	138,526	201,428	26,150	12,015	378,119
Floating Rate						
₱5.6 Billion Commercial Debt Facility	2.00% + PDST-F rate	277,172	685,192	179,091	451,036	1,592,491
US\$150.0 Million ECA Debt Facility	2.35% + LIBOR	200,271	495,109	129,418	325,905	1,150,703
US\$37.5 Million Debt Facility	2.00% + LIBOR	45,410	112,263	29,345	73,897	260,915



		2018				
	Interest Rates	Within 1 Year	More than 1 year but less than 4 years	More than 4 Years but less than 5 Years	More than 5 Years	Total
(In Thousand Pesos)						
Fixed Rate						
US\$211.0 Million Notes	6.50%	₱721,101	₱1,081,651	₱—	₱—	₱1,802,752
IFC 1 - ₱4.1 Billion	6.37%	66,438	105,506	3,832	—	175,776
IFC 2 - ₱3.3 Billion	4.78%	82,013	173,190	33,314	30,170	318,687
IFC 3 - ₱4.8 Billion	7.80%	368,479	950,299	265,054	1,228,447	2,812,279
FXCN						
₱4.0 Billion	5.25%	175,350	405,300	—	—	580,650
₱3.0 Billion	5.25%	131,513	303,975	—	—	435,488
2013Peso Fixed-Rate						
₱4.0 Billion	4.73%	189,248	567,744	94,624	—	851,616
₱3.0 Billion	4.16%	124,749	62,375	—	—	187,124
₱291.2 Million Term Loan	5.50%	14,476	36,036	9,548	32,340	92,400
₱1.5 Billion Term Loan	5.25%	75,206	193,134	57,488	124,031	449,859
₱1.0 Billion Term Loan	5.58%	55,855	160,078	47,228	255,853	519,014
UBP ₱2.0 Billion	5.44%	97,404	248,355	67,998	281,427	695,184
SBC ₱3.0 Billion Term Loan	5.32%	139,047	339,873	82,434	135,866	697,220
SBC ₱500.0 Million Term Loan	5.49%	24,582	62,677	17,160	71,009	175,428
BPI ₱1.0 Billion Term Loan	5.21%	45,390	110,949	26,915	44,380	227,634
SBC ₱1.0 Billion Term Loan	5.43%	48,603	123,922	33,928	140,397	346,850
PNB ₱500.0 Million Term Loan	4.74%	15,602	18,030	—	—	33,632
₱8.5 Billion Term Loan	5.25%	245,438	357,000	—	—	602,438
₱5.0 Billion Term Loan	5.25%	172,451	299,668	40,286	38,165	550,570
Floating Rate						
BOC ₱2.0 Billion Term Loan	0.60% margin plus PDST-R2	55,205	100,601	—	—	155,806
BPI ₱5.0 Billion Term Loan	0.60% margin plus PDST-R2	90,361	145,312	—	—	235,673
BDO ₱4.0 Billion Term Loan	0.60% margin plus PDST-R2	75,989	155,362	—	—	231,351
MBL ₱500.0 Million Term Loan	PHIREF	17,438	33,093	—	—	50,531
₱5.6 Billion Commercial Debt Facility	2.00% + PDST-F rate	297,279	757,656	204,018	629,676	1,888,629
US\$150.0 Million ECA Debt Facility	2.35% + LIBOR	224,272	571,588	153,917	475,046	1,424,823
US\$37.5 Million Debt Facility	2.00% + LIBOR	50,880	129,676	34,919	107,773	323,248

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax and equity as of December 31, 2019 and 2018. The impact on the Company's equity is due to changes in the fair value of debt instruments at FVOCI, and interest rate swaps designated as cash flow hedges.

2019			
Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity	
		Change in Fair Value of FVOCI	Fair value adjustments on hedging transactions
+100	(₱118,574,623)	(₱15,100,759)	₱386,935,317
-100	118,574,623	6,500,252	(386,935,317)



2018			
Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity	
		Change in Fair Value of FVOCI	Fair value adjustments on hedging transactions
+100	(P146,332,697)	(P2,950,350)	(P458,434,943)
-100	146,332,697	14,420,631	457,441,358

The effect of changes in interest rates in equity pertains to the fair valuation of debt instruments at FVOCI and derivatives designated as cash flow hedges, and is exclusive of the impact of the changes affecting the Company's profit or loss.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and sourcing flexibility through the use of available financial instruments. The Company manages its liquidity profile to meet its working and capital expenditure requirements and service debt obligations. As part of the liquidity risk management program, the Company regularly evaluates and considers the maturity of both its financial investments and financial assets (i.e., trade receivables, other financial assets) and resorts to short-term borrowings whenever its available cash or matured placements is not enough to meet its daily working capital requirements. To ensure immediate availability of short-term borrowings, the Company maintains credit lines with banks on a continuing basis.

Liquidity risk arises primarily when the Company has difficulty collecting its receivables from its key customers, NPC and TransCo. Other instances that contribute to its exposure to liquidity risk are when the Company finances long-term projects with internal cash generation and when there is credit crunch especially at times when the Company has temporary funding gaps.

The tables below show the maturity profile as of December 31, 2019 and 2018 of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and financial liabilities based on contractual undiscounted payments:

	2019						
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)						
Amortized cost:							
Cash and cash equivalents	₱2,794,809	₱11,459,312	₱—	₱—	₱—	₱—	₱14,254,121
Trade receivables	1,619,177	5,944,022	—	—	—	—	7,563,199
Financial assets at FVPL	1,357,206	—	—	—	—	—	1,357,206
Financial assets at FVOCI:							
Debt investments	157,012	—	—	—	—	—	157,012
Total	₱5,928,204	₱17,403,334	₱—	₱—	₱—	₱—	₱23,331,538

(Forward)



	2019						
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)						
Liabilities at amortized cost:							
Accounts payable*	P–	P6,857,079	P–	P–	P–	P–	P6,857,079
Dividends payable	–	4,207,469	–	–	–	–	4,207,469
Accrued interest on long-term debts	–	429,968	347,474	–	–	–	777,442
Other payables**	687	744,456	–	–	–	–	745,143
Due to related parties	2,643	–	–	–	–	–	2,643
Long-term debts	–	870,033	5,317,750	3,882,954	40,003,153	17,442,502	67,516,392
Lease liabilities	–	40,681	35,217	69,336	304,650	12,244	462,128
Derivative liabilities designated as cash flow hedges	–	–	–	–	21,112	259,939	281,051
Total	P3,330	P13,149,686	P5,700,441	P3,952,290	P40,328,915	P17,714,685	P80,849,347

*Excluding statutory liabilities to the government.

**Excluding non-financial liabilities.

	2018						
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
	<i>(In Thousand Pesos)</i>						
Amortized cost:							
Cash and cash equivalents	₱3,013,979	₱11,974,529	₱—	₱—	₱—	₱—	₱14,988,508
Trade receivables	1,448,056	4,753,878	—	—	—	—	6,201,934
Financial assets at FVPL	801,650	—	—	—	—	—	801,650
Financial assets at FVOCI:							
Debt investments	127,907	—	—	—	—	—	127,907
Total	₱5,391,592	₱16,728,407	₱—	₱—	₱—	₱—	₱22,119,999

Liabilities at amortized cost:							
Accounts payable*	P-	P7,061,025	P-	P-	P-	P-	P7,061,025
Dividends payable	7,469	-	-	-	-	-	7,469
Accrued interest on long-term debts	-	535,997	359,428	-	-	-	895,425
Other payables**	1,058	379,860	-	-	-	-	380,918
Due to related parties	34,625	-	-	-	-	-	34,625
Long-term debts	-	3,323,819	3,677,521	4,055,009	41,373,790	29,912,001	82,342,140
Derivative liabilities designated as cash flow hedges	-	-	-	-	-	7,393	7,393
Total	P43,152	P11,300,701	P4,036,949	P4,055,009	P41,373,790	P29,919,394	P90,728,995

*Excluding statutory liabilities to the government.

**Excluding non-financial liabilities.

Financial Assets and Financial Liabilities

Set out below is a comparison of carrying amounts and fair values of the Company's financial instruments as of December 31, 2019 and 2018 other than those with carrying amounts that are reasonable approximations of fair values.

	2019		2018	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets				
Amortized cost:				
Long-term receivables	P113,100,417	P105,425,565	P248,687,255	P218,624,703
Financial assets at FVOCI:				
Debt investments	157,011,930	157,011,930	127,906,762	127,906,762
Equity investments	360,471,266	360,471,266	306,213,972	306,213,972
Financial assets at FVPL	1,357,205,907	1,357,205,907	801,650,104	801,650,104
Derivative assets:				
Derivative assets designated as cash flow hedge	42,956,600	42,956,600	184,172,625	184,172,625
Total	P2,030,746,120	P2,023,071,268	P1,668,630,718	P1,638,568,166



	2019		2018	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Liabilities:				
Financial liabilities at amortized cost:				
Long-term debts	₱55,650,386,141	₱63,204,797,123	₱65,802,722,675	₱76,170,479,896
Lease liabilities	412,955,688	416,079,170	—	—
Derivative liabilities:				
Derivative liabilities designated as cash flow hedges	281,050,520	281,050,520	7,393,005	7,393,005
	₱56,344,392,349	₱63,901,926,813	₱65,810,115,680	₱76,177,872,901

Due to relatively short maturity, ranging from one to three months, carrying amounts approximate fair values for cash and cash equivalents, trade and other receivables, amounts due to related parties and trade and other payables.

The methods and assumptions used by the Company in estimating the fair value of financial instruments are:

Long-term Receivables

The fair value of long-term receivables was computed by discounting the expected cash flow using the applicable rates of 3.58% and 6.65% as of December 31, 2019 and 2018, respectively.

Financial Assets at FVOCI (AFS Investments)

Fair values of quoted debt and equity securities are based on quoted market prices and other observable data.

Financial assets at fair value through profit or loss

The fair values of financial assets at fair value through profit or loss are based on quotations provided by the investment manager.

Derivatives designated as cash flow hedges

The fair values of derivative instruments designated as cash flow hedges are based on quotations provided by the counterparty banks.

Long-term Debts

The fair values for the Company's long-term debts are estimated using the discounted cash flow methodology with the applicable rates ranging from 1.75% to 3.07% as of December 31, 2019 and 1.75% to 3.81% as of December 31, 2018.

Lease Liabilities

The fair values for the Company's lease liabilities are estimated using the discounted cash flow methodology with the applicable rates ranging from 4.11% to 5.29% as of December 31, 2019.



The following tables show the fair value information of financial instruments classified under loans and receivables, financial assets at FVPL, financial assets at FVOCI, and derivatives designated as cash flow hedges and analyzed by sources of inputs on fair valuation as follows:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	2019			
	Total	Level 1	Level 2	Level 3
Financial Assets				
Loans and receivables:				
Long-term receivables	₱105,425,565	₱—	₱—	₱105,425,565
Financial assets at FVPL	1,357,205,907	1,357,205,907	—	—
Financial assets at FVOCI:				
Debt investments	157,011,930	157,011,930	—	—
Equity investments	360,471,266	297,021,266	63,450,000	—
Derivative assets designated as cash flow hedges	42,956,600	—	42,956,600	—
Financial Liabilities				
Financial liabilities at amortized cost:				
Long-term debts	63,204,797,123	10,107,578,647	—	53,097,218,476
Lease liabilities	416,079,170	—	—	416,079,170
Derivative liabilities designated as cash flow hedges	281,050,520	—	281,050,520	—
	2018			
	Total	Level 1	Level 2	Level 3
Financial Assets				
Loans and receivables:				
Long-term receivables	₱218,624,703	₱—	₱—	₱218,624,703
Financial assets at FVPL	801,650,104	801,650,104	—	—
Financial assets at FVOCI:				
Debt investments	127,906,762	127,906,762	—	—
Equity investments	306,213,972	245,813,972	60,400,000	—
Derivative assets designated as cash flow hedges	184,172,625	—	184,172,625	—
Financial Liabilities				
Financial liabilities at amortized cost:				
Long-term debts	76,170,479,896	12,906,004,226	—	63,264,475,670
Derivative liabilities designated as cash flow hedges	7,393,005	—	7,393,005	—

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.



The Company classifies its financial instruments in the following categories.

2019					
	Amortized Cost	Financial Assets at FVOCI	Financial Assets at FVPL	Derivatives Designated as Cash Flow Hedges	Total
(In Thousand Pesos)					
Financial Assets					
Cash and cash equivalents	₱14,254,121	₱—	₱—	₱—	₱14,254,121
Trade receivables	6,621,933	—	—	—	6,621,933
Non-trade receivables	1,493,982	—	—	—	1,493,982
Loans and notes receivables	55,017	—	—	—	55,017
Advances to employees	11,482	—	—	—	11,482
Due from related parties	32,113	—	—	—	32,113
Long-term receivables	113,100	—	—	—	113,100
Debt service reserve account	661,240	—	—	—	661,240
Financial assets at FVOCI:					
Debt investments	—	157,012	—	—	157,012
Equity investments	—	360,471	—	—	360,471
Financial assets at FVPL	—	—	1,357,206	—	1,357,206
Derivative assets	—	—	—	42,957	42,957
Total financial assets	₱23,242,988	₱517,483	₱1,357,206	₱42,957	₱25,160,634
Financial Liabilities					
Accounts payable*	₱6,857,079	₱—	₱—	₱—	₱6,857,079
Dividends payable	4,207,469	—	—	—	4,207,469
Accrued interest on long-term debts	777,442	—	—	—	777,442
Other payables**	745,143	—	—	—	745,143
Due to related parties	2,643	—	—	—	2,643
Long-term debts	55,650,386	—	—	—	55,650,386
Lease liabilities	412,956	—	—	—	412,956
Derivative liabilities	—	—	—	281,051	281,051
Total financial liabilities	₱68,653,118	₱—	₱—	₱281,051	₱68,934,169

*Excluding statutory liabilities to the Government

**Excluding non-financial liabilities

2018					
	Amortized Cost	Financial Assets at FVOCI	Financial Assets at FVPL	Derivatives Designated as Cash Flow Hedges	Total
(In Thousand Pesos)					
Financial Assets					
Cash and cash equivalents	₱14,988,508	₱—	₱—	₱—	₱14,988,508
Trade receivables	5,880,574	—	—	—	5,880,574
Non-trade receivables	126,685	—	—	—	126,685
Loans and notes receivables	61,315	—	—	—	61,315
Advances to employees	17,568	—	—	—	17,568
Due from related parties	795	—	—	—	795
Short-term investments	223,728	—	—	—	223,728
Long-term receivables	248,687	—	—	—	248,687
Debt service reserve account	1,421,925	—	—	—	1,421,925
Financial assets at FVOCI:					
Debt investments	—	127,907	—	—	127,907
Equity investments	—	306,214	—	—	306,214
Financial assets at FVPL	—	—	801,650	—	801,650
Derivative assets	—	—	—	184,173	184,173
Total financial assets	₱22,969,785	₱434,121	₱801,650	₱184,173	₱24,389,729
Financial Liabilities					
Accounts payable*	₱7,061,025	₱—	₱—	₱—	₱7,061,025
Dividend payables	7,469	—	—	—	7,469
Accrued interest on long-term debts	892,425	—	—	—	892,425
Other payables**	380,918	—	—	—	380,918
Due to related parties	34,625	—	—	—	34,625
Long-term debts	65,802,723	—	—	—	65,802,723
Derivative liabilities	—	—	—	7,393	7,393
Total financial liabilities	₱74,179,185	₱—	₱—	₱7,393	₱74,186,578

*Excluding statutory liabilities to the government

**Excluding non-financial liabilities.



The table below demonstrates the income, expense, gains or losses of the Company's financial instruments for the years ended December 31, 2019, 2018 and 2017:

	2019		2018		2017	
	Effect on Profit or Loss Increase (Decrease)	Effect on Equity Increase (Decrease)	Effect on Profit or Loss Increase (Decrease)	Effect on Equity Increase (Decrease)	Effect on Profit or Loss Increase (Decrease)	Effect on Equity Increase (Decrease)
Amortized cost						
Interest income on:						
Cash and cash equivalents and other short-term Investments (Note 6)	₱557,889,408	₱–	₱462,616,898	₱–	₱213,107,198	₱–
Provision for expected credit losses (Note 7)	(619,905,591)	–	(6,806,909)	(198,823,506)	–	–
	(₱62,016,183)	₱–	₱455,809,989	(₱198,823,506)	₱213,107,198	₱–
Financial assets at FVOCI						
Equity investments:						
Net income						
recognized in equity	₱–	₱54,257,294	₱–	₱54,066,942	₱–	(₱45,416,198)
Debt investments:						
Net loss recognized in equity	–	29,105,168	–	(18,677,436)	–	(5,956,179)
	₱–	₱83,362,462	₱–	₱35,389,506	₱–	(₱51,372,377)
Financial assets at FVPL						
Gain (loss) on financial asset at FVPL	₱119,487,988	₱–	(₱27,986,564)	₱–	₱15,002,234	₱–
Derivatives designated as cash flow hedges						
Fair value adjustments on hedging transactions	₱24,298,301	(₱549,485,584)	(₱37,706,790)	₱125,530,596	₱1,099,528	(₱23,917,504)
Financial liabilities at amortized cost						
Interest expense on: (Note 25):						
Long-term debts, including amortization of transaction costs	(₱3,797,715,772)	₱–	(₱4,031,570,239)	₱–	(₱4,072,124,917)	₱–
Lease liabilities	(23,709,184)	–	–	–	–	–
	(₱3,821,424,956)	₱–	(₱4,031,570,239)	₱–	(₱4,072,124,917)	₱–

Derivative Financial Instruments

The Company engages in derivative transactions, particularly foreign currency swaps, cross currency swaps, interest rate swaps and call spread swaps to manage its foreign currency risk and/or interest rate risk arising from its foreign-currency denominated loans. These derivatives are accounted for either as derivatives designated as accounting hedges or derivatives not designated as accounting hedges.



The table below shows the derivative financial instruments of the Company:

	2019		2018	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivatives designated as accounting hedges				
Call spread swaps	₱42,868,670	₱21,112,008	₱53,350,394	₱7,393,005
Interest rate swaps	87,930	259,938,512	130,822,231	–
Total derivatives	₱42,956,600	₱281,050,520	₱184,172,625	₱7,393,005
Presented as:				
Current	₱7,281	₱21,523,571	₱8,928,520	₱–
Noncurrent	42,949,319	259,526,949	175,244,105	7,393,005
Total derivatives	₱42,956,600	₱281,050,520	₱184,172,625	₱7,393,005

Derivatives Designated as Accounting Hedges

A. Cross Currency Swap Contracts

In 2012, the Parent Company entered into six (6) non-deliverable cross-currency swap (NDCCS) agreements with an aggregate notional amount of US\$65.00 million. These derivative contracts are designed to partially hedge the foreign currency and interest rate risks on the Parent Company's Refinanced Syndicated Term Loan (Hedged Loan) that is benchmarked against US LIBOR and with flexible interest reset feature that allows the Parent Company to select what interest reset frequency to apply (i.e., monthly, quarterly or semi-annually) [see Note 17]. As it is the Parent Company's intention to reprice the interest rate on the Hedged Loan quarterly, the Parent Company utilizes NDCCS with quarterly interest payments and receipts.

In 2014, the Parent Company entered into additional six (6) NDCCS with aggregate notional amount of US\$45.0 million to further hedge its foreign currency risks and interest rate risks arising from the Hedged Loan.

Effectively, the twelve (12) NDCCS converted 62.86% of Hedged Loan into a fixed-rate peso loan.

Under the NDCCS agreements, the Parent Company receives floating interest based on 3-month US LIBOR plus 175 basis points and pays fixed peso interest. On specified dates, the Parent Company also receives specified USD amounts in exchange for specified peso amounts based on the agreed swap rates. These USD receipts correspond with the expected interest and fixed principal amounts due on the Hedged Loan.

Pertinent details of the NDCCS are as follows:

Notional amount (in millions)	Trade Date	Effective Date	Maturity Date	Swap rate	Fixed rate	Variable rate
US\$15.00	03/26/12	03/27/12	06/17/17	₱43.05	4.87%	3-month LIBOR + 175 bps
10.00	04/18/12	06/27/12	06/17/17	42.60	4.92%	3-month LIBOR + 175 bps
10.00	05/03/12	06/27/12	06/17/17	42.10	4.76%	3-month LIBOR + 175 bps
10.00	06/15/12	06/27/12	06/17/17	42.10	4.73%	3-month LIBOR + 175 bps
10.00	07/17/12	09/27/12	06/17/17	41.25	4.58%	3-month LIBOR + 175 bps
10.00	10/29/12	12/27/12	06/17/17	41.19	3.44%	3-month LIBOR + 175 bps
7.50	05/14/14	06/27/14	06/17/17	43.62	3.80%	3-month LIBOR + 175 bps
7.50	05/14/14	06/27/14	06/17/17	43.57	3.80%	3-month LIBOR + 175 bps

(Forward)



Notional amount (in millions)	Trade Date	Effective Date	Maturity Date	Swap rate	Fixed rate	Variable rate
7.50	06/09/14	06/27/14	06/17/17	₱43.55	3.60%	3-month LIBOR + 175 bps
7.50	06/09/14	06/27/14	06/17/17	43.55	3.60%	3-month LIBOR + 175 bps
7.50	07/10/14	9/27/14	06/17/17	43.29	3.50%	3-month LIBOR + 175 bps
7.50	07/09/14	9/27/14	06/17/17	43.37	3.68%	3-month LIBOR + 175 bps

The maturity date of the twelve (12) NDCCS coincides with the maturity date of the Hedged Loan.

All NDCCS were settled on June 17, 2017.

Hedge Effectiveness Results

As of December 31, 2019 and 2018, the fair value of the outstanding NDCCS amounted to nil. Since the critical terms of the Hedged Loan and NDCCS match, the Company recognized the aggregate fair value changes on these NDCCS under “Fair Value Adjustment on Hedging Transaction” account in the consolidated statements of financial position.

B. Interest Rate Swap Contracts

In the last quarter of 2014, EBWPC entered into four (4) interest rate swaps (IRS) with aggregate notional amount of US\$150 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt Facility (Foreign Facility) that is benchmarked against US LIBOR and with flexible interest reset feature that allows EBWPC to select what interest reset frequency to apply (i.e., monthly, quarterly or semi-annually) [see Note 17]. As it is EBWPC’s intention to reprice the interest rate on the Foreign facility semi-annually, EBWPC utilizes IRS with semi-annual interest payments and receipts. In the first quarter of 2016, EBWPC entered into three (3) IRS with aggregate notional amount of US\$30 million.

Under the IRS agreement, EBWPC will receive semi-annual interest of 6-month USD-LIBOR and will pay fixed interest. EBWPC designated the IRS as hedging instruments in cash flow hedge against the interest rate risks arising from the Foreign Facility.

Pertinent details of the IRS are as follows:

Notional amount (in million)	Trade Date	Effective Date	Maturity Date	Fixed rate	Variable rate
US\$48.67	10/20/14	12/15/14	10/23/29	2.635%	6-month LIBOR
31.40	10/20/14	12/15/14	10/23/29	2.635%	6-month LIBOR
30.62	10/20/14	12/15/14	10/23/29	2.635%	6-month LIBOR
14.72	02/12/16	06/15/16	10/23/29	1.825%	6-month LIBOR
7.07	12/11/14	12/15/14	10/23/29	2.508%	6-month LIBOR
4.91	02/12/16	06/15/16	10/23/29	1.825%	6-month LIBOR
4.91	02/12/16	06/15/16	10/23/29	1.825%	6-month LIBOR

The maturity date of the seven (7) IRS coincides with the maturity date of the Foreign Facility.

As of December 31, 2019 and 2018, the outstanding aggregate notional amount of EBWPC’s IRS amounted to US\$142.3 million and US\$152.7 million, respectively. The aggregate fair value changes on these IRS amounted to ₱446.9 million loss and ₱102.6 million gain as of December 31, 2019 and 2018, respectively.



Hedge Effectiveness Results

As of December 31, 2019 and 2018, the fair value of the outstanding IRS amounted to (P259.9 million) and P130.8 million, respectively. Since the critical terms of the Foreign Facility and IRS match, EBWPC recognized the aggregate fair value changes on these IRS under “Fair Value Adjustment on Hedging Transactions” account in the consolidated statements of financial position.

C. Call Spread Swap Contracts

In July 2017, the Parent Company entered into four (4) CSS with an aggregate notional amount of US\$25.0 million.

In January 2018, the Parent Company entered into two (2) additional CSS with an aggregate notional amount of US\$10.0 million and another two (2) CSS in August 2018 with an aggregate notional amount of US\$20.0 million. An additional two (2) CSS was entered by the Parent Company in November 2018 with an aggregate amount of US\$10.0 million.

These derivative contracts are designated to hedge the possible foreign exchange loss of its \$181.1 million notes.

The aggregate fair value change of these call spread contracts amounted to P46.0 million as of December 31, 2019.

Hedge Effectiveness Results

As of December 31, 2019, the fair value of the outstanding CSS amounted to P21.8 million. Since the critical terms of the CSS match, EDC recognized the aggregate fair value changes on these under “Derivative gains (losses)” account in the consolidated statements of income.

The net movement of fair value changes made to “Fair value adjustments on hedging transactions” account for the Company’s cash flow hedges is as follows:

	2019	2018
Balances at beginning of year	P102,599,039	(P22,931,557)
Changes in fair value	(610,240,087)	117,983,747
	(507,641,048)	95,052,190
<i>Transferred to consolidated statements of income</i>		
Interest expense	16,102,355	(31,699,820)
	16,102,355	(31,699,820)
Balances before tax	(491,538,693)	63,352,370
Tax	44,652,148	39,246,669
Balances at end of year	(P446,886,545)	P102,599,039



Fair Value Changes of Derivatives

The table below summarizes the net movement in fair values of the Company's derivatives as of December 31, 2019 and 2018.

	2019	2018
Balances at beginning of year	₱176,779,620	₱80,851,574
Net changes in fair value of derivatives designated as accounting hedges	(430,975,895)	127,627,866
	(430,975,895)	127,627,866
Fair value of settled instruments:		
Designated as accounting hedges	16,102,355	(31,699,820)
Not designated as accounting hedges	—	—
	16,102,355	(31,699,820)
Balances at end of year	(₱238,093,920)	₱176,779,620
Presented as:		
Derivative assets	₱42,956,600	₱184,172,625
Derivative liabilities	(281,050,520)	(7,393,005)
	(₱238,093,920)	₱176,779,620

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to comply with its financial loan covenants and support its business operations. Core capital includes long-term debt and equity.

The Company manages and makes adjustment to its capital structure as it deems necessary. To maintain or adjust its capital structure, the Company may increase the levels of capital contributions from its creditors and owners/shareholders through debt and new shares issuance, respectively. No significant changes have been made in the objectives, policies and processes of the Company in 2019, 2018 and 2017.

The Company monitors capital using the debt ratio, which is long-term debt divided by long-term debt plus equity. The Company's policy is to keep the debt ratio at not more than 70%. The Company's long-term debt include both the current and long-term portions of long-term debts. Equity includes all items presented in the equity section of the consolidated statements of financial position.

The table below shows the total capital considered by the Company and its debt ratio as of December 31, 2019 and 2018.

	2019	2018
Long-term debts	₱55,650,386,141	₱65,802,722,675
Total equity	59,805,016,150	56,237,287,981
Total	₱115,455,402,291	₱122,040,010,656
Debt ratio	48.20%	53.92%

As of December 31, 2019 and 2018, the Company is able to meet its capital management objectives.



32. Commitments and Contingencies

Stored Energy

In 1996 and 1997, the Parent Company entered into Addendum Agreements to the PPA related to the Unified Leyte power plants where any excess generation above the nominated energy or take-or-pay volume will be credited against payments made by NPC for the periods it was not able to accept electricity delivered by EDC (see Note 21). As of December 31, 2019 and 2018, the commitment for stored energy is equivalent to 4,326.6 GWH.

Lease Commitments (Applicable prior to adoption of PFRS 16; see Note 2)

Future minimum lease payments under the operating leases as of December 31, 2018 are as follows (amounts in millions):

	2018
Within one year	₱125.5
After one year but not more than five years	230.4
Total	₱355.9

The Company's lease commitments pertain mainly to office space and warehouse rentals.

On December 23, 2015, the Company entered into an agreement for the lease of office space with Rockwell Land Corporation for a period of five (5) years effective from July 1, 2015 to June 30, 2020. Also, on December 19, 2016, the Company renewed its lease agreement with Amberland Corporation for the lease of office and parking spaces for a period of five (5) years from December 1, 2016 to November 30, 2021.

Rent expense included in "Cost of sale of electricity" and "General and administrative expenses" amounted to ₱349.6 million and ₱352.5 million in 2018 and 2017, respectively (see Notes 22 and 23).

Company as a Lessee (Applicable upon adoption of PFRS 16; see Note 2)

The Company has lease contracts for office, parking spaces and warehouses.

The Company has certain leases of assets with lease term of twelve (12) months or less and leases of assets under low value. The Company applies the short term lease and lease of low value assets recognition exemption for these leases (see Note 2).

Set out below are the carrying amounts of lease liabilities and the movements during 2019:

As at January 1	₱453,600,207
Additions	298,764,073
Interest on lease liability	23,709,184
Adjustments	(50,041,779)
Payments	(313,075,997)
As at December 31	412,955,688
Current	133,165,920
Noncurrent	₱279,789,768

The maturity analysis of lease liabilities is discussed in Note 31.



The following amounts are recognized in 2019 profit or loss:

Depreciation expense for right-of-use assets	₱149,873,730
Expense relating to short-term leases and low value assets	85,613,207
Variable lease payments	137,658,776
<u>Total amount recognized in profit or loss</u>	<u>₱373,145,713</u>

The Company had total cash outflows for leases of office, parking spaces and warehouses amounting to ₱313.1 million in 2019.

Purchase Commitments

Total purchase commitments as of December 31, 2019 and 2018 amounted to ₱5,487.4 million and ₱2,295.8 million, respectively. These are expected to be settled in the succeeding financial years.

Income from Insurance Claims

Property damages

In 2019, 2018 and 2017, the Company recognized income from insurance claims totaling to ₱615.6 million, ₱2,307.0 million, and ₱643.5 million, respectively, relating to property damages caused by calamities such as the Leyte earthquake, and numerous typhoons which include but are not limited to Typhoon Urduja, Yolanda, Seniang, Amang, Glenda and Lawin.

Business interruptions

In 2019, the Company recognized income from insurance claims totaling to ₱1,647.8 million relating to business interruptions caused by calamities and various events, which include but are not limited to Typhoon Yolanda, Typhoon Glenda and machinery breakdowns. No similar income was recognized in 2018 and 2017. As of December 31, 2019, outstanding insurance receivable amounted to ₱1,296.2 million which is included in “Non-trade accounts receivable” under “Trade and other receivables” (see Note 7).

Income from insurance claims are presented under “Other income (charges)” in profit or loss.

Legal Claims

The Company is contingently liable for lawsuits or claims filed by third parties, including labor related cases, which are pending decision by the courts, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual total liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements (see Notes 3 and 18).

33. Geothermal Service Concession Contracts

Geothermal Service Contracts

Under P.D. 1442, all geothermal resources in public and/or private lands in the Philippines, whether found in, on or under the surface of dry lands, creeks, rivers, lakes, or other submerged lands within the waters of the Philippines, belong to the State, inalienable and imprescriptible, and their exploration, development and exploitation. Furthermore, the Government may enter into service contracts for the exploration, development and exploitation of geothermal resources in the Philippines.



Pursuant to P.D. 1442, the Parent Company had entered into the following Geothermal Service Contracts (GSCs) with the Government of the Republic of the Philippines (represented by the DOE) for the exploration, development and production of geothermal fluid for commercial utilization:

- a. Tongonan, Leyte, dated May 14, 1981
- b. Southern Negros, dated October 16, 1981
- c. Bac-Man, Sorsogon, dated October 16, 1981
- d. Mt. Apo, Kidapawan, Cotabato, dated March 24, 1992
- e. Mt. Labo, Camarines Norte and Sur, dated March 19, 1994
- f. Northern Negros, dated March 24, 1994
- g. Mt. Cabalian, Southern Leyte, dated January 13, 1997

The exploration period under the service contracts shall be five (5) years from the effective date, renewable for another two (2) years if the Parent Company has not been in default in its exploration, financial and other work commitments and obligations and has provided a work program for the extension period acceptable to the Government. Where geothermal resource in commercial quantity is discovered during the exploration period, the service contracts shall remain in force for the remainder of the exploration period or any extension thereof and for an additional period of 25 years thereafter, provided that, if the Parent Company has not been in default in its obligations under the contracts, the Government may grant an additional extension of 15 to 20 years.

Under P.D. 1442, the right granted by the Government to the Parent Company to explore, develop, and utilize the country's geothermal resource is subject to sharing of net proceeds with the Government. The net proceeds is what remains after deducting from the gross proceeds the allowable recoverable costs, which include development, production and operating costs. The allowable recoverable costs shall not exceed 90% of the gross proceeds. The Parent Company pays 60% of the net proceeds as government share and retains the remaining 40%. The 60% government share is comprised of government share and income taxes. The government share is split between the DOE (60%) and the LGUs (40%) where the project is located.

Geothermal Renewable Energy Service Contracts and Geothermal Operating Contracts

R.A. 9513, otherwise known as the Renewable Energy Act of 2008 (RE Law) and which became effective in January 2009, mandates the conversion of existing GSCs under P.D. 1442 into Geothermal Renewable Energy Service Contracts (GRESCs) so companies may avail of the incentives under the RE Law. Aside from the tax incentives, the significant terms of the service concessions under the GRESCs are similar to the GSCs except that the Parent Company has control over any significant residual interest over the steam fields, power plants and related facilities throughout the concession period and even after the concession period.

On September 10, 2009, the Parent Company was granted the Provisional Certificate of Registration as an RE Developer for the following existing projects: (1) GSC No. 01 - Tongonan, Leyte, (2) GSC No. 02 - Palinpinon, Negros Oriental, (3) GSC No. 03 - Bacon-Manito, Sorsogon/Albay, (4) GSC No. 04 - Mt. Apo, North Cotabato, and (5) GSC No. 06 - Northern Negros. With the receipt of the certificates of provisional registration as geothermal RE Developer, the fiscal incentives of the RE Law were availed of by the Parent Company retroactive from the effective date of such law on January 30, 2009. Fiscal incentives include, among others, change in the applicable corporate tax rate from 30% to 10% for RE-registered activities.



The GSCs were fully converted to GRESCs upon signing of the parties on October 23, 2009, thereby the Company is now the holder of five (5) GRESCs and the corresponding DOE Certificate Registration as an RE Developer for the following geothermal projects:

- 1) GRESC 2009-10-001 for Tongonan Geothermal Project
- 2) GRESC 2009-10-002 for Southern Negros Geothermal Project
- 3) GRESC 2009-10-003 for Bacon-Manito Geothermal Project
- 4) GRESC 2009-10-004 for Mt. Apo Geothermal Project
- 5) GRESC 2009-10-005 for Northern Negros Geothermal Project

On February 19, 2010, the Parent Company's GSC in Mt. Labo in Camarines Norte and Sur were converted to GRESC 2010-02-020. On March 24, 2010, the DOE issued to the Parent Company a new GRESC for Mainit Geothermal Project under DOE Certificate of Registration No. GRESC 2010-03-021.

The remaining service contract of the Parent Company covered by P.D. 1442 as of December 31, 2013 is the Mt. Cabalian in Southern Leyte. In 2014, after thorough assessment, the Parent Company surrendered to the Department of Energy the Geothermal Service Contract covering the Southern Leyte Geothermal Project located in Cabalian, Southern Leyte. The Parent Company has found the project not viable considering the size of the resource and the risk associated with the development and sustainability thereof.

EDC also holds geothermal resource service contracts, each with a five-year pre-development period expiring in 2017 and a 25-year contract period expiring between 2037 and 2040, for the following prospect areas:

- 1) Mt. Zion 2 Geothermal Project
- 2) Amacan Geothermal Project

In 2019, the exploration and evaluation costs incurred for Balingasag amounting to ₱2.5 million was assessed by management to be no longer recoverable. Accordingly, the book value of the exploration and evaluation asset was directly written off.

Also in 2017, the exploration and evaluation costs incurred for Mt. Ampiro, Lakewood and certain foreign exploration projects totaling to ₱38.5 million were directly written off, due to issues on productivity and sustainability of geothermal resources in the area (see Notes 3, 14 and 27).

Under the GRESCs, the Parent Company pays the government share equivalent to 1.5% of the gross income from the sale of geothermal steam produced and such other income incidental to and arising from generation, transmission, and sale of electric power generated from geothermal energy within the contract areas (see Note 16). Under the GRESCs, gross income derived from business is an amount equal to gross sales less sales returns, discounts and allowances, and cost of goods sold. Cost of goods sold includes all business expenses directly incurred to produce the steam used to generate power under a GRESC.



The RE Law also provides that the exclusive right to operate geothermal power plants shall be granted through a Renewable Energy Operating Contract with the Philippine Government through the DOE. On May 8, 2012, EDC, through its subsidiaries GCGI and BGI secured three (3) Geothermal Operating Contracts (GOCs), each with a 25-year contract period expiring in 2037 and renewable for another 25 years, covering the following power plant operations:

- 1) Tongonan Geothermal Power Plant under DOE Certificate of Registration
No. GOC 2012-04-038
- 2) Palinpinon Geothermal Power Plant under DOE Certificate of Registration
No. GOC 2012-04-037
- 3) Bacon-Manito Geothermal Power Plant under DOE Certificate of Registration
No. GOC 2012-04-039

Total outstanding government share and the related expense are shown in Notes 16 and 22 to the consolidated financial statements, respectively.

34. Wind Energy Service Contracts and Solar Energy Service Contract

Wind Energy Service Contracts

On September 14, 2009, the Parent Company entered into WESC 2009-09-004 with the DOE granting the Parent Company the right to explore and develop the Burgos Wind Project for a period of 25 years from the effective date. The pre-development stage under the WESC shall be two years extendible for another year if the Parent Company has not been in default in its exploration or work commitments and has provided a work program for the extension period upon confirmation by the DOE. Within the pre-development stage, the Parent Company shall undertake exploration, assessment and other studies of wind resources in the contract area. Upon declaration of commerciality, as confirmed by the DOE, the WESC shall remain in force for the balance of the 25-year period for the development/commercial stage.

The DOE shall approve the extension of the WESC for another 25 years under the same terms and conditions, provided the Parent Company is not in default of any material obligations under the contract and has submitted a written notice to the DOE for the extension of the contract not later than one year prior to the expiration of the original 25-year period. Further, the WESC provides that all materials, equipment, plant and other installations erected or placed on the contract area by the Parent Company shall remain the property of the Parent Company throughout the term of the contract and after its termination.

On May 26, 2010, the BOD of EDC approved the assignment and transfer to EBWPC of all the contracts, assets, permits and licenses relating to the establishment and operation of the Burgos Wind Power Project under DOE Certificate of Registration No. WESC 2009-09-004. On May 16, 2013, EBWPC was granted a Certificate of Confirmation of Commerciality by the DOE.



As of December 31, 2019, the Company holds 10 WESCs with the DOE with a 25-year contract period. The WESCs cover the following:

Projects	DOE Certificates of Registration
1) 150 MW Wind Project in Burgos, Ilocos Norte	WESC 2009-09-004 (expiring in 2034)
2) 84 MW Wind Project in Pagudpud, Ilocos Norte	WESC 2010-02-040 (expiring in 2035)
3) Burgos 1 Wind Project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
4) Burgos 2 Wind Project in Burgos, Ilocos Norte	WESC 2013-12-064 (expiring in 2038)
5) Matnog 1 Wind Project in Matnog and Magdalena, Sorsogon	WESC 2014-07-075 (expiring in 2039)
6) Matnog 2 Wind Project in Matnog, Sorsogon	WESC 2014-07-076 (expiring in 2039)
7) Matnog 3 Wind Project in Matnog, Sorsogon	WESC 2014-07-077 (expiring in 2039)
8) Iloilo 1 Wind Project in Batad and San Dionisio, Iloilo	WESC 2014-07-078 (expiring in 2039)
9) Burgos 3 Wind Project in Burgos and Pasuquin, Ilocos Norte	WESC 2015-09-085 (expiring in 2040)
10) Burgos 4 Wind Project in Burgos, Ilocos Norte	WESC 2015-09-086 (expiring in 2040)

Solar Energy Service Contracts

As of December 31, 2019, the Parent Company holds two (2) SESC with the DOE with a 25-year contract period. Four (4) other SESC had already been surrendered, but still awaiting confirmation from the Department. The SESC cover the following:

Projects	DOE Certificates of Registration
1) 6.82 MW Burgos Solar Project in Burgos, Ilocos Norte	SESC No. 2014-07-088 (expiring in 2039)
2) President Roxas Solar Project in President Roxas, North Cotabato**	SESC No. 2015-03-114 (expiring in 2040)
3) Kilada - Matalam Solar Project in Matalam, North Cotabato*	SESC No. 2015-03-119 (expiring in 2040 and renewable for another 25 years)
4) Bogo Solar Project in Bogo, Cebu***	SESC No. 2015-06-234 (expiring in 2040 and renewable for another 25 years)
5) Iloilo Solar Project in Iloilo City****	SESC No. 2016-06-306 (expiring in 2041 and renewable for another 25 years)
6) Gaisano Iloilo, Iloilo City Solar Rooftop Project*	SESC No. 2016-11-352 (expiring in 2042 and renewable for another 25 years)

* SESC assigned to EDC Siklab Power Corporation (EDC Siklab)

** Cancellation letter has been submitted with DOE dated March 2016, awaiting confirmation reply.

*** Cancellation letter has been submitted with DOE dated July 2017, awaiting confirmation reply.

**** Cancellation letter has been submitted with Department of Energy (DOE) dated August 2018, awaiting confirmation reply

35. FG Hydro's Contracts and Agreements

Operation and Maintenance Agreement (O&M Agreement)

In 2006, FG Hydro entered into an O&M Agreement with NIA, with the conformity of the NPC. Under the O&M Agreement, NIA will manage, operate, maintain and rehabilitate the Non-Power Components of the PAHEP/MAHEP in consideration for a service fee based on actual cubic meter of water used by FG Hydro for power generation.

In addition, FG Hydro will provide for a Trust Fund amounting to ₱100.0 million within the first two (2) years of the O&M Agreement. The amortization for the Trust Fund is payable in 24 monthly payments starting November 2006 and is billed by NIA in addition to the monthly service fee. The Trust Fund has been fully funded since October 2008.



The O&M Agreement is effective for a period of 25 years commencing on November 18, 2006 and renewable for another 25 years under the terms and conditions as may be mutually agreed upon by both parties.

Total service fees incurred amounted to ₱116.4 million, ₱116.4 million and ₱108.0 million in 2019, 2018 and 2017, respectively, and are included under the “Cost of sale of electricity” account in the consolidated statements of income, specifically “Purchased services and utilities” account (see Note 22).

Memorandum of Agreement (MOA)

PSALM entered into a MOA with the Protected Area Management Board (PAMB). Under the MOA, PAMB granted FG Hydro the right to use the Masiway land, where the MAHEP power plant is situated in consideration for an annual user’s fee. The MOA will be effective for 25 years and renewable for a similar period subject to terms and conditions as may be mutually agreed upon by both parties.

FG Hydro incurred annual user’s fee amounting to ₱0.1 million in 2019, 2018 and 2017. The user’s fee is included under “General and administrative expenses” account in profit or loss, specifically “Rental, insurance and taxes” account (see Note 23).

Memorandum of Agreement with NGCP (MOA with NGCP)

FG Hydro entered into a MOA with NGCP on August 31, 2011 for the performance of services on the operation of the PAHEP 230 kV switchyard and its related appurtenances (Switchyard).

The MOA with NGCP expired on August 31, 2016 after which the Company continued to perform services on the operation of the Switchyard until the signing of a new contract.

A new MOA, effective for a period of five (5) years upon signing by the parties, was signed with NGCP on January 20, 2020. The MOA is renewable for another three (3) years under such terms and conditions as may be agreed by the parties.

NGCP shall pay FG Hydro a monthly fixed fee amounting to 0.1 million and monthly variable charges representing energy consumed at the Switchyard.

Power Supply Agreement with Manila Electric Company (PSA with Meralco)

On September 16, 2019, FG Hydro signed a PSA with Manila Electric Company for the supply of 100 MW mid-merit capacity. The contract is for a period of for five (5) years commencing on December 26, 2019.

As of March 2, 2020, the PSA is currently awaiting the approval of the ERC.

36. Vestas Operation and Maintenance Agreement

In March 2013, the Company entered into an agreement with Vestas Wind Systems (Vestas) for the construction of its 87 MW Burgos Wind Project (Phase 1), located in the Municipality of Burgos, Ilocos Norte. The project comprises three components: (i) the establishment of a wind farm facility; (ii) a 115kV transmission line; and (iii) a substation adjacent to the wind farm. On April 30, 2014, the Company and Vestas have entered into another contract for the construction and installation of an additional 21 wind turbines (Phase 2) increasing the total generating capacity from 87 MW to 150 MW.



EBWPC will operate and maintain the wind farm under a 10-year operations and maintenance agreement with Vestas. The Vestas O&M contract is a service and energy-based availability agreement based on Vestas' Active Output Management 5000 product. The agreement is a full-scope maintenance contract covering both scheduled and unscheduled maintenance with an energy-based availability on the wind turbines. The agreement covers the wind turbines, wind farm electrical balance-of-plant systems, the wind turbine yaw back-up generators and the Burgos Substation as opposed to a traditional O&M contract that provides a guarantee that the turbines in a wind power plant are operational for a defined period of time on an annual basis (referred to as time-based availability), the AOM 5000 model provides an energy-based guarantee, which encourages the contractor to ensure that the turbines are fully operational when the wind is blowing.

37. Renewable Energy Payment Agreement

Under Section 2.2 of the ERC Resolution No. 24, Series of 2013, *A Resolution Adopting the Guidelines on the Collection of the FIT Allowance (FIT-All) and the Disbursement of the FIT-All Fund* (the FIT-All Guidelines), all eligible renewable energy (RE) plant shall enter into a Renewable Energy Payment Agreement (REPA) with TransCo for the payment of the FIT.

Pursuant to the FIT-All Guidelines, EBWPC entered into a REPA with TransCo for its Burgos Wind Power Plants. The REPA became effective after all the documents enumerated in Section 3.1 of the REPA have been submitted to and certified complete by TransCo. Included in those required documents is the FIT COC issued by the ERC on April 13, 2015.

The ERC granted on April 13, 2015 the FIT COC for the Burgos Wind Project - Phase I and II, which specifies that the project is entitled to the FIT rate of ₱8.53 per kilowatt-hour (kWh), subject to adjustments as may be approved by the ERC, from November 11, 2014 to November 10, 2034.

Similarly, on April 24, 2015, the Parent Company entered into a REPA for its 4.16 MW Solar Power Plants with TransCo.

In accordance with the REPA, all actual RE generation from the commercial operations date (COD) until the effective date of the REPA (effective date) were billed to and collected from the Philippine Electricity Market Corporation (PEMC) at market price.

After the effective date of the REPA, billings for all actual RE generation have been submitted directly to and collected from TransCo at the applicable FIT rates as approved by the ERC. In addition, the actual FIT differential from the COD until the effective date were also billed to TransCo over the number of months which lapsed during that period.



38. Changes in Liabilities Arising from Financing Activities

	January 1, 2019	Cash flows	Foreign exchange movements	Others	December 31, 2019
Current and noncurrent portion of long-term debts (Note 17)	₱65,802,722,675	(₱9,685,610,939)	(₱189,360,050)	(₱277,365,545)	₱55,650,386,141
Accrued interest on long-term debts	892,424,605	(3,735,637,571)	15,473,316	3,605,181,584	777,441,934
Lease liability	—	(313,075,997)	—	726,031,685	412,955,688
Acquisition of treasury stock (Notes 1 and 19)	—	(7,024,358)	—	7,024,358	—
Dividends paid (Note 19)	7,469,094	(3,700,822,352)	—	7,900,822,352	4,207,469,094
Total liabilities from financing activities	₱66,702,616,374	(₱17,442,171,217)	(₱173,886,734)	₱11,961,694,434	₱61,048,252,857

	January 1, 2018	Cash flows	Foreign exchange movements	Others	December 31, 2018
Current and noncurrent portion of long-term debts (Note 17)	₱65,042,677,923	(₱257,757,725)	₱845,363,968	₱172,438,509	₱65,802,722,675
Accrued interest on long-term debts	800,078,380	(3,777,281,398)	10,495,893	3,859,131,730	892,424,605
Issuance of common shares (Note 19)	—	2,365,312,500	—	(2,365,312,500)	—
Acquisition of treasury stock (Notes 1 and 19)	—	(14,566,031,050)	—	14,566,031,050	—
Dividends paid (Note 19)	7,469,094	(80,000,000)	—	80,000,000	7,469,094
Total liabilities from financing activities	₱65,850,225,397	(₱16,315,757,673)	₱855,859,861	₱16,312,288,789	₱66,702,616,374

Other includes effect of reclassification of noncurrent portion of long-term debts, amortization of debt issuance costs, write-off of unamortized debt issuance costs, declaration of dividends on preferred stocks that were not yet paid at the end of financial reporting date, and effect of accrued but not yet paid interest on long-term debts.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Energy Development Corporation
One Corporate Centre, Julia Vargas corner Meralco Avenues
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Energy Development Corporation (a subsidiary of Red Vulcan Holdings Corporation) and its subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated March 2, 2020. Our audits were made for the purpose of forming an opinion on the consolidated 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 the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-2 (Group A),
October 15, 2019, valid until October 14, 2022
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001998-103-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8125241, January 7, 2020, Makati City

March 2, 2020

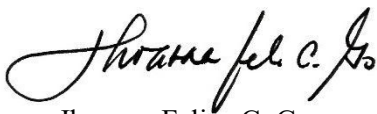


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Energy Development Corporation
One Corporate Centre, Julia Vargas corner Meralco Avenues
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Energy Development Corporation (a subsidiary of Red Vulcan Holdings Corporation) and its subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated March 2, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-2 (Group A),
October 15, 2019, valid until October 14, 2022
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November 7, 2019, valid until November 6, 2022
PTR No. 8125241, January 7, 2020, Makati City

March 2, 2020



ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2019

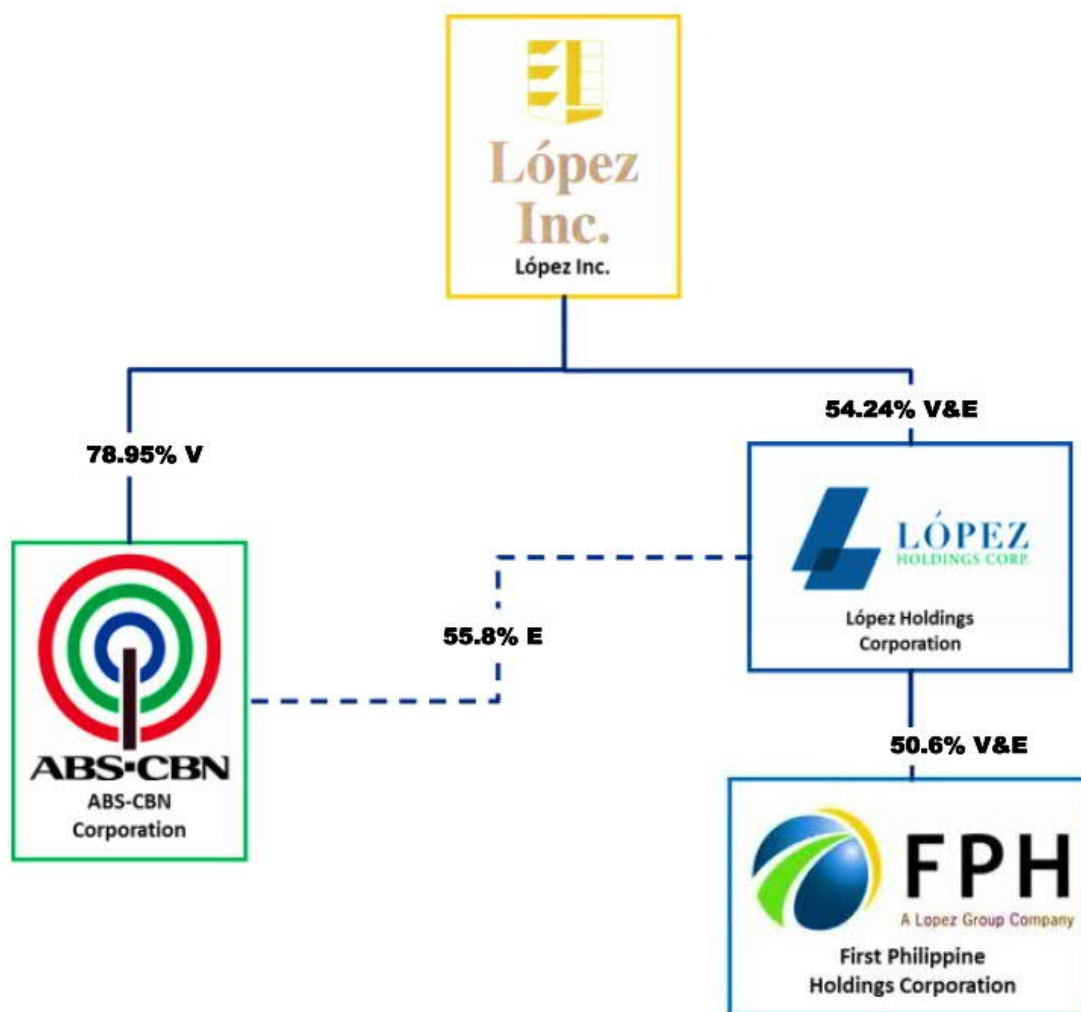
Schedule	Contents
<i>Index to the Consolidated Financial Statements</i>	
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsiidiaries
II	Reconciliation of Retained Earnings Available for Dividend Declaration
III	Financial Soundness Indicators
<i>Supplementary Schedules</i>	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

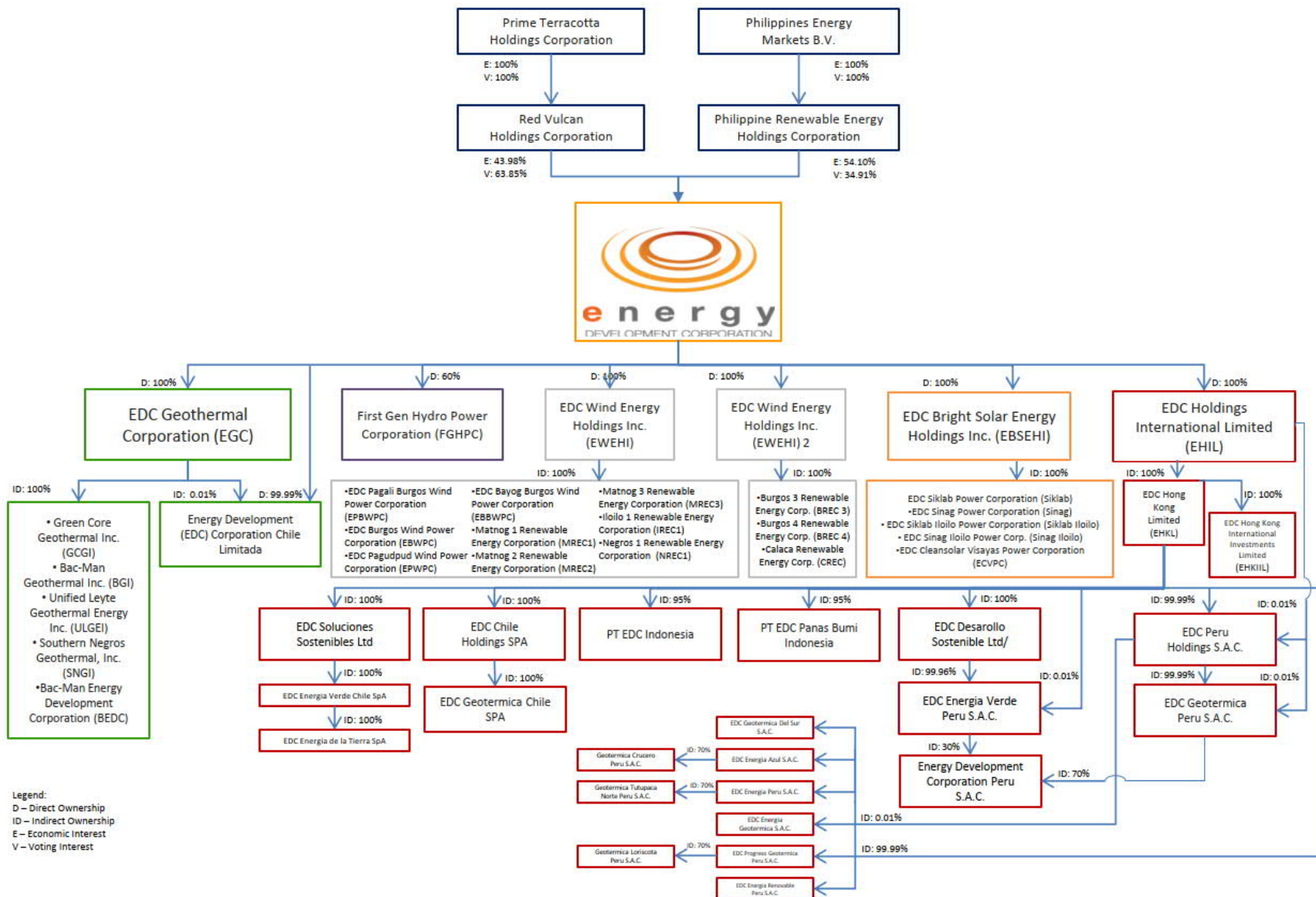
ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2019

Unappropriated retained earnings, as adjusted to available for dividend declaration, January 1, 2019		₱1,031,878,916
Net income in 2019 closed to Retained Earnings	12,257,527,660	
Add: Non-actual/unrealized income (net of tax)		
Unrealized foreign exchange gain	(306,212,957)	
Unrealized mark-to-market gain on fair value through profit or loss	(117,535,778)	
Fair value adjustments on derivatives	(24,298,301)	
Benefit from income tax	—	
Net income actually earned in 2019		11,809,480,624
Less: Appropriation of Retained Earnings during the period		6,698,000,000
Treasury shares		7,024,358
TOTAL RETAINED EARNINGS AVAILABLE FOR		
DIVIDEND DECLARATION, DECEMBER 31, 2019		₱6,136,335,182

LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES
MAP OF RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP
DECEMBER 31, 2019



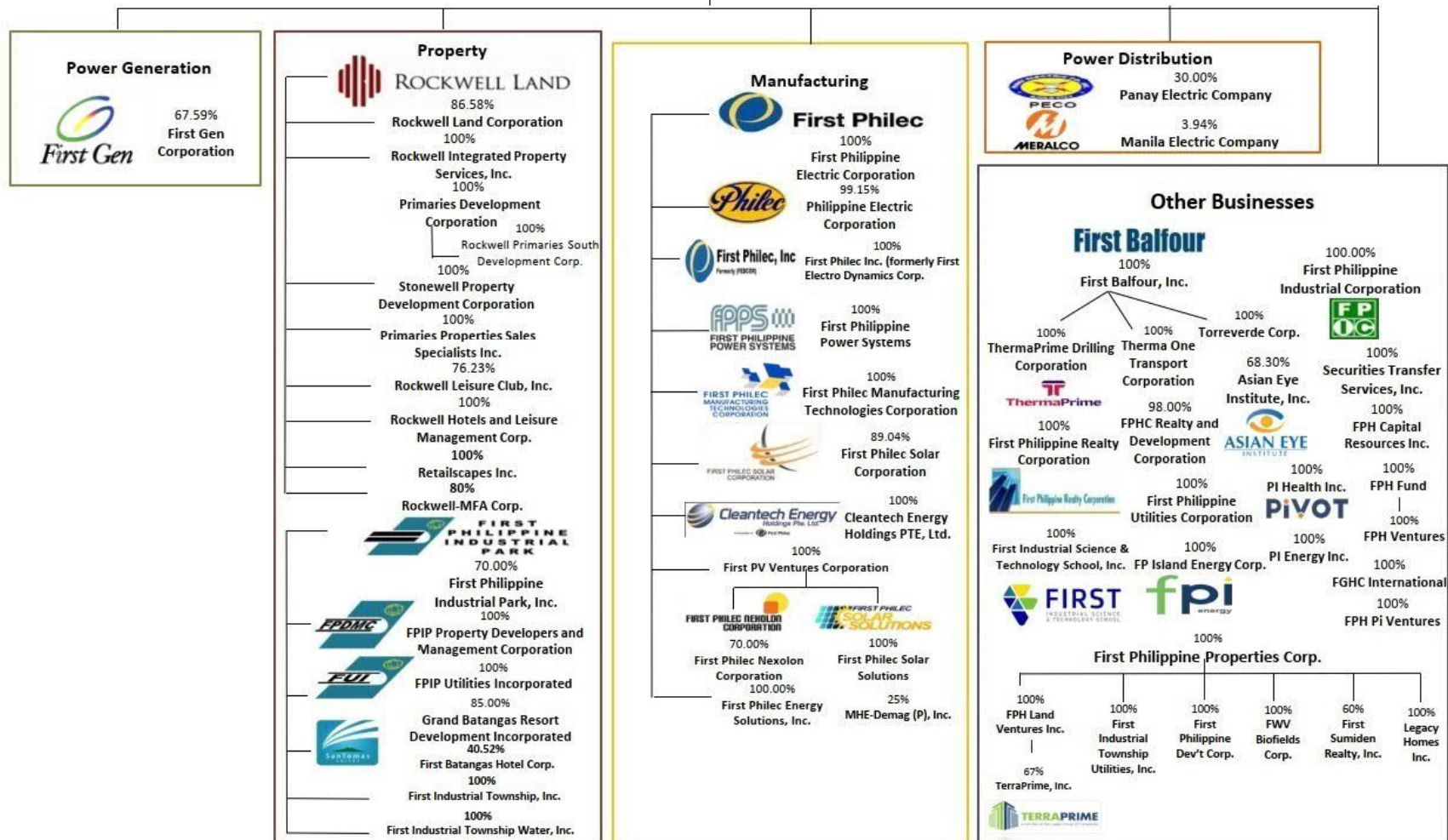


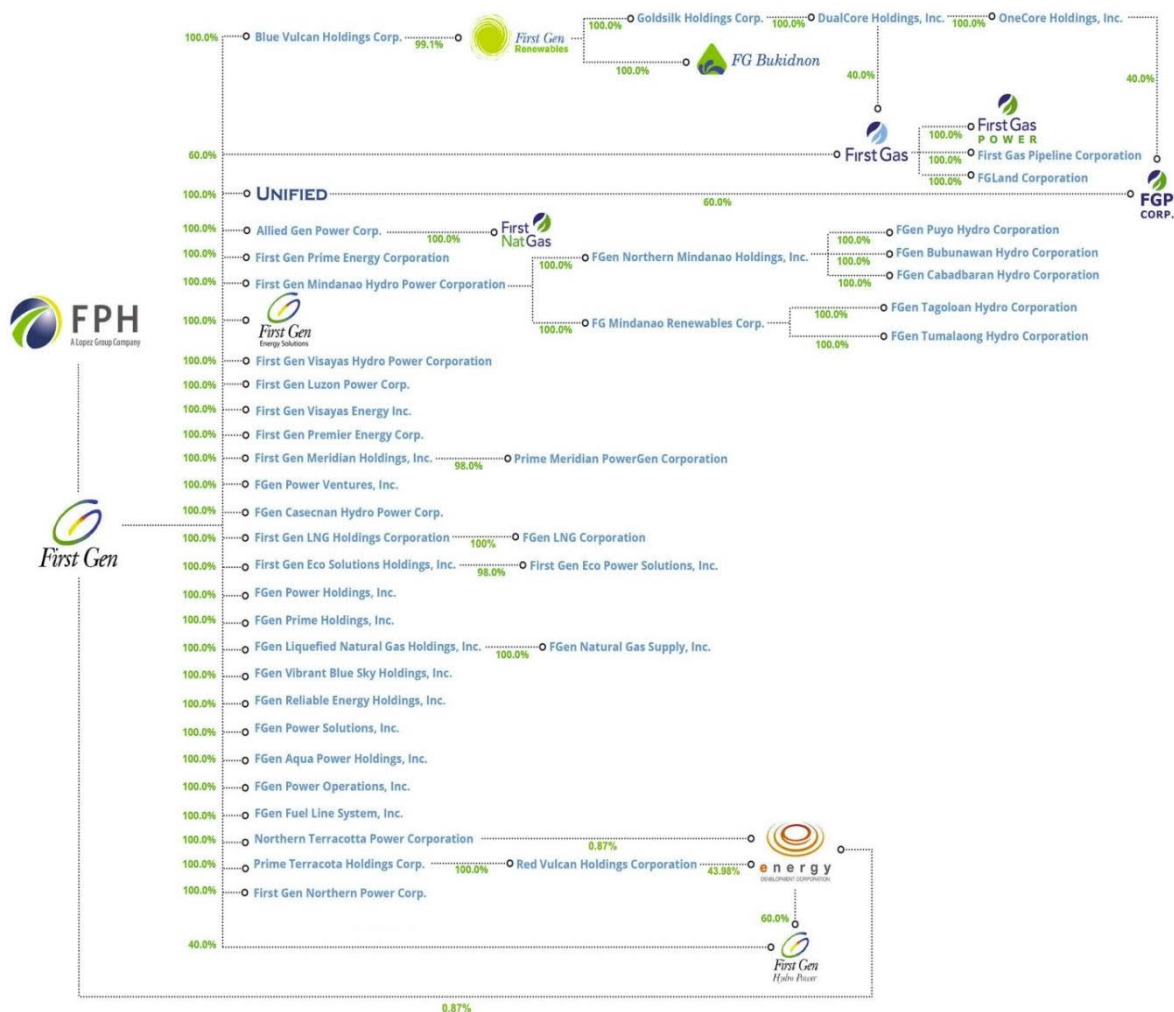


FIRST PHILIPPINE HOLDINGS CORP. AND SUBSIDIARIES
CORPORATE STRUCTURE
December 31, 2019



50.60%
First Philippine Holdings





Corporate Structure
is as of December 31, 2019

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Energy Development Corporation and Subsidiaries

Ratio	Formula	December 2019	December 2018
Current ratio	Dividing total current assets over total current liabilities	1.30	1.89
Solvency ratio	Dividing net income excluding depreciation and non-cash provisions over total debt obligations	0.34	0.24
Debt-to-equity ratio	Dividing total interest-bearing debts over stockholders' equity	0.93	1.17
Asset-to-equity ratio	Dividing total assets over total stockholders' equity	2.26	2.42
Interest rate coverage ratio	Dividing earnings before interest and taxes of one period over interest expense of the same period	3.89	3.14
Net debt-to-equity Ratio	Dividing total interest-bearing debts less cash and cash equivalents over total stockholders' equity	0.69	0.90
Return on equity (%)	Dividing the net income (annual basis) by total stockholders' equity (average)	21.29%	16.71%
Return on assets (%)	Dividing the net income (annual basis) by the total assets (average)	9.12%	7.02%

Exhibit 3

**ENERGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

**INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7**

Supplementary Schedules

- A. Financial Assets
- B. Amounts Receivable from Directors, Officers, Employees,
and Principal Stockholders (Other than Related Parties)
- C. Amounts Receivable from Related Parties which are Eliminated
during the Consolidation of Financial Statements
- D. Intangible Assets - Other Assets
- E. Long-Term Debt
- F. Indebtedness to Related Parties*
- G. Guarantees of Securities of Other Issuers*
- H. Capital Stock

* Not Applicable

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

As of December 31, 2019

FINANCIAL ASSETS	Name of Issuing Entity & association of each use	Amount shown in the balance sheet	Income received and accrued
Loans and receivables:			
Cash and cash equivalents	N/A	14,254,120,731	
Trade Receivables	N/A	6,621,933,201	
Due from related parties	N/A	32,112,916	
Loans and notes receivables	N/A	55,016,751	
Advances to employees	N/A	11,482,205	
Non-trade Accounts Receivables	N/A	1,493,982,259	
Long term receivables	N/A	113,100,417	
Debt Service Reserve Account	N/A	661,239,714	
Financial assets at FVOCI			
Equity Investments	First Gen	296,953,230	
Debt investments	RCBC Retail Treasury Bonds	94,013,600	
Debt investments	RCBC GT Capital Fixed Rate Bonds	35,097,580	
Debt investments	BDP Fixed Rate Treasury Note	27,900,750	
Equity Investments	Wack Wack Golf & Country Club Share	35,000,000	
Equity Investments	Alabang Country Club Share	14,200,000	
Equity Investments	Sta. Elena Golf Club Share	5,500,000	
Equity Investments	Baguio Country Club Share	4,500,000	
Equity Investments	Manila Southwoods Golf & Country Club Share	1,000,000	
Equity Investments	Canlubang Golf & Country Club Share	1,600,000	
Equity Investments	Club Filipino Share	350,000	
Equity Investments	Metropolitan Club Share	450,000	
Equity Investments	Orchard Golf & Country Club Share	650,000	
Equity Investments	Petron Corp.	68,036	
Equity Investments	Capitol Hills Golf & Country Club Share	200,000	
Financial asset at FVTPL	BDO Unit Investment Trust Fund	1,047,635	6,493,647
Derivative Assets	N/A	42,956,600	
TOTAL		23,804,475,625	6,493,647

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

As of December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Accounts Written-off	Current	Not Current	Balance at End of Period
Employees	87,606,831		(12,461,403)		75,145,428	-	75,145,428
Directors							
TOTAL							

Note: The Company keeps the information on the name & designation of employees and other details confidential. As per written agreement with the concerned employees, any outstanding balance at the time of retirement shall be deducted from the retirement benefit proceeds.

SCHEDULE C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As of December 31, 2019

Name of Subsidiary	Balance at January 1, 2019	Additions	Amounts Collected	Offsetting	Reclassification	Cumulative Translation Adjustment	Current	Non- Current	Amount Eliminated
Energy Development Corporation									
Bac-Man Energy Development Corporation	101,044.45	18,642.64	-	-	-	-	119,687.09	-	119,687.09
Bac-Man Geothermal Inc.	20,480.00	-	(1,840,710.33)	(99,727,718.24)	-	-	0.00	-	0.00
EDC Burgos Wind Power Corporation	-	34,750,013.64	-	(34,750,013.64)	-	-	0.00	-	0.00
EDC Geotermica Chile S.P.A.	18,003,880.94	-	-	-	-	-	18,003,880.94	-	18,003,880.94
EDC Hong Kong International Limited	42,000,000.00	-	-	-	(41,895,680.00)	-	104,320.00	-	104,320.00
EDC Hong Kong Limited	42,870.00	-	-	-	-	-	42,870.00	-	42,870.00
EDC Geothermal Corp.	9,197,604.89	6,018,247.64	-	(6,000,000.00)	-	-	9,215,852.53	-	9,215,852.53
EDC Sinag Iloilo Power Corporation	104,896.71	18,247.64	-	-	-	-	123,144.35	-	123,144.35
EDC Pagudpud Wind Power Corporation	1,462,697.42	2,609,193.64	-	-	-	-	4,071,891.06	-	4,071,891.06
EDC Wind Energy Holdings Inc.	2,325,687,370.31	141,375,186.63	(1,732,093,837.11)	(5,250.00)	(5,701.83)	-	734,957,768.00	-	734,957,768.00
First Gen Hyrdro Power Corporation	495,269.71	-	-	-	-	-	495,269.71	-	495,269.71
Green Core Geothermal Inc.	26,401,601.00	277,704,198.66	(26,401,600.84)	(277,704,198.66)	-	-	0.16	-	0.16
EDC Siklab Iloilo Power Corporation	101,532.19	18,107.64	-	-	-	-	119,639.83	-	119,639.83
PT EDC Indonesia	2,801,023.62	(0.00)	-	-	-	-	2,801,023.62	-	2,801,023.62
Southern Negros Geothermal, Inc.	100,331.41	18,247.64	-	-	-	-	118,579.05	-	118,579.05
Unified Leyte Geothermal Energy Inc.	769,921,113.00	1,757,880,623.00	-	(1,841,327,712.94)	5,703.81	-	686,479,726.87	-	686,479,726.87
EDC Geotermica Peru S.A.C.	680,380.82	-	-	-	-	-	680,380.82	-	680,380.82
EDC Chile Limitada	4,856,280.36	-	-	-	-	-	4,856,280.36	-	4,856,280.36
EDC Bright Solar Energy Holdings, Inc.	605,759.12	25,509.54	-	-	-	-	631,268.66	-	631,268.66
EDC Siklab Power Corporation	2,597.00	49,167.32	(2,597.00)	-	-	-	49,167.32	-	49,167.32
EDC Cleansolar Visayas Power Corporation	102,100.83	25,947.00	-	-	-	-	128,047.83	-	128,047.83
EDC Bayog Burgos Wind Power Corporation	98,750.82	25,927.14	-	-	-	-	124,677.96	-	124,677.96
EDC Pagali Burgos Wind Power Corporation	100,265.62	25,947.14	-	-	-	-	126,212.76	-	126,212.76
EDC Sinag Power Corporation	102,897.88	25,884.24	-	-	-	-	128,782.12	-	128,782.12
Iloilo 1 Renewable Energy Corporation	56,198.30	25,927.14	-	-	-	-	82,125.44	-	82,125.44
Matnog 1 Renewable Energy Corporation	49,249.30	25,927.14	-	-	-	-	75,176.44	-	75,176.44
Matnog 2 Renewable Energy Corporation	49,312.86	25,927.14	-	-	-	-	75,240.00	-	75,240.00
Matnog 3 Renewable Energy Corporation	56,198.30	25,927.14	-	-	-	-	82,125.44	-	82,125.44
Negros 1 Renewable Energy Corporation	49,249.30	17,347.14	-	-	-	-	66,596.44	-	66,596.44
EDC Wind Energy Holdings Inc. 2	40,019.14	15,284.64	(40,019.14)	-	-	-	15,284.64	-	15,284.64
Burgos 3 Renewable Energy Corporation	22,399.40	19,917.14	-	-	-	-	42,316.54	-	42,316.54
Burgos 4 Renewable Energy Corporation	22,399.40	11,317.14	-	-	-	-	33,716.54	-	33,716.54
Calaca Renewable Corporation	22,212.00	11,317.14	-	-	-	-	33,529.14	-	33,529.14
EDC Chile Limitada									
EDC Geotermica SPA	21,213,893.00	83,168.87	-	-	(1,123,040.61)	(2,039,473.60)	18,134,547.67	-	18,134,547.67
EDC Geothermal Corp.									
Energy Development Corporation	-	6,000,000.00	-	(6,000,000.00)	-	-	-	-	-
Unified Leyte Geothermal Energy Inc.	150,000.00	3,000,000.00	-	(3,000,000.00)	-	-	150,000.00	-	150,000.00
EDC Sinag Iloilo Power Corporation	1,000.00	-	-	-	-	-	1,000.00	-	1,000.00
Bac-Man Energy Development Corporation	1,000.00	-	-	-	-	-	1,000.00	-	1,000.00
EDC Siklab Iloilo Power Corporation	1,000.00	-	-	-	-	-	1,000.00	-	1,000.00
Southern Negros Geothermal, Inc.	1,000.00	-	-	-	-	-	1,000.00	-	1,000.00
Green Core Geothermal Inc.									
Bac-Man Geothermal Inc.	0.00	50,905,611.53	-	(50,905,611.53)	-	-	0.00	-	0.00
Energy Development Corporation	(0.00)	302,341,737.16	-	(277,704,198.66)	-	-	24,637,538.50	-	24,637,538.50
Bac-Man Geothermal Inc.									
First Gen Hyrdro Power Corporation	(0.00)	234,021.39	(256,309.73)	22,288.34	-	-	(0.00)	-	(0.00)
Energy Development Corporation	(0.00)	101,839,683.50	-	(99,727,718.24)	-	-	2,111,965.26	-	2,111,965.26
Green Core Geothermal Inc.	3,243.63	51,453,074.54	-	(50,905,611.53)	-	-	550,706.64	-	550,706.64
EDC Burgos Wind Power Corporation	-	20,189,829.79	-	(20,189,829.79)	-	-	0.00	-	0.00
Unified Leyte Geothermal Energy Inc.	2,000.00	-	-	-	-	-	2,000.00	-	2,000.00
Unified Leyte Geothermal Energy Inc.									
Energy Development Corporation	-	1,475,276,352.00	-	(1,475,276,352.00)	-	-	-	-	-
EDC Siklab Power Corporation	-	9,700,000.00	-	(9,700,000.00)	-	-	-	-	-
EDC Geothermal Corp.	-	3,000,000.00	-	(3,000,000.00)	-	-	-	-	-
<i>(forward)</i>									

Name of Subsidiary	Balance at January 1, 2019	Additions	Amounts Collected	Offsetting	Reclassification	Cumulative Translation Adjustment	Current	Non- Current	Amount Eliminated
Name of Subsidiary	Balance at January 1, 2019	Additions	Amounts Collected	Offsetting	Reclassification	Cumulative Translation Adjustment	Current	Non- Current	Amount Eliminated
<u>EDC Burgos Wind Power Corporation</u>									
Energy Development Corporation	0.00	20,437,914.48	-	(19,987,914.48)	-	-	450,000.00	-	450,000.00
Bac-Man Geothermal Inc.	-	20,189,829.79	-	(20,189,829.79)	-	-	-	-	-
EDC Wind Energy Holdings Inc.	4,389,005.00	-	-	-	-	333,419.37	4,722,424.37	-	4,722,424.37
EDC Pagudpud Wind Power Corporation	44,750.00	-	-	-	-	(467.67)	44,282.33	-	44,282.33
						-			
<u>EDC Hong Kong International Limited</u>									
EDC Hong Kong Limited	42,071,348.00	-	-	-	(42,071,348.00)	-	-	-	-
<u>EDC Bright Solar Energy Holdings, Inc.</u>									
EDC Sinag Power Corporation	11,000.00	-	-	-	-	-	11,000.00	-	11,000.00
<u>EDC Wind Energy Holdings 2 Inc.</u>									
Burgos 3 Renewable Energy Corporation	20,000.00	-	-	-	-	-	20,000.00	-	20,000.00
Burgos 4 Renewable Energy Corporation	20,000.00	-	-	-	-	-	20,000.00	-	20,000.00
Calaca Renewable Corporation	20,000.00	-	-	-	-	-	20,000.00	-	20,000.00
<u>EDC Siklab Power Corporation</u>									
Energy Development Corporation	(0.00)	600.00	-	(600.00)	-	-	(0.00)	-	(0.00)
Unified Leyte Geothermal Inc.	-	9,700,000.00	-	(9,700,000.00)	-	-	-	-	-
<u>EDC Hong Kong Limited</u>									
EDC Chile Limitada	105,961,380.00	-	-	-	-	-	105,961,380.00	-	105,961,380.00
EDC Geotermica SPA	26,864,500.00	-	-	-	-	-	26,864,500.00	-	26,864,500.00
PT EDC Indonesia	22,675,424.00	116,203,272.95	-	-	-	-	138,878,696.95	-	138,878,696.95
<u>PT EDC Indonesia</u>									
PT EDC Panas Bumi	495,355.00	144,712.91	-	-	-	-	640,067.91	-	640,067.91
<u>PT EDC Panas Bumi</u>									
PT EDC Indonesia	604,780.00	307,584.02	-	-	-	-	912,364.02	-	912,364.02
<u>EDC Chile Holdings SPA</u>									
EDC Chile Limitada	508,462,254.00	66,769,970.78	-	-	-	(70,146,881.69)	505,085,343.10	-	505,085,343.10
EDC Geotermica SPA	1,643,370,060.00	72,478,307.05	-	-	-	(157,991,282.19)	1,557,857,084.86	-	1,557,857,084.86
<u>EDC Geotermica SpA</u>									
EDC Chile Limitada	38,131,579.00	2,899,725.61	-	-	-	(4,372,843.06)	36,658,461.55	-	36,658,461.55
<u>EDC Peru Holdings</u>									
EDC Energia Verde Peru S.A.C.	24,899,597.48	16,242,954.99	-	-	-	-	41,142,552.47	-	41,142,552.47
EDC Peru SAC	121,770.00	-	-	-	(42,050.37)	-	79,719.63	-	79,719.63
EDC Geotermica Del Sur	48,234.00	-	-	-	-	(1,006.21)	47,227.79	-	47,227.79
EDC Energia Azul	54,852.00	-	-	-	-	(1,143.91)	53,708.09	-	53,708.09
EDC Energia Peru	59,395.00	-	-	-	-	(1,239.34)	58,155.66	-	58,155.66
EDC Energia Geotermica	46,907.00	-	-	-	-	(978.32)	45,928.68	-	45,928.68
EDC Progreso Geotermico Peru SAC	55,086.00	-	-	-	-	(1,148.65)	53,937.35	-	53,937.35
EDC Energia Renovable	48,390.00	-	-	-	-	(1,009.37)	47,380.63	-	47,380.63
Geotermica Crucero	5,128,593.00	-	-	-	-	(106,975.52)	5,021,617.48	-	5,021,617.48
Geotermica Tutupaca	11,924,253.00	-	-	-	-	(248,724.93)	11,675,528.07	-	11,675,528.07
Geotermica Lorisota	294,455.00	-	-	-	-	(6,142.12)	288,312.88	-	288,312.88
<u>Energy Development Corporation Peru SAC</u>									
EDC Energia Verde Peru	101,360,206.00	13,051,952.92	-	-	-	-	114,412,158.92	-	114,412,158.92
TOTAL	5,761,914,296.21	4,684,766,235.76	(1,760,635,074.15)	(4,305,780,271.16)	(85,132,117.00)	(234,585,897.20)	4,060,547,172.45	-	4,060,547,172.45

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

As of December 31, 2019

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Water Rights	1,238,461,142	-	96,191,157	-	-	1,142,269,985
Goodwill	2,667,683,785	-	-	-	(4,958,020)	2,662,725,765
Other Intangible Assets	160,921,311	134,380,452	45,741,896	-	-	249,559,867
TOTAL	4,067,066,238	134,380,452	141,933,053	-	(4,958,020)	4,054,555,617

Note:

Other charges addition in Goodwill pertain to foreign exchange translation of goodwill arising from the acquisition of Hot Rock entities in Chile and Peru.

Additions to Other Intangible Assets pertain to computer software and licenses.

The amounts charged to cost and expenses represent regular amortization and is credited through an accumulated amortization account.

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
As of December 31, 2019

Title of Issue and Type of Obligation	Amount Authorized by Indenture			Balance at December 31, 2019		Current Portion of Long-Term Debt		Long-Term Debt (Net of Current Portion)		Interest Rate	Amount and Number of Periodic Payments			Maturity Date	
	(In original currency)	(In PhP)		(In original currency)	(In PhP)	(In original currency)	(In PhP)	(In original currency)	(In PhP)		(In original currency)	(Approx in PhP)	Periodic Payments		
Foreign Loans:															
USD211.0 Million Bonds	\$ 300,000,000	13,350,000,000	44.50	\$ 180,830,539	9,158,188,689	\$ -	-	\$ 180,830,539	9,158,188,688	6.50%	\$ 300,000,000	44.395	13,318,500,000	bullet payment	January 20, 2021
USD37.5 Million Commercial Debt Facility	\$ 37,502,193	1,680,378,192	44.81	\$ 28,761,816	1,456,354,537	\$ 2,329,891	117,974,048	\$ 26,431,924	1,338,380,489	2% margin plus LIBOR	various	44.720	various	30 semi annual payments	October 23, 2029
USD150 Million ECA Debt Facility	\$ 150,008,771	6,721,520,705	44.81	\$ 114,310,486	5,788,111,406	\$ 9,188,576	465,263,534	\$ 105,121,911	5,322,847,872	2.35% margin plus LIBOR	various	44.720	various	30 semi annual payments	October 23, 2029
Domestic Loans:															
Fixed Rate Bond-10 Years	P 4,000,000,000	4,000,000,000	P	3,949,243,196	3,949,243,196	P -	-	P 3,949,243,196	3,949,243,196	4.7312%	4,000,000,000		4,000,000,000	bullet payment	May 3, 2023
Fixed Rate Bond-7 Years	P 3,000,000,000	3,000,000,000	P	2,997,814,350	2,997,814,350	P 2,997,814,350	2,997,814,350	P 0	0	4.1583%	3,000,000,000		3,000,000,000	bullet payment	May 3, 2020
FXCN - Series 1	P 3,000,000,000	3,000,000,000	P	2,403,979,790	2,403,979,790	P 99,328,263	99,328,263	P 2,304,651,527	2,304,651,527	5.25%	(ave) P 150,000,000		15,000,000	20 semi-annual payments	2012 - 2022
FXCN - Series 2	P 4,000,000,000	4,000,000,000	P	3,205,846,687	3,205,846,687	P 132,671,166	132,671,166	P 3,073,175,521	3,073,175,521	5.25%	(ave) P 200,000,000		20,000,000	20 semi-annual payments	2012 - 2022
IFC 1	P 4,100,000,000	4,100,000,000	P	1,158,050,000	1,158,050,000	P 325,254,372	325,254,372	P 832,795,629	832,795,629	7.9% per annum from January 1, 2009 to June 21, 2018 and 4.52% from June 22, 2018 until maturity	(ave) P 170,833,333		170,970,000	24 semi-annual payments	2012 - 2033
IFC 2	P 3,262,500,000	3,262,500,000	P	1,406,981,187	1,406,981,187	P 223,298,919	223,298,919	P 1,183,682,268	1,183,682,268	6.6% per annum from September 30, 2011 to June 21, 2018 and 4.78% from June 22, 2018 until maturity	(ave) P 125,480,769		125,606,250	24 semi-annual payments	2013 - 2025
IFC 3	P 4,800,000,000	4,800,000,000	P	4,399,895,798	4,399,895,798	P 322,275,345	322,275,345	P 4,077,620,452	4,077,620,452	7.80%	(ave) P 200,000,000		200,000,000	24 semi-annual payments	March 15, 2033
PHP291.2M Term Loan	P 291,200,000	291,200,000	P	245,058,657	245,058,657	P 22,190,798	22,190,798	P 222,867,859	222,867,859	5.50%	P 291,200,000		291,200,000	bullet payment	December 17, 2030
PHP1.5B Term Loan	P 1,500,000,000	1,500,000,000	P	1,345,116,386	1,345,116,386	P 119,183,932	119,183,932	P 1,225,932,454	1,225,932,454	5.25%	P 1,500,000,000		1,500,000,000	bullet payment	December 5, 2026
PHP1B Term Loan	P 1,000,000,000	1,000,000,000	P	974,280,295	974,280,295	P 9,410,298	9,410,298	P 964,869,996	964,869,996	5.5788%	P 1,000,000,000		1,000,000,000	bullet payment	December 5, 2031
UBP PHP2B Term Loan	P 2,000,000,000	2,000,000,000	P	1,658,071,152	1,658,071,152	P 132,134,887	132,134,887	P 1,525,936,266	1,525,936,266	5.44%	P 2,000,000,000		2,000,000,000	bullet payment	April 10, 2032
SBC PHP3B Term Loan	P 3,000,000,000	3,000,000,000	P	2,388,954,069	2,388,954,069	P 237,607,660	237,607,660	P 2,151,346,410	2,151,346,410	5.32%	P 3,000,000,000		3,000,000,000	bullet payment	May 4, 2027
PNB PHP500M Term Loan	P 500,000,000	500,000,000	P	249,317,710	249,317,710	P 99,586,371	99,586,371	P 149,731,339	149,731,339	5.49%	P 500,000,000		500,000,000	bullet payment	May 4, 2027
BPI PHP1B Term Loan	P 1,000,000,000	1,000,000,000	P	796,891,118	796,891,118	P 79,332,815	79,332,815	P 717,558,304	717,558,304	5.21%	P 1,000,000,000		1,000,000,000	bullet payment	June 1, 2027
SBC PHP1B Term Loan	P 1,000,000,000	1,000,000,000	P	828,971,888	828,971,888	P 66,061,740	66,061,740	P 762,910,147	762,910,147	5.43%	P 1,000,000,000		1,000,000,000	bullet payment	May 4, 2032
SBC PHP500M Term Loan	P 500,000,000	500,000,000	P	414,451,225	414,451,225	P 33,026,376	33,026,376	P 381,424,849	381,424,849	5.49%	P 500,000,000		500,000,000	bullet payment	May 4, 2027
8.5 billion Term Loan	P 8,500,000,000	8,500,000,000.00	P	3,895,935,779	3,895,935,779	P 1,181,852,754	1,181,852,754	P 2,714,083,025	2,714,083,025.20	5.25%	P 7,990,000,000		various	20 semi-annual payments	March 6, 2022
5.0 billion Term Loan	P 5,000,000,000	5,000,000,000.00	P	2,588,125,405	2,588,125,405	P 644,219,912	644,219,912	P 1,943,905,493	1,943,905,493.11	5.25%	P 5,000,000,000		various	bullet payment	September 9, 2025
PHP 5.6 Billion Commercial Debt Facility	P 5,610,429,890	5,610,429,890	P	4,340,746,817	4,340,746,817	P 354,747,001	354,747,001	P 3,985,999,818	3,985,999,818	2% + PDST-F rate	(ave) P 187,014,330		various	30 semi annual payments	October 23, 2029
TOTAL		77,816,028,787			55,650,386,141		7,663,234,539		47,987,151,602						
					55,650,386,141		7,663,234,539		47,987,151,602						

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES

As of December 31, 2019

Name of Related Parties	Balance at beginning of period	Balance at end of period
	NOT APPLICABLE	

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2019

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		NOT APPLICABLE		

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

As of December 31, 2019

Title of Issue	Number of shares authorized	Number of shares outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by Directors and key executive officers
Common Stock	27,000,000,000	17,053,183,392		7,500,000,000 (43.980%) 9,226,249,810 (54.102%) 148,910,559 (0.873%) 148,092,918 (0.868%)	9,585 (0.000%)
Preferred Stock (Voting)	15,000,000,000	9,375,000,000		9,375,000,000 (100%)	
Preferred Stock (Non-voting)	300,000,000	0			

Annex B: Unaudited Consolidated Financial Statements as at March 31, 2021 and for the quarter ended March 31, 2021 (SEC Form 17-Q)

CERTIFICATION

I, **ERWIN O. AVANTE**, Vice-President and Chief Financial Officer/Treasurer and Compliance Officer for SEC, of **ENERGY DEVELOPMENT CORPORATION** (the "Company") with SEC registration number 66381 and principal office at One Corporate Centre, Julia Vargas Corner Meralco Avenues, Ortigas Center, Pasig City, on oath state that:

- 1) On behalf of the Company, I have caused this SEC FORM 17-Q to be prepared;
- 2) I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) The Company will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

MAY 12 2021

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of May 2021.

E. O. Avante

ERWIN O. AVANTE

Vice President
and Chief Financial Officer/Treasurer
and Compliance Officer for SEC

MAY 12 2021

SUBSCRIBED AND SWORN TO before me this 14th day of May 2021 at Pasig City by ERWIN O. AVANTE whose identity I have confirmed through his Passport No. P5645446A issued on January 17, 2018 in DFA NCR East, that he is the same person who personally signed before me the foregoing *Certification* and acknowledged that he executed the same. *gms*

Doc. No. 867;
Page No. 78;
Book No. III;
Series of 2020.

Marita P. Lados

ATTY. MARITA P. LADOS
Notary Public -- Cities of Pasig, Taguig & San Juan
& Municipality of Pateros until *31 December 2020
Appointment No. 223 (2019-2020)
10th Floor, Rockwell Business Center Tower 3
Ortigas Avenue, Pasig City
IBP No. 1041104 / 5-13-2016, IBP Rical Chapter (lifetime member)
PTR No. 0402675 / 1-3-2020 / Pasig City
JCLE VI-0002225 / 4-14-2019
Roll of Attorneys No. 65937
*Notarial Commission extended until June 30, 2021, as per
Supreme Court En Banc Notice dated 1 December 2020
Re: S.M. No. 3795

SEC Number 66381

File Number

ENERGY DEVELOPMENT CORPORATION

(Company's full Name)

One Corporate Centre, Julia Vargas cor. Meralco Avenue, Ortigas Center, Pasig City

(Company's Address)

(02) 7755-2332

(Telephone Number)

March 31, 2021

(Quarter Ending)

SEC FORM 17-Q

(Form Type)

COVER SHEET

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SEC Registration Number

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n	g	s		C	o	r	p	o	r	a	t	i	o	n	)		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S

(Company’s Full Name)

O	n	e		C	o	r	p	o	r	a	t	e		C	e	n	t	r	e	,		J	u	l	i	a		V	a	r	g	a
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n	t	e	r	,		P	a	s	i	g		C	i	t	y																	

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

Maribel A. Manlapaz

(Contact Person)

7755-2332

(Company Telephone Number)

0	3		3	1

Month Day
(Fiscal Year)

S	E	C	1	7

(Form Type)

First Tuesday of May

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Article I

Amended Articles Number/Section

984

Total No. of Stockholders

₱43,562,689,499

Domestic

₱8,800,792,135

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2021**
2. Commission identification number: **66381**
3. BIR Tax Identification No. **000-169-125-000**
4. Exact name of issuer as specified in its charter: **ENERGY DEVELOPMENT CORPORATION**
5. **PHILIPPINES**
Province, country or other jurisdiction of
Incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. **One Corporate Centre, Julia Vargas cor. Meralco Avenue,**
Ortigas Center, Pasig City
Address of issuer's principal office
- 1605**
Postal Code
8. **(02) 7755-2331**
Issuer's telephone number, including area code:
9. **Not Applicable**
Former name, former address and former fiscal year, if changed since last report:
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares outstanding as of March 31, 2021
Common Stock, P1.00 par value	17,048,570,821
Preferred Stock, P0.01 par value	9,375,000,000
11. Are any or all of the securities listed on a Stock Exchange?
Yes [] No [☒]
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
12. Indicate by check mark whether the registrant:
(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code ("SRC") and SRC Rule 17 thereunder or Sections 11 of the Revised Securities Act ("RSA") and RSA Rule 11(a)-1 thereunder, and Sections 23 and 177 of the Revised Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [☒] No []

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

Yes [☒] No []

PART 1: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Our unaudited consolidated financial statements for the three-month period ended March 31, 2021 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting, and are filed as Annex I of this report.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (“MD&A”)

The following is a discussion and analysis of the Company’s consolidated financial performance for the three-month period ended March 31, 2021. The prime objective of this MD&A is to help the readers understand the dynamics of our Company’s business and the key factors underlying our financial results. Hence, our MD&A is comprised of a discussion of our core business and an analysis of the results of operations. This section also focuses on key statistics from the unaudited financial statements and pertains to risks and uncertainties relating to the geothermal and other renewable power industry in the Philippines where we operate up to the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general economic, political and environment condition after the stated reporting date.

Our MD&A should be read in conjunction with our unaudited consolidated financial statements and the accompanying notes. All financial information is reported in Philippine Pesos (PhP) unless otherwise stated.

Any references in this MD&A to “we”, “us”, “our”, or “Company” pertains to the Energy Development Corporation and its subsidiaries. “EDC” pertains to the Parent Company, Energy Development Corporation.

Additional information about the Company can be found on our corporate website www.energy.com.ph.

The following is a summary of the key sections of this MD&A:

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OVERVIEW OF OUR BUSINESS

Principal products or services

The Company commercially operates in the four (4) geothermal service contract areas where it is principally involved in the generation and sale of electricity through Company-owned geothermal power plants to National Power Corporation (“NPC”), electric cooperatives, privately-owned distribution utilities (“DUs”), large industrial clients, and the National Grid Corporation of the Philippines (“NGCP”), pursuant to Power Purchase Agreements (“PPAs”), Wholesale Electricity Spot Market (“WESM”), Ancillary Services Procurement Agreements (“ASPA”), and Feed-In-Tariff (“FIT”).

EDC’s subsidiaries, Green Core Geothermal Inc. (“GCGI”), Bac-Man Geothermal Inc. (“BGI”), First Gen Hydro Power Corporation (“FG Hydro”) and Unified Leyte Geothermal Energy Inc. (“ULGEI”) also hold offtake agreements in the form of Power Supply Agreements (“PSAs”) with various customers, particularly DUs and electric cooperatives.

Through its 60% equity interest in FG Hydro, EDC indirectly operates the 132-MW Pantabangan-Masiway hydroelectric plants (“PAHEP/MAHEP”) located in Nueva Ecija. The power plants supply electricity into the Luzon grid to service the consumption of its distribution utility clients covered by PSAs.

The Company has evolved into being the country’s premier pure renewable energy player, possessing interests in geothermal, hydro, wind, and solar power. For geothermal energy, its expertise spans the entire geothermal value chain, i.e., from geothermal energy exploration and development, reservoir engineering and management, engineering design and construction to environmental management and energy research and development. Its wind energy expertise covers project research and development and wind data assessment. With FG Hydro, the Company has not only acquired expertise in hydropower operation and maintenance, but also improved its capability to sell power on a merchant basis.

The Company also operates the Burgos Solar Project (Phases 1 and 2), which is inside the same concession area as Energy Burgos Wind Power Corporation (“EBWPC”) wind farm.

The Company’s has solar rooftop projects in Gaisano La Paz, Kalibo, Oton, Passi, Balasan, Sogod, Ormoc and Sorsogon.

Distribution methods of products or services

About 34.0% or 800.1 GWh of the 2,350.2 GWh sales volume from its electricity business was sold to NPC from Unified Leyte and the Mindanao geothermal power plants. A total of 540.8 GWh sold by the geothermal power plants in Tongonan and Palinpinon was delivered to electric cooperatives and industrial customers in the Visayas region. Bac-Man geothermal power plants sold 374.0 GWh of electricity that was delivered mainly to electric cooperatives, WESM, and Retail Electricity Supply (“RES”) customers in the Luzon region.

The 45.8 GWh, 165.0 GWh, and 2.6 GWh of electricity sold by the Nasulo geothermal, Burgos wind power plants, and Burgos solar power plants, respectively, were delivered mainly to WESM, and National Transmission Corporation (“TransCo”). Meanwhile, ULGEI’s 88.6 GWh strips of energy was mainly delivered to electric cooperatives and WESM.

Electricity sales of about 220.3 GWh from FG Hydro was sold mainly to WESM, distribution utility, and electric cooperatives in the province of Nueva Ecija.

The 111.8 GWh pertained to revenue from sale of electricity as contingency and dispatchable reserves/ASPA from Palinpinon, Nasulo and FG Hydro.

The electricity generated by the Company's power plants is transmitted to its customers through the high voltage backbone system of the NGCP.

The 1.2 GWh pertained to solar rooftop projects.

Competition

The government, in implementing the thrust of the Electric Power Industry Reform Act ("EPIRA"), has paved the way for a more independent and market-driven Philippine power industry. As such, selling power and consequently the dispatch of power plants depend on the ability to offer competitively priced power supply to the market. The Company has multiple power projects in Luzon, Visayas, and Mindanao.

The WESM operations of Luzon and Visayas Grids are integrated under the Independent Energy Market Operator of the Philippines ("IEMOP") in the sense that the administration and rules are the same. However, demand and available supply per area vary, which results to differences in spot clearing price per Grid. Meanwhile, WESM in Mindanao and its integration to the Grid is still an on-going process. Once operational, the excess power supply in Mindanao may be offered to the Island Grids.

Pursuant to the Retail Competition and Open Access ("RCOA") of the EPIRA, a new electricity buyer group consisting of individual retail customers has emerged. "Retail Competition" means that eligible end-users of electricity (or retail customers) may directly contract for the supply of electricity with authorized suppliers, instead of coursing the same through the franchised distribution facility. "Open Access", on the other hand, means that retail electricity customers and suppliers of electricity may contract with the transmission company and the distribution company for the "wheeling" or delivery of energy/electricity through the transmission or distribution wires. Open Access is thus a means by which Retail Competition is achieved¹.

Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008 (the "RE Act"), provides for policy mechanisms, such as the Renewable Portfolio Standards ("RPS") and the Green Energy Option Program ("GEOP"), to further promote the development and utilization of renewable energy resources.

Under the RPS, mandated participants such as but not limited to distribution utilities and suppliers of electricity for the contestable market are required to source a portion of their energy requirement from RPS-eligible plants while GEOP gives end-users the opportunity to source their power supply from renewable energy suppliers.

Pursuant to the RE Act, a REM shall be established where Renewable Energy Certificates corresponding to energy generated from eligible RE facilities can be traded. Participants under the RPS and GEOP must register in the Renewable Energy Market ("REM"). The Company and its operating subsidiaries intend to participate in the REM.

The Group will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as in the financing for these activities.

¹ Source: The Energy Report Philippines 2013-2014 Ed, KPMG Global Energy Institute.

The performance of the Philippine economy and the historical high returns of power projects in the country have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the long-term economic growth of the Philippines.

The Group believes that it will be able to compete because of its competitively priced power, the reliability of its power plants, its use of clean and renewable fuels, and its expertise and experience in power supply contracting and trading.

Dependence on one or a few major customers and identity of any such major customers

26.9% of the Company's electricity revenue are derived from existing long-term PPAs with NPC.

Concessions

As of March 31, 2021, the Company holds the following service contracts:

Geothermal Resource

The Company is the holder of five (5) Geothermal Renewable Energy Service Contracts ("GRESs") and the corresponding DOE Certificate of Registration as a Renewable Energy Developer for the following geothermal projects:

- Tongonan Geothermal Project
- Southern Negros Geothermal Project
- Bacon-Manito Geothermal Project
- Mt. Apo Geothermal Project
- Northern Negros Geothermal Project*

*Renewal under process

The Company, through its subsidiaries GCGI and BGI, secured three (3) Geothermal Operating Contracts ("GOCs"), each with a twenty five (25)-year contract period expiring in 2037 and renewable for another twenty five (25) years, covering the following power plant operations:

- Tongonan Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-038;
- Palinpinon Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-037; and
- Bacon-Manito Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-039.

The Company also holds Geothermal Service Contracts ("GSC") for the following prospect areas:

- Mt. Zion 2 Geothermal Project (currently in the process of conversion to the new RE contract template per DOE Department Circular No. DC2019-10-0013, twenty five (25)-year contract period expiring in 2040, renewable for another twenty five (25) years)
- Amacan Geothermal Project (with a five (5)-year pre-development period expiring in 2021, twenty five (25)-year contract period expiring in 2041, renewable for another twenty-five (25) years)

Wind Resource

The Company holds ten (10) Wind Energy Service Contracts (“WESC”) with the DOE with a twenty five (25)-year contract period. The WESCs cover the following:

Projects	DOE Certificates of Registration
1) 150 MW wind project in Burgos, Ilocos Norte ¹	WESC 2009-09-004 (expiring in 2034)
2) 84 MW wind project in Pagudpud, Ilocos Norte ²	WESC 2010-02-040 (expiring in 2035)
3) Burgos 1 wind project in Burgos, Ilocos Norte ³	WESC 2013-12-063 (expiring in 2038)
4) Burgos 2 wind project in Burgos, Ilocos Norte ⁴	WESC 2013-12-064 (expiring in 2038)
5) Matnog 1 wind project in Matnog and Magdalena, Sorsogon	WESC 2014-07-075 (expiring in 2039)
6) Matnog 2 wind project in Matnog, Sorsogon	WESC 2014-07-076 (expiring in 2039)
7) Matnog 3 wind project in Matnog, Sorsogon	WESC 2014-07-077 (expiring in 2039)
8) Iloilo 1 wind project in Batad and San Dionisio, Iloilo ⁵	WESC 2014-07-078 (expiring in 2039)
9) Burgos 3 Wind Project in Burgos and Pasuquin, Ilocos Norte	WESC 2015-09-085 (expiring in 2040)
10) Burgos 4 Wind Project in Burgos, Ilocos Norte	WESC 2015-09-086 (expiring in 2040)

¹ WESC assigned to EDC Burgos Wind Power Corporation
² WESC assigned to EDC Pagudpud Wind Power Corporation
³ WESC assigned to EDC Bayog Burgos Wind Power Corporation
⁴ WESC assigned to EDC Pagali Burgos Wind Power Corporation
⁵ WESC assigned to Iloilo 1 Renewable Energy Corporation

Solar Resource

The Company holds two (2) Solar Energy Service Contracts (“SESC”) with the DOE with a twenty five (25)-year contract period. The SESCOs cover the following:

Projects	DOE Certificates of Registration
1) 6.82 MW Burgos Solar Project in Burgos, Ilocos Norte	SESC No. 2014-07-088 (expiring in 2039)
2) Gaisano Iloilo, Iloilo City Solar Rooftop Project ¹	SESC No. 2016-11-352 (expiring in 2042 and renewable for another twenty five (25) years)

¹ SESC assigned to EDC Siklab Power Corporation (ESPC)

New Products or Services

EDC is in various phases of early stage/pre-development activities in some of its concession areas.

In June 2020, EDC’s subsidiary, GCGI, secured its license as a RES. This granted GCGI access to Contestable Customers in Luzon and Visayas.

In September 2020, EDC and its subsidiaries registered as member participants in the Renewable Energy Market (“REM”). Once the REM operates, the Company intends to actively engage in trading of Renewable Energy Certificates (“RECs”) and comply with the RPS.

In October 2020, EDC’s subsidiary, BGI, secured its GEOP Operating Permit from the Department of Energy. As of writing, the industry awaits the official implementation of the GEOP. Once operational, the Company will be able to commence offering renewable energy to more end-users.

In December 2020, the ERC issued its resolution 12, Series of 2020 expanding the retail competition and open access (“RCOA”) coverage to include electricity end-users with average monthly peak demand of at least 500 kilowatts (kW) for the preceding 12 months on a voluntary basis. The implementation starting 26 February 2021.

FINANCIAL HIGHLIGHTS

YTD March 2021 vs. YTD March 2020 Results

During the period ended March 31, 2021, recurring net income attributable to equity holders of the Parent Company posted at ₱3,176.3 million, increased by 3.5% as compared to the ₱3,067.7 million for the same period in 2020.

The recurring net income increased by 3.3% or ₱105.4 million to ₱3,317.7 million from the ₱3,212.3 million posted during the same period in 2020. The increase was mainly due to higher revenue (₱532.0 million), lower recurring interest expense – net (₱92.6 million) and provision for income tax (₱40.1 million) partly offset by the increase in recurring operating expenses (₱556.2 million).

The Company posted a net income of ₱3,260.7 million in the period ended March 31, 2021, a 2.1% or ₱66.7 million increase from the ₱3,194.0 million for the same period in 2020. The increase was mainly due to higher revenue (₱532.0 million), lower interest expense – net (₱92.6 million) and provision for income tax (₱120.0 million) partly offset by higher costs of sale and general and expenses (₱643.3 million) and other charges – net (₱34.6 million).

Net income is equivalent to 31.4% of total revenues for the period ended March 31, 2021 as compared to the 32.4% for the same period in 2020.

Net income attributable to equity holders of the Parent Company at ₱3,121.0 million for the period ended March 31, 2021 is a ₱72.5 million increase from ₱3,048.5 million during the same period in 2020.

RESULTS OF OPERATIONS

The following table details the results of operations of the Company for the period ended March 31, 2021 and 2020.

STATEMENTS OF INCOME

Horizontal and Vertical Analysis of Material Changes as of March 31, 2021 and 2020

	HORIZONTAL ANALYSIS Favorable (Unfavorable) Variance				VERTICAL ANALYSIS	
(Amounts in PHP millions)	March 2021	March 2020	Amount	%	March 2021	March 2020
REVENUE						
Sale of electricity	10,388.3	9,856.3	532.0	5.4%	100.0%	100.0%
COSTS OF SALE OF ELECTRICITY						
Costs of sale of electricity	(4,807.8)	(4,278.1)	(529.7)	-12.4%	-46.3%	-43.4%
GENERAL AND ADMINISTRATIVE EXPENSES	(1,297.3)	(1,183.7)	(113.6)	-9.6%	-12.5%	-12.0%
FINANCIAL INCOME (EXPENSE)						
Interest expense	(765.2)	(894.2)	129.0	14.4%	-7.4%	-9.1%
Interest income	33.6	70.0	(36.4)	-52.0%	0.3%	0.7%
	(731.6)	(824.2)	92.6	11.2%	-7.0%	-8.4%
OTHER INCOME (CHARGES)						
Foreign exchange losses – net	5.0	(20.1)	25.1	124.9%	0.0%	-0.2%
Miscellaneous, net	(34.7)	25.0	(59.7)	-238.8%	-0.3%	0.3%
	(29.7)	4.9	(34.6)	-706.1%	-0.3%	0.0%
INCOME BEFORE INCOME TAX	3,521.9	3,575.2	(53.3)	-1.5%	33.9%	36.3%
BENEFIT FROM (PROVISION FOR) INCOME TAX						
Current	(159.1)	(259.7)	100.6	38.7%	-1.5%	-2.6%
Deferred	(102.1)	(121.5)	19.4	16.0%	-1.0%	-1.2%
	(261.2)	(381.2)	120.0	31.5%	-2.5%	-3.9%
NET INCOME	3,260.7	3,194.0	66.7	2.1%	31.4%	32.4%
Net income attributable to:						
Equity holders of the Parent Company	3,121.0	3,048.5	72.5	2.4%	30.0%	30.9%
Non-controlling interest	139.7	145.5	(5.8)	-4.0%	1.3%	1.5%
EBITDA	5,980.9	6,058.0	(77.1)	-1.3%	57.6%	61.5%
RECURRING NET INCOME	3,317.7	3,212.3	105.4	3.3%	31.9%	32.6%
Recurring net income attributable to:						
Equity holders of the Parent Company	3,176.3	3,067.7	108.6	3.5%	30.6%	31.1%
Non-controlling interest	141.4	144.6	(3.2)	-2.2%	1.4%	1.5%

YTD March 31, 2021 vs. YTD March 31, 2020

Revenue

Total revenue from sale of electricity for the period ended March 31, 2021 increased by 5.4% or ₱532.0 million to ₱10,388.3 million from ₱9,856.3 million for the same period in 2020 primarily due to higher WESM prices.

Costs of Sale of Electricity

Costs of sale of electricity increased by 12.4% or ₱529.7 million to ₱4,807.8 million for the period ended March 31, 2021 from ₱4,278.1 million for the same period in 2020 mainly due to the increase in purchased services and utilities amounting to ₱542.9 million.

General and Administrative Expenses

General and administrative expenses increased by 9.6% or ₱113.6 million to ₱1,297.3 million in the period ended March 31, 2021 from ₱1,183.7 million for the same period in 2020 mainly due to the increases of the following:

- ₱62.4 million rental, insurance and taxes;
- ₱32.3 million parts and supplies issued;
- ₱28.3 million purchased services and utilities;
- ₱19.4 million provisions for impairment of trade and other receivables, and prepaid taxes; and
- ₱13.7 million personnel costs.

The above was partly offset by the following decreases:

- ₱20.4 million business and related expenses; and
- ₱18.0 million depreciation and amortization.

Financial Income (Expense)

Financial expenses - net decreased by 11.2% or ₱92.6 million to ₱731.6 million for the period ended March 31, 2021 from ₱824.2 million during the same period in 2020.

Interest Expense

Interest expense decreased by 14.4% or ₱129.0 million to ₱765.2 million for the period ended March 31, 2021 from ₱894.2 million for the same period in 2020 mainly due to decrease in interest on long-term debts primarily from lower loan balance and lower average interest rates.

Interest Income

Interest income decreased by 52.0% or ₱36.4 million to ₱33.6 million for the period ended March 31, 2021 from ₱70.0 million for the same period in 2020 mainly from lower interest on money market placements.

Other Income (Charges)

Other charges for the period ended March 31, 2021 amounted to ₱29.7 million, 706.1% or a ₱34.6 million turnaround from ₱4.9 million other income during the same period in 2020.

Foreign exchange gains (losses) - net

Foreign exchange gains - net for the period ended March 31, 2021 amounted to ₱5.0 million, a ₱25.1 million turnaround from the ₱20.1 million losses for the same period in 2020 mainly due to the realignment of foreign currency accounts.

The comparative foreign exchange rates were as follows:

	PHP:US\$
December 31, 2019	50.635
March 31, 2020	50.680
December 31, 2020	48.023
March 31, 2021	48.530

Miscellaneous, net

Miscellaneous charges for the period ended March 31, 2021 amounted to ₱34.7 million, a ₱59.7 million turnaround from the ₱25.0 million income during the same period in 2020. The movement was mainly due to turnaround of the loss on inventory variations (₱19.1 million), and derivative losses (₱18.3 million).

Provision for Income Tax

Current

The Company's current income tax decreased by 38.7% or ₱100.6 million to ₱159.1 million for the period ended March 31, 2021 from ₱259.7 million during the same period in 2020 primarily on account of lower taxable income.

Deferred

Deferred income tax for the period ended March 31, 2021 amounted to ₱102.1 million, a 16.0% or a ₱19.4 million decrease from the ₱121.5 million during the same period in 2020. The movement was related to the movement of foreign exchange rates.

Net Income

As a result, the Company's net income increased by 2.1% or ₱66.7 million to ₱3,260.7 million for the period ended March 31, 2021 from ₱3,194.0 million for the same period in 2020.

Net income is equivalent to 31.4% of total revenue for the period ended March 31, 2021 as compared to 32.4% for the same period in 2020.

FINANCIAL CONDITION

The following table details the financial condition of the Company as of March 31, 2021 and December 31, 2020.

STATEMENT OF FINANCIAL POSITION

Horizontal and Vertical Analysis of Material Changes as of March 31, 2021 and December 31, 2020

(Amounts in PHP millions)	HORIZONTAL ANALYSIS				VERTICAL ANALYSIS	
	March 2021	December 2020	Amount	%	March 2021	December 2020
				Favorable (Unfavorable) Variance		
ASSETS						
Current Assets						
Cash and cash equivalents	15,833.1	21,755.4	(5,922.3)	-27.2%	11.6%	14.9%
Financial asset at fair value through profit or loss	1,001.2	922.8	78.4	8.5%	0.7%	0.6%
Trade and other receivables	5,954.7	6,888.7	(934.0)	-13.6%	4.4%	4.7%
Parts and supplies inventories	6,360.9	5,961.2	399.7	6.7%	4.7%	4.1%
Due from related parties	21.5	23.5	(2.0)	-8.5%	0.0%	0.0%
Other current assets	1,433.9	5,247.5	(3,813.6)	-72.7%	1.0%	3.6%
Total Current Assets	30,605.3	40,799.1	(10,193.8)	-25.0%	22.4%	27.9%
Noncurrent Assets						
Property, plant and equipment	91,481.9	91,022.4	459.5	0.5%	66.9%	62.2%
Goodwill and intangible assets	3,875.5	3,899.4	(23.9)	-0.6%	2.8%	2.7%
Exploration and evaluation assets	1,952.4	1,955.9	(3.5)	-0.2%	1.4%	1.3%
Deferred tax assets – net	752.6	841.7	(89.1)	-10.6%	0.6%	0.6%
Financial assets at fair value through other comprehensive income	587.3	576.4	10.9	1.9%	0.4%	0.4%
Other noncurrent assets	7,490.5	7,223.9	266.6	3.7%	5.5%	4.9%
Total Noncurrent Assets	106,140.2	105,519.7	620.5	0.6%	77.6%	72.1%
TOTAL ASSETS	136,745.5	146,318.8	(9,573.3)	-6.5%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	12,047.7	16,940.6	(4,892.9)	-28.9%	8.8%	11.6%
Due to related parties	6.3	4.8	1.5	31.3%	0.0%	0.0%
Income tax payable	202.6	491.4	(288.8)	-58.8%	0.1%	0.3%
Current portion of:						
Long-term debts	8,760.9	14,164.4	(5,403.5)	-38.1%	6.4%	9.7%
Lease liability	113.2	122.9	(9.7)	-7.9%	0.1%	0.1%
Derivative liabilities	86.0	76.8	9.2	12.0%	0.1%	0.1%
Total Current Liabilities	21,216.7	31,800.9	(10,584.2)	-33.3%	15.5%	21.7%
Noncurrent Liabilities						
Long-term debts - net of current portion	43,602.6	45,865.9	(2,263.3)	-4.9%	31.9%	31.3%
Long-term lease liability - net of current portion	228.3	243.8	(15.5)	-6.4%	0.2%	0.2%
Net retirement and other post-employment benefits	2,090.5	2,024.3	66.2	3.3%	1.5%	1.4%
Derivative liabilities - net of current portion	365.7	581.8	(216.1)	-37.1%	0.3%	0.4%
Provisions and other long-term liabilities	2,475.6	2,573.1	(97.5)	-3.8%	1.8%	1.8%
Total Noncurrent Liabilities	48,762.7	51,288.9	(2,526.2)	-4.9%	35.7%	35.1%
EQUITY						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.8	93.8	-	0.0%	0.1%	0.1%
Common stock	19,076.3	19,076.3	-	0.0%	14.0%	13.0%
Treasury Stock	(14,680.0)	(14,679.3)	(0.7)	0.0%	-10.7%	-10.0%
Additional paid-in capital	8,715.1	8,715.1	-	0.0%	6.4%	6.0%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-2.7%	-2.5%
Net accumulated unrealized gain on financial assets at fair value through other comprehensive income	230.3	220.3	10.0	4.5%	0.2%	0.2%
Fair value adjustments on hedging transactions	(619.1)	(813.8)	194.7	-23.9%	-0.5%	-0.6%
Cumulative translation adjustment	451.7	379.2	72.5	19.1%	0.3%	0.3%
Retained earnings						
Unappropriated	40,317.4	28,498.5	11,818.9	41.5%	29.5%	19.5%
Appropriated	14,739.3	23,437.2	(8,697.9)	-37.1%	10.8%	16.0%
Non-controlling interests	2,147.7	2,008.1	139.6	7.0%	1.6%	1.4%
Total Equity	66,766.1	63,229.0	3,537.1	5.6%	48.8%	43.2%
TOTAL LIABILITIES AND EQUITY	136,745.5	146,318.8	(9,573.3)	-6.5%	100.0%	100.0%

Cash and Cash Equivalents

Cash and cash equivalents decreased by 27.2% or ₱5,922.3 million to ₱15,833.1 million as of March 31, 2021 from the ₱21,755.4 million December 31, 2020. The decrease was primarily attributable to the following:

- ₱7,789.1 million net payments of long-term debts;
- ₱5,000.0 million payments of dividends; and
- ₱2,144.8 million acquisition of property, plant and equipment.

The above was offset by the ₱10,076.4 million net cash generated from operations.

Financial asset at fair value through profit or loss

Financial asset at fair value through profit or loss increased by 8.5% or ₱78.4 million to ₱1,001.2 million as of March 31, 2021 from ₱922.8 million balance as of December 31, 2020 mainly due to the additional Investment Management Agreement (“IMA”) amounting to ₱450.0 million partly offset by redemption of investment amounting to ₱370.0 million.

Trade and other receivables

Trade and other receivables decreased by 13.6% or ₱934.0 million to ₱5,954.7 million as of March 31, 2021 from ₱6,888.7 million balance as of December 31, 2020 mainly due to collection of receivables from insurance claims.

Due from related parties

This account decreased by ₱2.0 million to ₱21.5 million as of March 31, 2021 from ₱23.5 million in December 31, 2020 resulting from the transactions with First Gen Energy Solutions.

Parts and supplies inventories

This account increased by 6.7% or ₱399.7 million to ₱6,360.9 million as of March 31, 2021 from the ₱5,961.2 million as of December 31, 2020 resulting from various materials and supplies purchased during the period.

Other current assets

This account decreased by 72.7% or ₱3,813.6 million to ₱1,433.9 million as of March 31, 2021 from ₱5,247.5 million balance as of December 31, 2020 primarily due to lower short-term investments.

Deferred tax assets - net

This account decreased by 10.6% or ₱89.1 million to ₱752.6 million as of March 31, 2021 from the ₱841.7 million balance in December 31, 2020 mainly attributable to the movement of the foreign exchange rate.

Trade and other payables

This account decreased by 28.9% or ₱4,892.9 million to ₱12,047.7 million as of March 31, 2021 from the ₱16,940.6 million balance as of December 31, 2020 mainly due to payment of cash dividends.

Due to related parties

This account increased by 31.3% or ₱1.5 million to ₱6.3 million as of March 31, 2021 from ₱4.8 million as of December 31, 2020 due to interest-free advances from First Gen Corporation.

Income tax payable

The decrease of income tax payable is due to the lower income tax expense for the period.

Long-term debt

(Favorable) Unfavorable Variance				
	March 31, 2021	December 31, 2020	Amount	%
Current	8,760.9	14,164.4	(5,403.5)	-38.1%
Noncurrent	43,602.6	45,865.9	(2,263.3)	-4.9%
	52,363.5	60,030.3	(7,666.8)	-12.8%

The decrease of long-term debt mainly pertained to maturity of the US\$181.1 million notes.

Lease liability

(Favorable) Unfavorable Variance				
	March 31, 2021	December 31, 2020	Amount	%
Current	113.2	122.9	(9.7)	-7.9%
Noncurrent	228.3	243.8	(15.5)	-6.4%
	341.5	366.7	(25.2)	-6.9%

The decrease pertains to the regular amortization of lease liability.

Derivative liability

(Favorable) Unfavorable Variance				
	March 31, 2021	December 31, 2020	Amount	%
Current	86.0	76.8	9.2	12.0%
Noncurrent	365.7	581.8	(216.1)	-37.1%
	451.7	658.6	(206.9)	-31.4%

The decrease of 31.4% or ₱206.9 million to ₱451.7 million from ₱658.0 million is mainly due to valuation.

Fair value adjustments on hedging transactions

The decrease in loss of ₱194.7 million is mainly due to the fair value adjustments on hedging transactions.

Cumulative translation adjustment

The increase of ₱72.5 million is mainly due to the cumulative translation adjustment from international subsidiaries and local subsidiary with USD functional currency.

Retained Earnings

Unappropriated

The increase of 41.5% or ₱11,818.9 million to ₱40,317.4 million as of March 31, 2021 from ₱28,498.5 million as of December 31, 2020 was mainly due to the ₱3,121.0 million net income attributable to the equity holders of the Parent and ₱8,697.9 million reversal of appropriation of retained earnings.

Appropriated

The decrease of 37.1% or ₱8,697.9 million to ₱14,739.3 million as of March 31, 2021 from ₱23,437.2 million as of December 31, 2020 was due to the reversal of appropriation of retained earnings.

Non-controlling interests

Non-controlling interest increased by 7.0% or ₱139.6 million to ₱2,147.7 million as of March 31, 2021 from the ₱2,008.1 million balance as of December 31, 2020 due to the share of net income.

CAPITAL AND LIQUIDITY RESOURCES

As of March 31 (in millions of pesos)	2021	2020	YoY change
Statement of Financial Position Data			
Total Assets	136,745.5	132,298.5	4,447.0
Total Liabilities	69,979.4	69,956.4	23.0
Total Stockholder's Equity	66,766.1	62,342.1	4,424.0

The Company's assets as of March 31, 2021 amounted to ₱136,745.5 million, 3.4% higher as compared to the ₱132,298.5 million level as of March 31, 2020.

CASH FLOW

YTD March 31, 2021 vs. YTD March 31, 2020

Net cash flows from operating activities increased by 74.4% or ₱4,297.4 million to ₱10,076.4 million for the period ended March 31, 2021 from ₱5,779.0 million during the same period in 2020 mainly due to decrease in other current assets pertaining mainly to short-term investments.

Net cash flows used in investing activities has a turn-around effect of ₱2,548.5 million to ₱2,538.1 million for the period ended March 31, 2021 from ₱10.4 million net cash flows from investing activities during the same period in 2020 primarily due to higher acquisitions of property, plant and equipment (₱1,275.5 million), lower proceeds from redemption of financial assets combined with higher acquisition of financial assets at FVPL (₱738.7 million) and absence of debt service reserve account proceeds (₱279.6 million).

Net cash flows used in financing activities increased by 138.9% or ₱7,839.2 million to ₱13,483.5 million for the period ended March 31, 2021 from ₱5,644.3 million during the same period in 2020 primarily due to higher net payments on long-term debt (₱7,040.2 million) and higher dividend payment (₱800.0 million).

DISCUSSION ON THE SUBSIDIARIES

Green Core Geothermal Inc. (GCGI)

(Amounts in PHP millions)	For the periods ended March 31,	
	2021	2020
Revenue	2,913.7	3,030.6
Cost of sale of electricity	(2,218.4)	(2,325.5)
General and administrative expenses	(152.8)	(94.9)
Other charges - net	(4.3)	(36.1)
Income before income tax	538.2	574.0
Provision for income tax	(53.8)	(85.8)
Net income	484.4	488.2
	As of	
	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Total current assets	2,975.0	3,924.6
Total noncurrent assets	13,431.2	13,394.0
Total current liabilities	6,707.0	6,595.0
Total noncurrent liabilities	90.9	1,599.6
Total equity	9,608.3	9,124.0

GCGI's revenue decreased by 3.9% or ₱116.9 million, to ₱2,913.7 million for the period ended March 31, 2021 from ₱3,030.6 million for the same period in 2020. The decrease was due to lower sales volume (₱192.3 million) offset by higher average price (₱75.4 million).

Cost of sale of electricity decreased by 4.6 % or ₱107.1 million, to ₱2,218.4 million for the period from the ₱2,325.5 million for the same period in 2020. The decrease was due to lower cost of steam (₱222.2 million), offset by higher purchased services and utilities (₱109.5 million) and business-related expenses (₱5.6 million).

General and administrative expenses increased by 61.0% or ₱57.9 million, to ₱ 152.8 million for the period from the ₱94.9 million for the same period in 2020. The increase was due to higher business-related expenses (₱13.2 million) parts and supplies (₱6.9 million), rental, insurance and taxes (₱8.6 million), personnel cost (₱4.0 million), purchased services and utilities (₱11.6 million) and higher provision for doubtful accounts (₱12.6 million).

Other charged – net decreased by 88.1% or ₱31.8 million, to ₱4.3 million for the period from ₱36.1 million for the same period in 2020. The decrease was due to higher income from contract for price difference (₱36.6 million) coupled with lower finance charge (₱2.9 million) offset by turnaround of foreign exchange loss this year from foreign exchange gain last year (₱7.7 million).

Provision for income tax decreased by 37.3% or ₱32.0 million, to ₱53.8 million from the ₱85.8 million last year on account of lower taxable income.

Total current assets decreased by 24.2% or ₱949.6 million, to ₱2,975.0 million as of March 31, 2021 from the ₱3,924.6 million as of December 31, 2020. The decrease was due to lower cash & cash equivalents (₱861.4 million), trade and other receivables (₱112.5 million), partly offset by higher other current assets (₱18.7 million).

Total current liabilities increased by 1.7 % or ₱112.0 million, to ₱6,707.0 million as of March 31, 2021 from ₱6,595.0 million as of December 31, 2020 due to higher current portion of long-term debt (₱936.0 million), higher income tax payable (₱55.0 million), partly offset by lower trade and other payables (₱882.2 million).

Total noncurrent liabilities decreased by 94.3% or ₱1,508.7 million, to ₱90.9 million as of March 31, 2021 from ₱1,599.6 million as of December 31, 2020 mainly due to lower long-term debt (₱1,529.0 million) partly offset by higher other long-term liabilities (₱19.2 million).

Total equity increased by 5.3% or ₱484.3 million, to ₱9,608.3 million as of March 31, 2021 from ₱9,124.0 million as of December 31, 2020 due to this year's net income (₱484.4 million).

Bac-Man Geothermal Inc. (BGI)

(Amounts in PHP millions)	For the periods ended March 31,	
	2021	2020
Revenues	1,498.8	1,335.3
Cost of sales	(1,392.6)	(1,237.7)
General and administrative expenses	(52.6)	(34.1)
Other charges-net	(3.8)	(28.2)
Income before income tax	49.8	35.3
Provision for income tax	(9.2)	0.1
Net income	40.6	35.4
	As of	
	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Total current assets	5,208.1	2,865.0
Total non-current assets	4,816.6	4,338.2
Total current liabilities	2,685.1	2,268.4
Total non-current liabilities	1,472.5	1,403.3
Total equity	5,867.1	3,531.5

Revenues increased by 12.2% or ₱163.5 million, to ₱1,498.8 million during the first quarter of 2021 from ₱1,335.3 million for the same period in 2020. The favorable variance was contributed by higher sales volume (₱91.2 million) coupled with increase in average price (₱72.3 million).

Cost of sales increased by 12.5% or ₱154.9 million, to ₱1,392.6 million from ₱1,237.7 million for the same period in 2020. The increase was primarily attributed to higher purchased services and utilities by ₱187.5 million, higher repairs and maintenance by ₱5.1 million and higher personnel costs by ₱2.8 million, partly reduced by lower rental, insurance and taxes by ₱25.4 million and lower steam costs by ₱14.7 million.

General and administrative expenses were higher by 54.3% or ₱18.5 million, to ₱52.6 million from ₱34.1 million for the same period in 2020. The increase was mainly due to higher rental, insurance and taxes by ₱13.9 million, higher business and related expenses by ₱3.2 million and higher provision for doubtful accounts on input VAT claims by ₱1.0 million.

Other charges-net was lower by 86.5% or ₱24.4 million, to ₱3.8 million from ₱28.2 million for the same period in 2020. The favorable variance was mainly contributed by this period's other income related to replacement power of ₱36.6 million and lower interest charges-net by ₱4.3 million, partly offset by higher bank charges by ₱11.2 million, other charges on retail electricity market of ₱3.0 million and this period's foreign exchange gain-net of ₱1.0 million versus ₱0.9 million foreign exchange loss-net for the same period in 2020.

Total current assets significantly rose by 81.8% or ₱2,343.1 million, to ₱5,208.1 million as of March 31, 2021 from ₱2,865.0 million as of December 31, 2020. The increase was mainly attributed to the increase of cash and cash equivalents by ₱2,347.5 million due to the proceeds from additional subscription of preferred stock in February 2021 coupled with the increase of other current assets particularly on security deposits for contestable customers by ₱23.1 million partly offset by the decrease of trade and other receivables by ₱34.9 million.

Total non-current assets increased by 11.0% or ₱478.4 million, to ₱4,816.6 million as of March 31, 2021 from ₱4,338.2 million as of December 31, 2020. The increase was mainly attributed to higher property and equipment of ₱492.7 million, partly offset by decrease of other non-current assets particularly on input VAT claims by ₱8.9 million and decrease of deferred tax assets by ₱5.4 million.

Total current liabilities increased by 18.4% or ₱416.7 million, to ₱2,685.1 million as of March 31, 2021 from ₱2,268.4 million as of December 31, 2020. The increment was mainly attributed to the increase of trade and other payables by ₱412.5 million and increase of income tax payable by ₱3.9 million.

Total non-current liabilities increased by 4.9% or ₱69.2 million, to ₱1,472.5 million as of March 31, 2021 from ₱1,403.3 million as of December 31, 2020.

Total equity increased by 66.1% or ₱2,335.6 million, to ₱5,867.1 million as of March 31, 2021 from ₱3,531.5 million as of December 31, 2020. The increase pertained to the additional subscription of preferred stock of ₱2,295.0 million coupled with the net income earned during the period of ₱40.6 million.

EDC Burgos Wind Power Corporation (EBWPC)

(Amounts in USD millions)	For the periods ended March 31,	
	2021	2020
Revenue	33.4	19.1
Costs of sale of electricity	(8.3)	(6.5)
General and administrative expenses	(0.8)	(0.7)
Other charges – net	(2.7)	(3.3)
Income before income tax	21.6	8.6
Provision for income tax	(0.2)	(0.2)
Net Income	21.4	8.4
	As of	
	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Total current assets	78.9	50.1
Total noncurrent assets	312.3	317.3
Total current liabilities	33.9	31.0
Total noncurrent liabilities	203.5	207.8
Total equity	153.8	128.6

EBWPC reported \$33.4 million revenue from sale of electricity for the period ended March 31, 2021 from \$19.1 million for the same period in 2020. This 74.9% or \$14.3 million increase was mainly due to higher actual generated sales volume (\$9.8 million) and higher FIT rate (\$4.5 million).

Costs of sale of electricity increased by 27.7% or \$1.8 million, to \$8.3 million for the period ended March 31, 2021 from \$6.5 million for the same period in 2020. The unfavorable variance was mainly due to higher repair and maintenance (\$1.6 million), government share (\$0.1 million) and personnel costs (\$0.1 million).

General and administrative expenses increased by 14.3% or \$0.1 million, to \$0.8 million for the period from \$0.7 million for the same period in 2020. This was mainly due to higher rental, insurance, and taxes (\$0.2 million).

Other charges – net decreased by 18.2% or \$0.6 million, to \$2.7 million from \$3.3 million for the same period in 2020. This was mainly due to lower net finance charges (\$0.5 million) and higher foreign exchange gain (\$0.1 million).

Total current assets increased by 57.5% or \$28.8 million due to the increase in cash and cash equivalents (\$31.3 million) and other current assets (\$1.8 million), partly offset by lower trade and other receivables (\$4.4 million).

Total current liabilities increased by 9.4% or \$2.9 million mainly due to the increase in trade and other payables (\$3.4 million).

Total equity increased by 19.6% or \$25.2 million, to \$153.8 million as of March 31, 2021 from \$128.6 million in 2020. This was mainly due to net income during the period (\$21.4 million) and decreased in cumulative translation adjustment (\$3.8 million).

Other balance sheets accounts have minimal movement during the quarter.

Unified Leyte Geothermal Energy Inc. (ULGEI)

(Amounts in PHP millions)	For the periods ended March 31,	
	2021	2020
Revenue	305.8	306.9
Costs of sale of electricity	(489.5)	(529.7)
General and administrative expenses	(12.6)	(14.5)
Miscellaneous Income	20.9	-
Loss before income tax	(175.4)	(237.3)
Net Loss	(175.4)	(237.3)
	As of	
	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Total current assets	234.5	284.8
Total noncurrent assets	3.1	3.1
Total current liabilities	4,197.5	4,072.3
Total capital deficiency	(3,959.9)	(3,784.4)

ULGEI's revenue decreased by 0.4% or ₱1.1 million to ₱305.8 million for the period ended March 31, 2021 from ₱306.9 million for the same period in 2020 mainly due to lower volume.

Cost of sale of electricity decreased by 7.6% or ₱40.2 million to ₱489.5 million for the period ended March 31, 2021 from ₱529.7 million for the same period in 2020. The decrease was mainly due to lower purchased power cost.

General and administrative expenses decreased by 13.1% or ₱1.9 million, to ₱12.6 million for the period from ₱14.5 million for the same period in 2020. The decrease was mainly due to lower local business tax.

Miscellaneous income increased by ₱20.9 million for the period ended March 31, 2021 from nil for the same period in 2020 mainly due to income related to replacement power.

With the foregoing, net loss decreased by 26.1% or ₱61.9 million to ₱175.4 million from ₱237.3 million for the same period in 2020.

Total currents assets decreased by 17.7% or ₱50.3 million, to ₱234.5 million as of March 31, 2021 from ₱284.8 million balance as of December 31, 2020. The decrease was mainly due to lower cash and cash equivalents.

Total non-current assets amounted to ₱3.1 million as of March 31, 2021 and December 31, 2020.

Total current liabilities increased by 3.1% or ₱125.2 million, to ₱4,197.5 million as of March 31, 2021 from ₱4,072.3 million balance as of December 31, 2020. The increase was mainly due to higher due to related parties and trade payables.

Total capital deficiency increased by 4.6% or ₱175.4 million to ₱3,959.9 million as of March 31, 2021 from ₱3,784.4 million balance as of December 31, 2020. The increase was due to net loss on operation.

FG Hydro Power Corporation (FG Hydro)

(Amounts in PHP millions)	For the periods ended March 31,	
	2021	2020
Operating revenues	1,215.2	679.5
Cost of sales	(747.4)	(196.6)
General and administrative expenses	(79.6)	(80.3)
Operating profit	388.2	402.6
Other income – net	3.2	2.8
Income before tax	391.4	405.4
Provision for income tax	(40.5)	(41.1)
Net income	350.9	364.3
	As of	
	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Total assets	5,680.7	5,575.5
Total liabilities	292.2	537.9
Total equity	5,388.5	5,037.6

FG Hydro's revenues increased by 78.8% or ₱535.7 million to ₱1,215.2 million for the three-month period ended March 31, 2021 from the revenues of ₱679.5 million for the same period in 2020. The favorable variance was mainly on account of the Meralco PSA which supply commenced in July 2020. Majority of the sales from PSA was sourced from WESM as electricity generated was lower by 16.3% than last year due to lower irrigation diversion requirement. The favorable variance was partly offset by the lower WESM sales which decreased by 26.3% or ₱137.6 million to ₱385.2 million as compared to ₱522.8 million for the same period in 2020 on account of lower generation.

Cost of sales for the three-month period ended March 31, 2021 of ₱747.4 million was ₱550.8 million or 280.2% higher than the ₱196.6 million in 2020. The unfavorable variance was mainly due to increased replacement power purchases from WESM in 2021. G&A expenses decreased by ₱0.7 million or 0.9% to ₱79.6 million during the period as compared to ₱80.3 million in 2020. The favorable variance was mainly due to lower professional fees.

Provision for income tax for the period ended March 31, 2021 of ₱40.5 million is 1.5% or ₱0.6 million lower than the ₱41.1 million for the same period in 2020 mainly due to the lower income from operations for the period and prior year adjustment due to the impact of CREATE Act. Overall, FG Hydro's net income dropped by 3.7% or ₱13.4 million to ₱350.9 million for the three-month period ended March 31, 2021 from the ₱364.3 million reported income for the same period in 2020.

Total assets as of March 31, 2021 stood at ₱5,680.7 million, ₱105.2 million or 1.9% higher than the December 31, 2020 level of ₱5,575.5 million. The favorable variance was mainly on account of higher cash balance and funds invested in unit investment trust funds in 2021.

As of March 31, 2021, total liabilities stood at ₱292.2 million, ₱245.7 million or 45.7% lower than the December 31, 2020 level of ₱537.9 million. The favorable variance is mainly on account of lower balance of trade payables for the period ended March 31, 2021.

Total equity as of March 31, 2021 rose to ₱5,388.5 million, ₱350.9 million or 7.0% better than the December 31, 2020 level of ₱5,037.6 million mainly from net income earned during the period.

EDC Siklab Power Corporation (SIKLAB)

(Amounts in PHP millions)	For the periods ended March 31,	
	2021	2020
Revenues	7.4	10.7
Cost of sales	(5.0)	(5.2)
General and administrative expenses	(4.2)	(2.4)
Income before income tax	(1.8)	3.1
Provision for income tax	0.0	(0.3)
Net income / (loss)	(1.8)	2.8
	As of	
	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Total Current Assets	41.9	41.9
Total Non-Current Assets	293.4	295.3
Total Current Liabilities	3.1	3.2
Total Equity	332.2	334.0

Revenues decreased by ₱3.3 million, to ₱7.4 million during the first quarter of 2021 from ₱10.7 million for the same period in 2020. The unfavorable variance was mainly due to reduced Gaisano Capital Mall loads during COVID-19.

Cost of sales decreased by ₱0.2 million, to ₱5.0 million during the first quarter of 2021 from ₱5.2 million for the same period in 2020. The favorable variance was primarily due to lower real estate taxes by ₱0.4 million and partly offset by higher insurance by ₱0.2 million.

General and administrative expenses increased by ₱1.8 million, to ₱4.2 during the first quarter of 2021 from ₱2.4 million for the same period in 2020. The unfavorable variance was primarily due to higher purchased services and utilities by ₱1.9 million, and partly offset by lower business and related expenses by ₱0.1 million.

Total current assets amounted to ₱41.9 million as of March 31, 2021, and December 31, 2020.

Total non-current assets decreased by 0.6% or ₱1.9 million, to ₱ 293.4 million as of March 31, 2021 from ₱295.3 million as of December 31, 2020. The decreased was mainly attributable to the depreciation expense of property, plant and equipment during the period at ₱3.0 million, and partly offset by increased in noncurrent prepaid expense by ₱1.1 million.

Total current liabilities decreased by 3.1% or ₱0.1 million, to ₱3.1 million as of March 31, 2021 from ₱3.2 million as of December 31, 2020. The decreased was primarily due to the decreased of trade and other payables by ₱0.1 million.

Total equity decreased by 0.5% or ₱1.8 million, to ₱332.2 million as of March 31, 2021 from ₱334.0 million as of December 31, 2020. The increase was primarily from net loss during the period.

KEY PERFORMANCE INDICATORS

The top eight (8) key performance indicators are set forth below:

	March 31, 2021	March 31, 2020
Current Ratio	1.44:1	1.03:1
Debt-to-Equity Ratio	0.78:1	0.88:1
Net Debt-to-Equity Ratio	0.55:1	0.65:1
Return on Assets (%)	8.63	8.65
Return on Equity (%)	17.98	19.05
Solvency Ratio	0.09	0.09
Interest Rate Coverage Ratio	5.71	4.99
Asset-to-Equity Ratio	2.05	2.12

Current Ratio – Total current assets divided by total current liabilities. This ratio is a rough indication of a company's ability to pay its short-term obligations. Generally, a current ratio above 1.00 is indicative of a company's greater capability to settle its current obligations.

Debt-to-Equity Ratio – Total interest-bearing debts divided by stockholders' equity. This ratio expresses the relationship between capital contributed by the creditors and the owners. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long-term financial safety.

Net-Debt-to-Equity Ratio – Total interest-bearing debts less cash & cash equivalents divided by stockholders' equity. This ratio measures the company's financial leverage and stability. A negative net debt-to-equity ratio means that the total of cash and cash equivalents exceeds interest-bearing liabilities.

Return on Assets – Net income (annual basis) divided by total assets (average). This ratio indicates how profitable a company is relative to its total assets. This also gives an idea as to how efficient management is at using its assets to generate earnings.

Return on Equity – Net income (annual basis) divided by total stockholders' equity (average). This ratio reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the balance sheet. A business that has a high return on equity is more likely to be one that is capable of internally generating cash. For the most part, the company's return on equity is compared with an industry average. The company is considered superior if its return on equity is greater than the industry average.

Solvency Ratio – Net income excluding depreciation and non-cash provisions divided by total interest bearing debts. This ratio gauges a company's ability to meet its long-term obligations.

Interest Rate Coverage Ratio – Earnings before interest and taxes of one period divided by interest expense of the same period. This ratio determines how easily a company can pay interest on outstanding debt.

Asset-to-Equity Ratio – Total assets divided by total stockholders' equity. This ratio shows a company's leverage, the amount of debt used to finance the firm.

Commitments that will have an impact on the issuer's liquidity

As of March 31, 2021, the Company has unserved purchase orders and awarded contracts for capital expenditures amounting to ₱4,284.8 million.

Other than these, we are not aware of any other material commitments that should impact the Company's liquidity.

Foreign Exchange Rate Volatility

EDC, which has a Philippine peso functional currency, has ₱2,410.6 million in long-term US dollar denominated loans as of March 31, 2021 which is 4.6% of the total Company's long-term loans.

EBWPC, a subsidiary of EDC, which has a US dollar functional currency, has ₱3,990.4 million in long-term Philippine peso denominated loans as of March 31, 2021 which is 7.6% of the total Company's long-term loans.

Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

There are no material changes in the contingent financial obligations since the last annual balance sheet date.

CASH DIVIDENDS

No cash dividends have been declared as of period ended March 31, 2021.

MAJOR STOCKHOLDERS

As of March 31, 2021, the total number of stockholders was 984. Public float level was at 0.15% (or 25,317,534 common shares).

List of Top 20 Stockholders as of March 31, 2021

Rank	Name	Nationality	Number of Shares			Percentage
			Preferred	Common	Total	
1	Red Vulcan Holdings Corporation	Filipino	9,375,000,000	7,500,000,000	16,875,000,000	63.86%
2	Philippines Renewable Energy Holdings Corporation	Dutch	-	9,226,249,810	9,226,249,810	34.92%
3	First Gen Corporation	Filipino	-	148,910,559	148,910,559	0.56%
4	Northern Terracotta Power Corporation	Filipino	-	148,092,918	148,092,918	0.56%
5	Goldman Sachs International	British	-	6,265,779	6,265,779	0.02%
6	Boston Common International Sustainable Climate Fund, LLC	American	-	3,317,800	3,317,800	0.01%
7	PCD Nominee Corporation	Filipino	-	2,252,157	2,252,157	0.01%
8	Elizabeth L. Bengzon	Filipino	-	956,000	956,000	0.00%
9	HSBC Manila OBO 000-596551-550	Foreign	-	933,298	933,298	0.00%
10	HSBC Manila OBO 000-599746-550	Foreign	-	849,500	849,500	0.00%
11	Deutsche Bank AG Manila OBO UBS LDN IPB SCA A/C 12107074001	Foreign	-	833,827	833,827	0.00%
12	Rosalind Camara	Filipino	-	663,750	663,750	0.00%
13	Deutsche Bank AG Manila OBO DBTCA ADR DEPT A/C 12069784000	American	-	470,700	470,700	0.00%
14	Deutsche Bank AG Manila OBO DB LDN EQT HSE A/C 12036454000	Foreign	-	469,128	469,128	0.00%
15	Virginia Maria D. Nicolas	Filipino	-	393,000	393,000	0.00%
16	Deutsche Bank AG Manila OBO UBS LDN-Asia EQ A/C 1210624000	Foreign	-	325,800	325,800	0.00%
17	HSBC Manila OBO 000-137919-550	Foreign	-	322,500	322,500	0.00%
18	SCB OBO BCSL Client AC PB Cayman Clients	Singaporean	-	306,800	306,800	0.00%
19	Deutsche Bank AG Manila OBO BNYM SA COGUC A/C 12113904114	Foreign	-	270,500	270,500	0.00%
20	Citibank NA MLA OBO 1100200009	Foreign	-	259,300	259,300	0.00%

BOARD OF DIRECTORS

As of March 31, 2021, the members of the Board of Directors of EDC are as follows:

Federico R. Lopez	Director, Chairman and Chief Executive Officer
Richard Raymond B. Tantoco	Director, President and Chief Operating Officer
Francis Giles B. Puno	Director
Joaquin E. Quintos IV	Director
Jonathan C. Russell	Director
David Andrew Baldwin	Director
Christopher Low Eu Sun	Director
Ang Eng Seng	Director
Edgar O. Chua	Independent Director
Francisco Ed. Lim	Independent Director
Manuel I. Ayala	Independent Director

OFFICERS

As of March 31, 2021, the Officers of EDC are as follows:

Name	Position
Oscar M. Lopez	Chairman Emeritus
Federico R. Lopez	Chairman and Chief Executive Officer
Richard Raymond B. Tantoco	President and Chief Operating Officer
Ma. Elizabeth D. Nasol	Senior Vice President, Head of Human Resource Management Group
Victor Emmanuel B. Santos, Jr.	Senior Vice President and Regulatory Compliance Officer
Liberato S. Virata	Senior Vice President, Head of Facilities O&M Group and Project Management
Erwin O. Avante	Vice President, Chief Financial Officer, Head of Finance and Compliance Officer for SEC
Bernadette Ann V. Policarpio	Vice President, Corporate Secretary, Head of Strategic Initiatives, Legal, & Regulatory Office
Ana Maria A. Katigbak-Lim	Assistant Corporate Secretary
Ferdinand B. Poblete	Vice President
Ariel Arman V. Lapus	Vice President
Reman A. Chua	Vice President
James Arnold D. Villaroman	Vice President, Head of Strategy and Long-Term Planning
Emmanuel C. Portugal	Vice President and Head - Technology Office
Jay Joel L. Soriano	Vice President, Head of Integrated Planning
Edwin H. Alcober	Vice President, Head of Geothermal Resource, Sub-Surface Group
James E. Jumawan	Vice President, Head of Well Services Group
Emeterio T. Busmeon	Vice President, Head - Facility Operations
Maribel A. Manlapaz	Vice President, Head of Comptrollership
Glenn L. Tee	Chief Audit Executive, Assistant Vice President, Head of Internal Audit Division
Ryan Z. Velasco	Assistant Vice President, Corporate Information Officer, Head of Mergers and Acquisitions and Head of Investor Relations
Jennifer Joy Santamarina Santos	Chief Transformation Officer and Head - Transformation Office

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant

ENERGY DEVELOPMENT CORPORATION



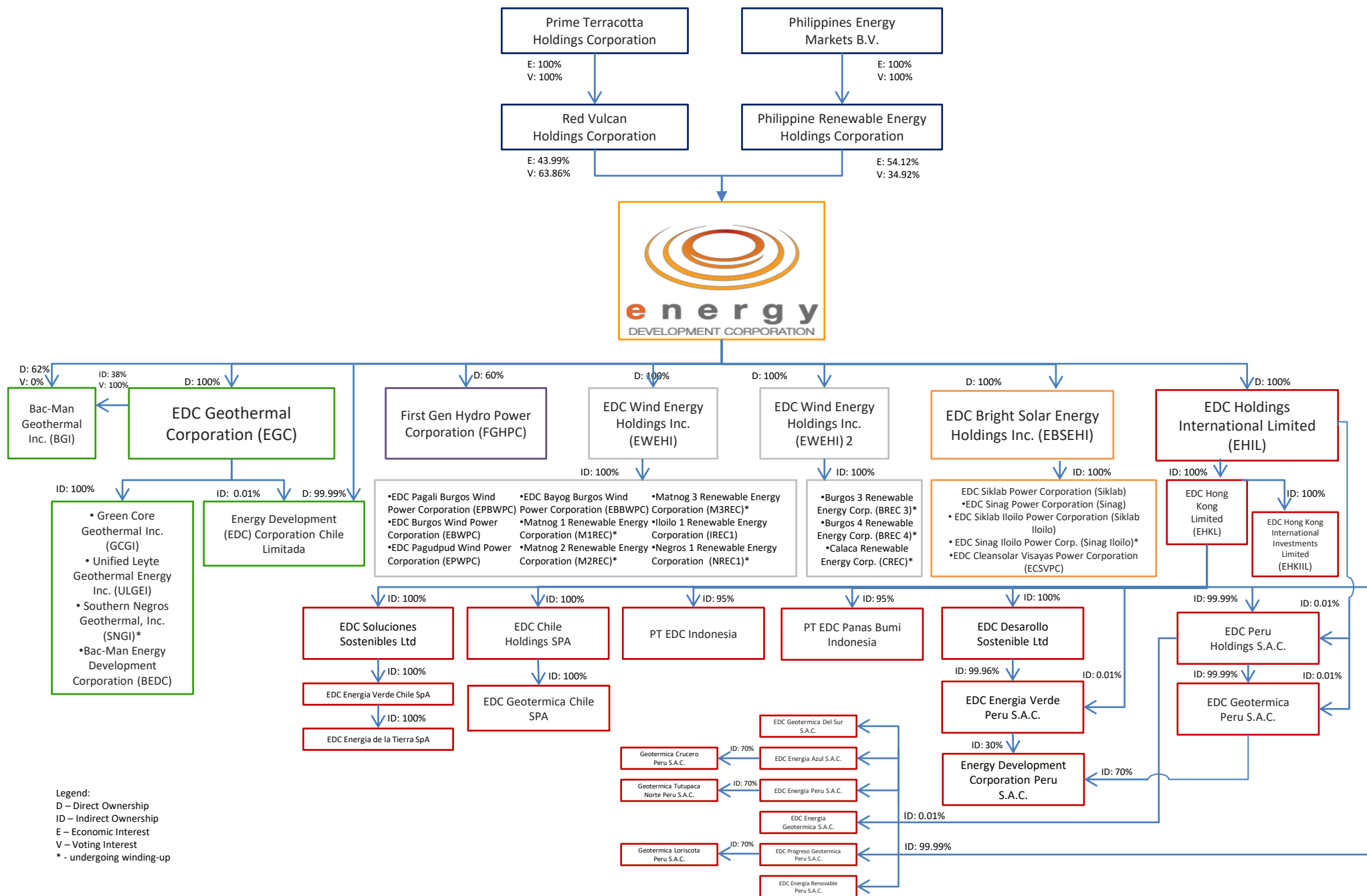
ERWIN O. AVANTE
Vice President, Chief Financial Officer,
Treasurer and Compliance Officer

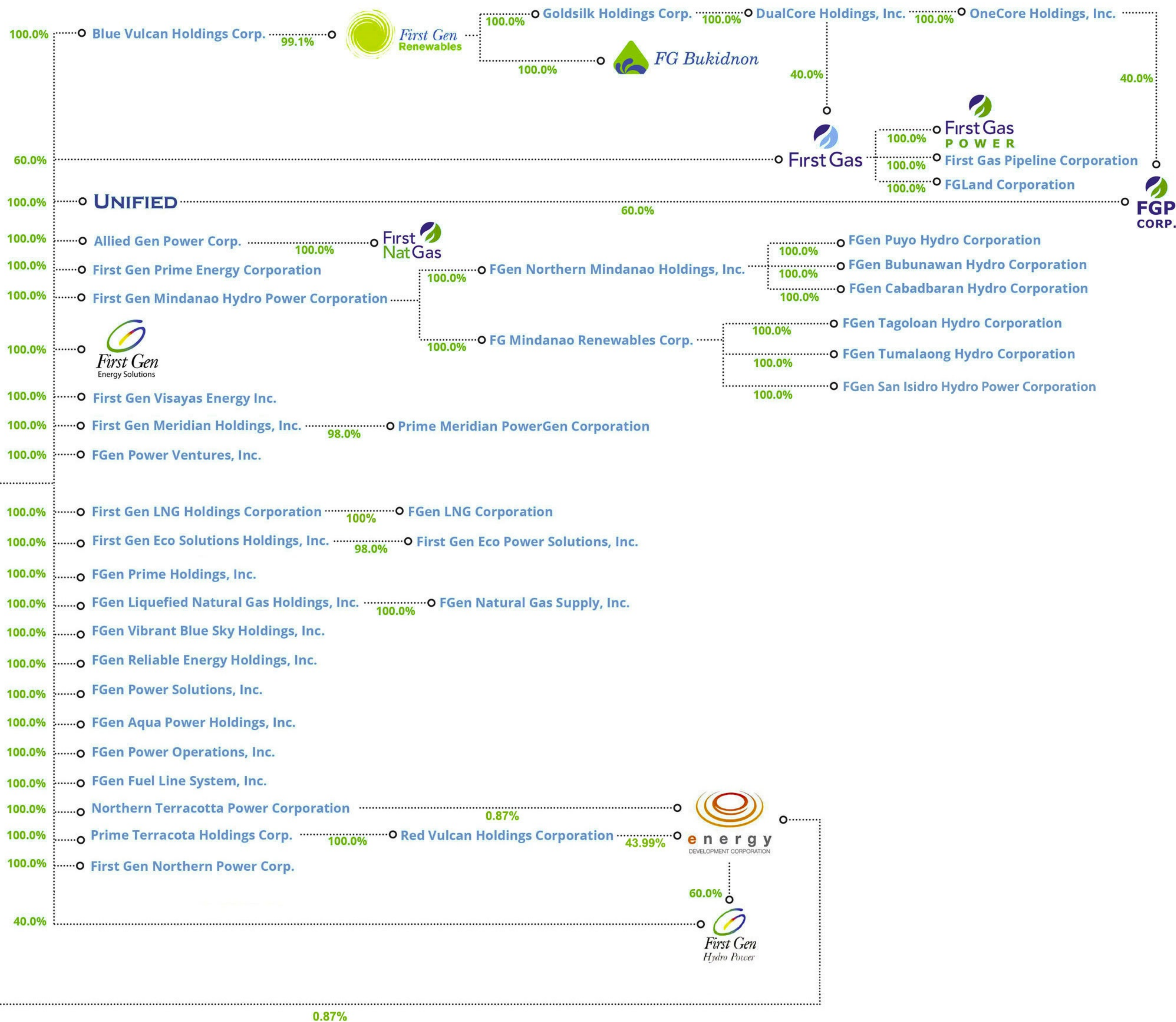
May 6, 2021
Date Signed

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Energy Development Corporation and Subsidiaries

Ratio	Formula	March 31, 2021	March 31, 2020
Current ratio	Dividing total current assets over total current liabilities	1.44	1.03
Solvency ratio	Dividing net income excluding depreciation and non-cash provisions over total debt obligations	0.09	0.09
Debt-to-equity ratio	Dividing total interest-bearing debts over stockholders' equity	0.78	0.88
Asset-to-equity ratio	Dividing total assets over total stockholders' equity	2.05	2.12
Interest rate coverage ratio	Dividing earnings before interest and taxes of one period over interest expense of the same period	5.71	4.99
Net debt-to-equity Ratio	Dividing total interest-bearing debts less cash and cash equivalents over total stockholders' equity	0.55	0.65
Return on equity (%)	Dividing the net income (annual basis) by total stockholders' equity (average)	17.98%	19.05%
Return on assets (%)	Dividing the net income (annual basis) by the total assets (average)	8.63%	8.65%





Legend:



- First Philippine Holdings Corporation



- First Gen Corporation



- First Gas Holdings Corporation



- First Gas Power Corporation



- Unified Holdings Corporation



- FGP Corp.



- First NatGas Power Corp.



- First Gen Energy Solutions Inc.



- First Gen Renewables Inc.



- FG Bukidnon Power Corporation



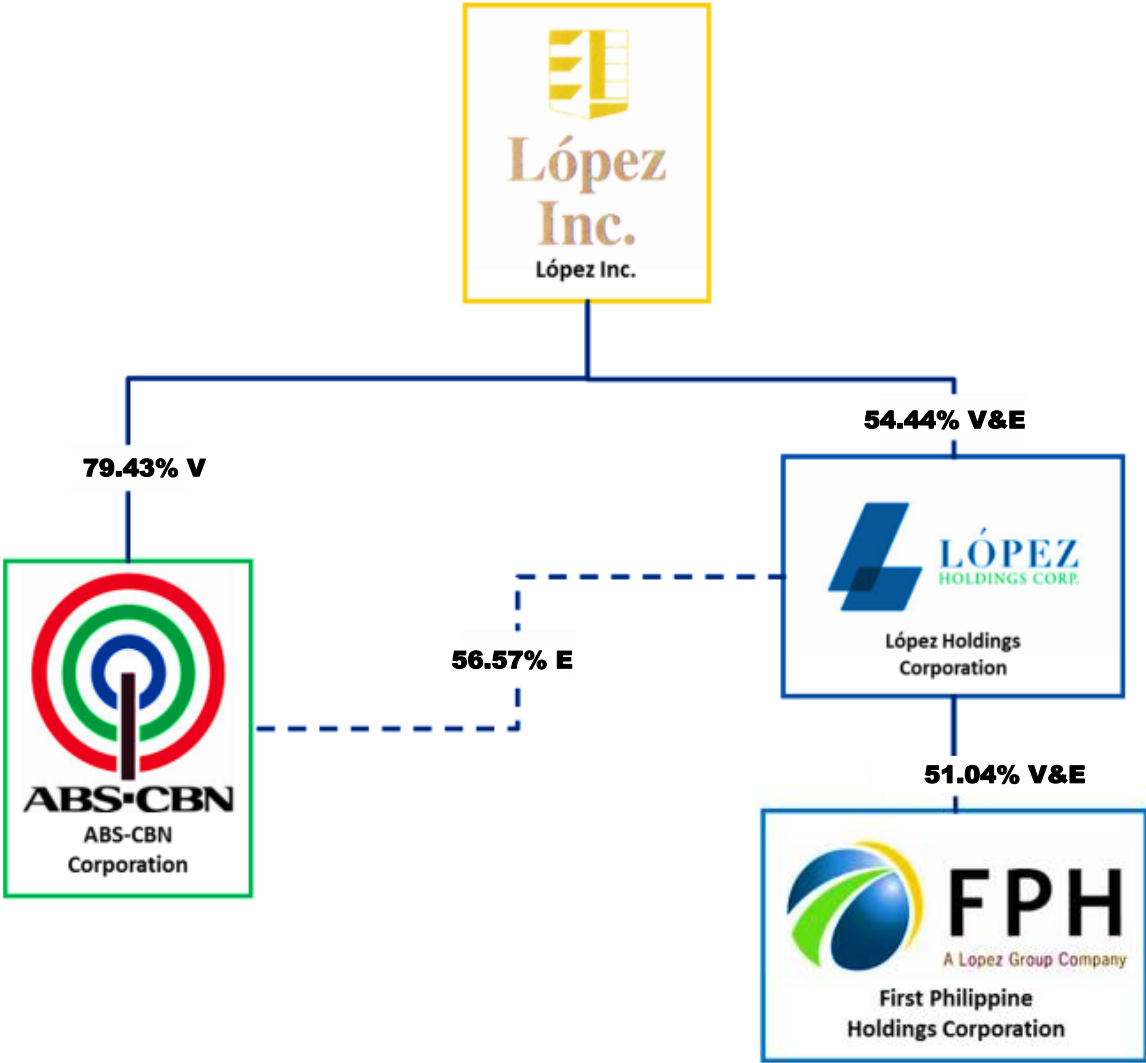
- Energy Development Corporation



- First Gen Hydro Power Corporation

Corporate Structure
is as of March 31, 2021

LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES
MAP OF RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP
MARCH 31, 2021



FIRST PHILIPPINE HOLDINGS CORP. AND SUBSIDIARIES

CORPORATE STRUCTURE

March 31, 2021

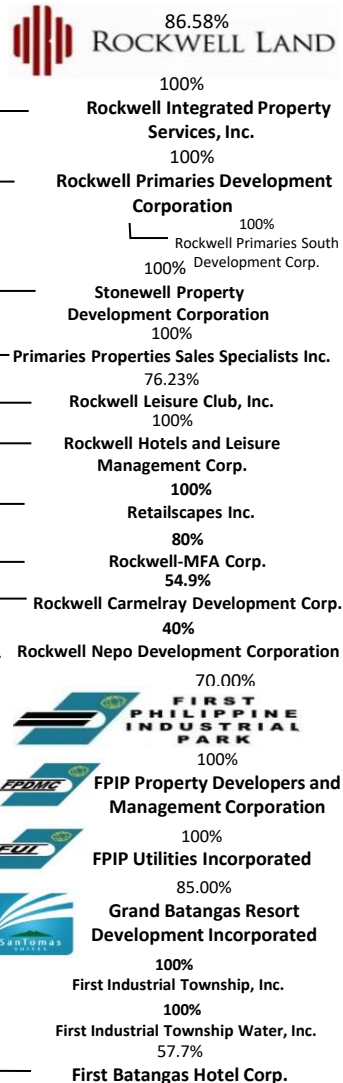


51.04%
First Philippine Holdings

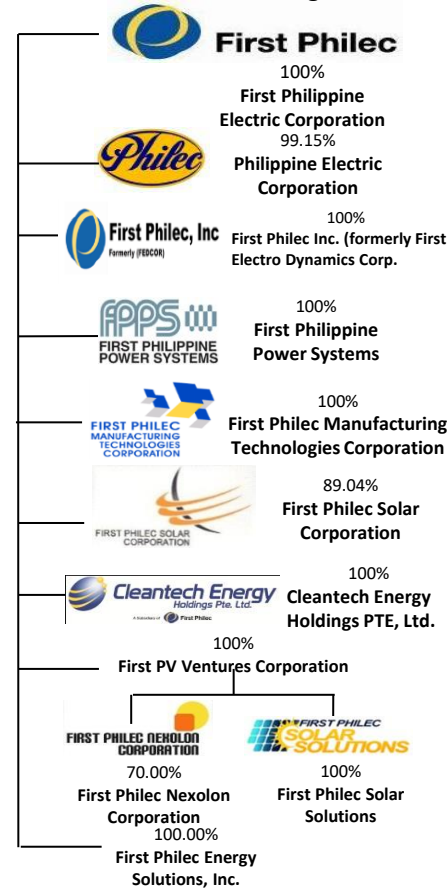
Power Generation



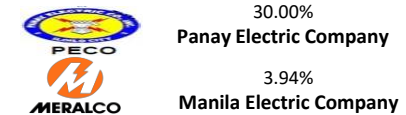
Property



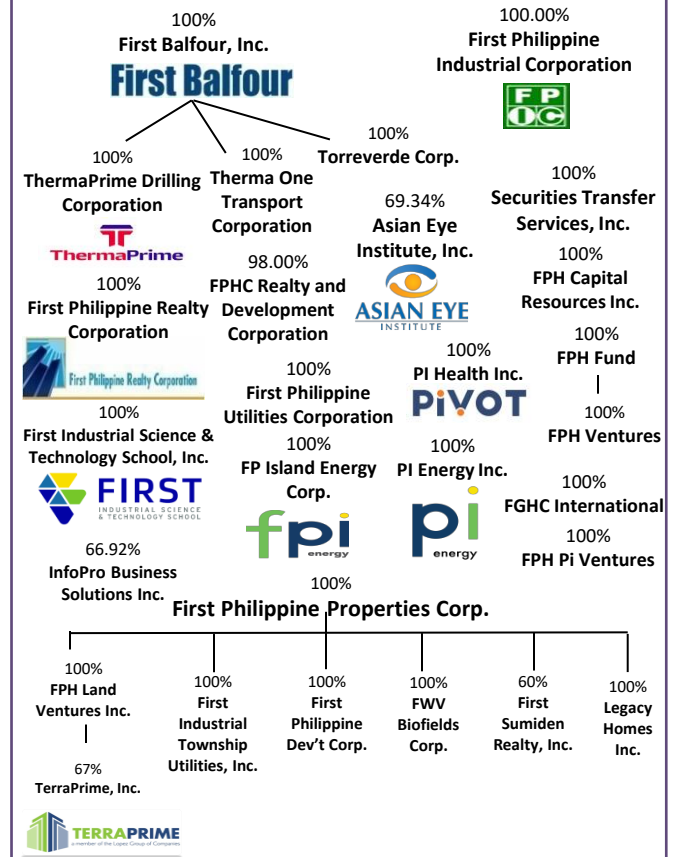
Manufacturing



Power Distribution



Other Businesses



Energy Development Corporation
(A Subsidiary of Red Vulcan Holdings Corporation)
and Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
March 31, 2021 (With Comparative Audited Figures
as of December 31, 2020)
and For the Three-Month Periods Ended
March 31, 2021 and 2020

ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

As of March 31, 2021

(With Comparative Audited Figures as of December 31, 2020)

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 22)	₱15,833,109,199	₱21,755,437,366
Financial assets at fair value through profit or loss (Note 22)	1,001,185,527	922,831,786
Trade and other receivables (Notes 6 and 22)	5,954,741,228	6,888,689,289
Parts and supplies inventories (Note 7)	6,360,861,677	5,961,195,111
Due from related parties (Notes 21 and 22)	21,534,806	23,503,563
Other current assets (Note 8)	1,433,916,613	5,247,473,865
Total Current Assets	30,605,349,050	40,799,130,980
Noncurrent Assets		
Property, plant and equipment (Note 9)	91,481,918,509	91,022,399,313
Goodwill and intangible assets (Note 10)	3,875,457,441	3,899,398,654
Exploration and evaluation assets	1,952,434,124	1,955,939,202
Deferred tax assets – net	752,612,583	841,649,851
Financial assets at fair value through other comprehensive income (Note 22)	587,298,601	576,424,296
Other noncurrent assets (Notes 11 and 22)	7,490,487,397	7,223,879,158
Total Noncurrent Assets	106,140,208,655	105,519,690,474
TOTAL ASSETS	₱136,745,557,705	₱146,318,821,454

LIABILITIES AND EQUITY

Current Liabilities

Trade and other payables (Notes 12 and 22)	₱12,047,660,523	₱16,940,633,921
Due to related parties (Notes 21 and 22)	6,314,217	4,843,549
Income tax payable	202,591,924	491,445,201
Current portion of:		
Long-term debts (Notes 13 and 22)	8,760,873,387	14,164,369,802
Lease liability	113,235,138	122,885,983
Derivative liabilities (Note 22)	86,009,974	76,783,883
Total Current Liabilities	21,216,685,163	31,800,962,339

(Forward)

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Noncurrent Liabilities		
Long-term liability - net of current portion (Notes 13 and 22)	₱43,602,608,247	₱45,865,904,712
Lease liability - net of current portion	228,320,671	243,827,859
Net retirement and other post-employment benefits	2,090,449,109	2,024,239,812
Derivative liabilities - net of current portion (Note 22)	365,720,946	581,827,225
Provisions and other long-term liabilities	2,475,628,609	2,573,102,040
Total Noncurrent Liabilities	48,762,727,582	51,288,901,648
Total Liabilities	69,979,412,745	83,089,863,987
Equity		
Equity attributable to equity holders of the Parent Company:		
Preferred stock	93,750,000	93,750,000
Common stock	19,076,250,000	19,076,250,000
Treasury stock	(14,680,008,054)	(14,679,307,342)
Additional paid-in capital	8,715,108,001	8,715,108,001
Equity reserve	(3,706,430,769)	(3,706,430,769)
Net accumulated unrealized gain on financial assets at fair value through other comprehensive income	230,363,366	220,361,062
Fair value adjustments on hedging transactions (Note 22)	(619,090,235)	(813,808,947)
Cumulative translation adjustments	451,698,420	379,196,253
Retained earnings:		
Unappropriated	40,317,455,545	28,498,576,259
Appropriated	14,739,306,783	23,437,184,520
	64,618,403,057	61,220,879,037
Non-controlling interests	2,147,741,903	2,008,078,430
Total Equity	66,766,144,960	63,228,957,467
TOTAL LIABILITIES AND EQUITY	₱136,745,557,705	₱146,318,821,454

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

	For the Three-Month Periods Ended March 31	
	2021	2020
REVENUE FROM SALE OF ELECTRICITY	₱10,388,275,554	₱9,856,336,173
COSTS OF SALE OF ELECTRICITY (Note 14)	(4,807,810,367)	(4,278,064,403)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	(1,297,275,442)	(1,183,699,862)
FINANCIAL INCOME (EXPENSES)		
Interest expense (Notes 4 and 16)	(765,225,894)	(894,185,279)
Interest income (Notes 4 and 17)	33,631,416	70,021,018
	(731,594,478)	(824,164,261)
OTHER INCOME (CHARGES)		
Foreign exchange gains (losses) - net (Note 18)	4,979,439	(20,095,362)
Miscellaneous charges - net (Note 19)	(34,712,242)	24,907,134
	(29,732,803)	4,811,772
INCOME BEFORE INCOME TAX	3,521,862,464	3,575,219,419
PROVISION FOR INCOME TAX		
Current	159,144,327	259,698,528
Deferred	102,053,115	121,473,547
	261,197,442	381,172,075
NET INCOME	₱3,260,665,022	₱3,194,047,344
Net income attributable to:		
Equity holders of the Parent Company	₱3,121,001,549	₱3,048,522,037
Non-controlling interests	139,663,473	145,525,307
	₱3,260,665,022	₱3,194,047,344
Basic/Diluted Earnings Per Share (Note 20)	₱0.183	₱0.178

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**

	For the Three-Month Periods Ended March 31	
	2021	2020
NET INCOME	₱3,260,665,022	₱3,194,047,344
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Fair value adjustments on hedging transactions, net of tax effect amounting to ₱12,105,959.97 in 2021 and nil in 2020	194,718,712	(434,038,702)
Cumulative translation adjustments	72,502,167	(120,598,673)
Changes in fair value of debt instruments at fair value through other comprehensive income	(11,994,260)	(2,216,310)
NET OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	255,226,619	(556,853,685)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value of equity instruments designated at fair value through other comprehensive income	21,996,564	(92,989,373)
NET OTHER COMPREHENSIVE INCOME (LOSS) NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	21,996,564	(92,989,373)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	277,223,183	(649,843,058)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱3,537,888,205	₱2,544,204,286
Total comprehensive income attributable to:		
Equity Holders of the Parent Company	₱3,398,224,732	₱2,398,678,979
Non-controlling interests	139,663,473	145,525,307
	₱3,537,888,205	₱2,544,204,286

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-in Capital	Equity Reserve	Net Accumulated Unrealized Gain on Financial Assets at FVOCI	Fair Value Adjustments on Hedging Transactions	Cumulative Translation Adjustments	Unappropriated Retained Earnings	Appropriated Retained Earnings	Subtotal	Non-controlling Interests	Total Equity
Balances, January 1, 2021	₱93,750,000	₱19,076,250,000	(₱14,679,307,342)	₱8,715,108,001	(₱3,706,430,769)	₱220,361,062	(₱813,808,947)	₱379,196,253	₱28,498,576,259	₱23,437,184,520	₱61,220,879,037	₱2,008,078,430	₱63,228,957,467
Total comprehensive income													
Net income	—	—	—	—	—	—	—	—	3,121,001,549	—	3,121,001,549	139,663,473	3,260,665,022
Fair value adjustments on hedging transactions (Note 22)	—	—	—	—	—	—	194,718,712	—	—	—	194,718,712	—	194,718,712
Cumulative translation adjustments on foreign subsidiaries	—	—	—	—	—	—	—	72,502,167	—	—	72,502,167	—	72,502,167
Changes in fair value of equity instruments at FVOCI recognized in equity	—	—	—	—	—	21,996,564	—	—	—	—	21,996,564	—	21,996,564
Changes in fair value of debt instruments designated at FVOCI recognized in equity	—	—	—	—	—	(11,994,260)	—	—	—	—	(11,994,260)	—	(11,994,260)
Total other comprehensive loss	—	—	—	—	—	10,002,304	194,718,712	72,502,167	—	—	277,223,183	—	277,223,183
	—	—	—	—	—	10,002,304	194,718,712	72,502,167	3,121,001,549	—	3,398,224,732	139,663,473	3,537,888,205
Reversal of appropriation of retained earnings	—	—	—	—	—	—	—	—	8,697,877,737	(8,697,877,737)	—	—	—
Acquisition of treasury stock	—	—	(700,712)	—	—	—	—	—	—	—	(700,712)	—	(700,712)
Balances, March 31, 2021	₱93,750,000	₱19,076,250,000	(₱14,680,008,054)	₱8,715,108,001	(₱3,706,430,769)	₱230,363,366	(₱619,090,235)	₱451,698,420	₱40,317,455,545	₱14,739,306,783	₱64,618,403,057	₱2,147,741,903	₱66,766,144,960

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-in Capital	Equity Reserve	Net Accumulated Unrealized Gain on Financial Assets at FVOCI	Fair Value Adjustments on Hedging Transactions	Cumulative Translation Adjustments	Unappropriated Retained Earnings	Appropriated Retained Earnings	Subtotal	Non-controlling Interests	Total Equity
Balances, January 1, 2020	₱93,750,000	₱19,076,250,000	(₱14,646,566,916)	₱8,715,108,001	(₱3,706,430,769)	₱159,427,712	(₱446,886,545)	₱677,230,994	₱21,217,149,607	₱26,699,854,200	₱57,838,886,284	₱1,966,129,866	₱59,805,016,150
Total comprehensive income													
Net income	—	—	—	—	—	—	—	—	3,048,522,037	—	3,048,522,037	145,525,307	3,194,047,344
Fair value adjustments on hedging transactions (Note 22)	—	—	—	—	—	—	(434,038,702)	—	—	—	(434,038,702)	—	(434,038,702)
Cumulative translation adjustments on foreign subsidiaries	—	—	—	—	—	—	—	(120,598,673)	—	—	(120,598,673)	—	(120,598,673)
Changes in fair value of equity instruments at FVOCI recognized in equity	—	—	—	—	—	(92,989,373)	—	—	—	—	(92,989,373)	—	(92,989,373)
Changes in fair value of debt instruments designated at FVOCI recognized in equity	—	—	—	—	—	(2,216,310)	—	—	—	—	(2,216,310)	—	(2,216,310)
Total other comprehensive loss	—	—	—	—	—	(95,205,683)	(434,038,702)	(120,598,673)	—	—	(649,843,058)	—	(649,843,058)
	—	—	—	—	—	(95,205,683)	(434,038,702)	(120,598,673)	3,048,522,037	—	2,398,678,979	145,525,307	2,544,204,286
Acquisition of treasury stock	—	—	(7,122,422)	—	—	—	—	—	—	—	(7,122,422)	—	(7,122,422)
Balances, March 31, 2020	₱93,750,000	₱19,076,250,000	(₱14,653,689,338)	₱8,715,108,001	(₱3,706,430,769)	₱64,222,029	(₱880,925,247)	₱556,632,321	₱24,265,671,644	₱26,699,854,200	₱60,230,442,841	₱2,111,655,173	₱62,342,098,014

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three-Month Periods Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,521,862,463	₱3,575,219,419
Adjustments for:		
Depreciation and amortization (Notes 9, 10, 14 and 15)	1,631,212,087	1,615,238,339
Interest expense (Note 16)	765,225,894	894,185,279
Change in net retirement and other post-employment benefits	66,209,297	50,428,257
Provisions for impairment of trade and other receivables, and prepaid taxes (Note 15)	65,030,211	45,594,102
Interest income (Note 17)	(33,631,416)	(70,021,018)
Mark-to-market (gain) loss on financial assets at fair value through profit or loss (Note 19)	1,680,678	(2,692,731)
Unrealized foreign exchange loss (gain) - net (Note 18)	(1,484,639)	24,796,949
Provision for impairment of parts and supplies (Note 7 and 15)	1,481,300	2,623,101
Gain on sale of property, plant and equipment (Note 9)	(462,551)	—
Realized income from redemption of financial assets at fair value through profit or loss	(34,419)	—
Unrealized derivative gain	—	(15,881,866)
Operating income before working capital changes	6,017,088,905	6,119,489,831
Decrease (Increase) in:		
Trade and other receivables	923,253,816	1,423,094,223
Due from a related party	1,968,756	2,223,811
Parts and supplies inventories	(401,147,866)	(142,426,816)
Other current assets	4,045,053,626	(218,494,640)
Increase (Decrease) in:		
Trade and other payables	(81,586,283)	(1,316,546,724)
Due to related parties	1,470,668	(1,692,650)
Provisions and other long-term liabilities	85,551,261	1,870,793
Cash generated from operations	10,591,652,883	5,867,517,828
Income taxes paid including creditable withholding taxes	(515,205,724)	(88,521,168)
Net cash flows from operating activities	10,076,447,159	5,778,996,660
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment (Note 9)	(2,144,751,996)	(869,235,639)
Interest received	44,325,661	70,755,567
Proceeds from sale of property, plant and equipment	597,512	135,591
Proceeds redemption of financial assets at FVPL	370,000,000	988,650,666
Acquisition of financial assets at FVPL	(450,000,000)	(330,000,000)
Decrease (Increase) in:		
Debt service reserve account	—	279,557,888
Exploration and evaluation assets	(782,869)	3,812,268
Intangible assets	(24,977,493)	(2,959,031)
Other noncurrent assets	(332,510,450)	(130,331,306)
Net cash flows used in investing activities	(2,538,099,635)	10,386,004

(Forward)

	For the Three-Month Periods Ended March 31	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Dividends	(₱5,000,000,000)	(₱4,200,000,000)
Long term debt	(9,774,054,817)	(748,897,724)
Lease liability	(28,524,278)	(34,848,796)
Purchase of treasury stock	(700,713)	(7,122,422)
Interest and other financing charges	(665,213,421)	(653,390,691)
Proceeds from availment of long-term debts - net of transaction cost	1,984,986,290	–
Net cash flows used in financing activities	(13,483,506,939)	(5,644,259,633)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,945,159,415)	145,123,031
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	22,831,248	(4,976,915)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	21,755,437,366	14,254,120,731
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Notes 5 and 22)	₱15,833,109,199	₱14,394,266,847

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT CORPORATION
(A Subsidiary of Red Vulcan Holdings Corporation)
AND SUBSIDIARIES

**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

1. Corporate Information

General

Energy Development Corporation (the “Parent Company” or “EDC”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 5, 1976. Beginning December 13, 2006, the common shares of EDC were listed and traded in the Philippine Stock Exchange (PSE).

On August 7, 2018, the Board of Directors (BOD) of the Parent Company approved the voluntary delisting (the Delisting) of its common shares from the Main Board of the PSE and, in accordance with the PSE’s delisting rules and regulations, to conduct a tender offer (the Tender Offer) for up to 2,040,006,713 common shares held collectively by all shareholders of the Parent Company other than Red Vulcan Holdings Corporation (Red Vulcan), First Gen Corporation (First Gen), Northern Terracotta Power Corp. (NTPC), and Philippines Renewable Energy Holdings Corporation (PREHC), at a price of ₱7.25 per common share (the Tender Offer Price).

On September 19, 2018, the Parent Company filed the petition for the Delisting with the PSE.

The Tender Offer began on September 24, 2018 and ended on October 22, 2018.

Following the completion of the Tender Offer, a total of 2,009,107,731 common shares, representing approximately 10.72% of the Parent Company's outstanding voting shares were tendered pursuant to the Tender Offer, accepted and thereafter purchased by the Parent Company via a block sale through the facilities of the PSE on November 5, 2018. The shares were purchased at the Tender Offer Price with a total transaction value of ₱14,566.0 million.

On November 14, 2018, the BOD of the PSE granted the voluntary delisting filed by the Parent Company, and accordingly, ordered the delisting of the Parent Company’s common shares from the official registry of the PSE (electronic board and ticker) effective on November 29, 2018.

The Parent Company and its subsidiaries (collectively referred to as the “Company”) are primarily engaged in the business of exploring, developing and operating geothermal energy and other indigenous renewable energy projects in the Philippines.

Red Vulcan is the parent company of EDC, while Lopez, Inc. is the ultimate parent company.

Red Vulcan and Lopez, Inc. are both incorporated in the Philippines.

As of March 31, 2021, PREHC owns 34.9% of EDC's outstanding voting shares while Red Vulcan still holds the controlling voting interest with 63.9% ownership of EDC's outstanding voting shares.

Principal Office Address

The registered principal office address is at 38th Floor, One Corporate Centre, Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City.

Authorization for Issuance of the Unaudited Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were reviewed, approved and authorized for issuance by the Board of Directors (BOD) thru the Audit and Governance Committee on May 6, 2021.

2. Basis of Preparation

The unaudited interim condensed consolidated financial statements of the Company as of March 31, 2021 and for the three-month periods ended March 31, 2021 and 2020 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. 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 Company's annual financial statements as at December 31, 2020.

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss (FVPL), derivative instruments and financial asset at fair value through other comprehensive income (FVOCI) that are measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company's functional currency. All values are rounded to the nearest peso, except when otherwise indicated.

3. Significant Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as of and for the year ended December 31, 2020, except for the adoption of new standards below effective as of January 1, 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- 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 Company 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 Company is not required to restate prior periods.

4. Operating Segment Information

The Company's operating segments are determined based on geographical segment, with each segment representing a strategic business location that has similar economic and political conditions, proximity of operations and specific risks associated with operations in a particular area.

The Company's identified reportable segments below are consistent with the segments reported to the BOD, which is the Chief Operating Decision Maker (CODM) of the Company:

- a. Leyte Geothermal Facilities - This segment pertains to Leyte Geothermal Production Field and Power Plants. This includes projects in Tongonan, Mahanagdong, Upper Mahiao, Malitbog, Unified Leyte Geothermal Energy, Inc. (ULGEI) and other projects in Leyte Province.
- b. Negros Island Geothermal Facility - This segment refers to Southern Negros Geothermal Production Field and Power Plants. Power plants included in Negros are Palinpinon I, Palinpinon II and Nasulo.
- c. Bacon-Manito Geothermal Facility - This segment relates to Bacon-Manito Geothermal Production Field and Power Plants.
- d. Mt. Apo Geothermal Business Facility - This segment refers to Mt. Apo Geothermal Production Field and Power Plants.
- e. Pantabangan/Masiway - This segment relates to Pantabangan-Masiway hydroelectric complex located in Nueva Ecija Province.
- f. Wind Business Facility - This segment pertains to wind project commercially operating in Northern Luzon.
- g. Solar Business Facility - This segment pertains to solar projects commercially operating in Northern Luzon and Visayas.
- h. Others – This refers to other renewable energy projects including foreign investments and Head Office of the Company.

Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Finance costs, finance income, income taxes and other charges and income are managed on a group basis.

Segment performance is evaluated based on net income for the period and earnings before interest, taxes, and depreciation and amortization (EBITDA). Net income for the period is measured consistent with consolidated net income reported in the unaudited interim condensed consolidated financial statements. EBITDA is calculated as revenue from sale of electricity minus costs of sale of electricity and general and administrative expenses, excluding non-cash items such as depreciation and amortization, impairment losses on non-financial assets, and loss on disposal of property, plant and equipment, among others.

Financial information on the operating segments are summarized as follows:

[illegible][illegible]

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan / Masiway	Wind	Solar	Elimination	Total
For the Three-Month Period Ended March 31, 2021									
Segment assets	₱89,691,047,251	₱27,179,973,980	₱11,438,784,215	₱11,338,416,941	₱5,680,741,029	₱18,987,739,950	₱863,851,040	(₱78,703,213,119)	₱86,477,341,287
Unallocated corporate assets									50,268,216,418
Total assets									₱136,745,557,705
Segment liabilities	₱41,280,493,395	₱13,941,902,152	₱10,763,601,951	₱5,749,964,869	₱292,239,771	₱11,523,735,443	₱686,951,235	(₱79,298,267,037)	₱4,940,621,779
Unallocated corporate liabilities									65,038,790,966
Total liabilities									₱69,979,412,745
Capital expenditure	₱1,197,531,869	₱16,059,377	₱70,986,173	₱37,650,860	₱6,291,783	₱3,979,364	₱—	₱—	₱ 1,332,499,426
Unallocated capital expenditure									806,777,582
Total capital expenditure									₱2,139,277,008
Depreciation and amortization	₱707,480,009	₱234,330,099	₱191,583,875	₱167,087,721	₱111,215,193	₱191,568,879	₱10,714,472	₱6,631,554	₱1,620,611,802
Unallocated depreciation and amortization									10,600,285
Total depreciation and amortization									₱1,631,212,087
Other non-cash items	₱114,343,075	₱44,022,996	₱15,848,451	₱17,905,376	₱—	₱9,128,563	₱117,675	(₱134,854,625)	₱66,511,511

	Leyte	Negros Island	Bacon-Manito	Mt. Apo	Pantabangan / Masiway	Wind	Solar	Elimination	Total
As of and for the year ended December 31, 2020									
Segment assets	₱92,407,246,194	₱29,106,644,391	₱11,453,840,391	₱11,680,010,334	₱5,564,980,762	₱17,646,322,885	₱861,172,414	(₱72,890,565,483)	₱95,829,651,888
Unallocated corporate assets									50,489,169,566
Total assets									₱146,318,821,454
Segment liabilities	₱44,833,698,812	₱16,635,941,638	₱11,073,416,708	₱6,113,967,733	₱527,503,414	₱11,469,620,458	₱695,281,957	(₱75,295,528,151)	₱16,053,902,569
Unallocated corporate liabilities									67,035,961,418
Total liabilities									₱83,089,863,987
Capital expenditure	₱4,615,824,577	₱506,528,719	₱107,771,602	₱166,055,826	₱113,771,530	₱11,129,902	₱524,495	₱—	₱5,521,606,651
Unallocated capital expenditure									667,693,517
Total capital expenditure									₱6,189,300,168
Depreciation and amortization	₱2,825,826,695	₱934,671,669	₱785,165,473	₱654,730,731	₱450,870,322	₱786,064,142	₱42,768,992	₱26,526,212	₱6,506,624,236
Unallocated depreciation and amortization									40,640,511
Total depreciation and amortization									₱6,547,264,747
Other non-cash items	₱1,235,515,141	₱313,010,276	₱172,142,794	₱219,266,118	₱—	₱84,267,804	₱1,402,915	(₱1,692,378,523)	₱333,226,525

The following table shows the Company's reconciliation of EBITDA to the consolidated net income for the three-month periods ended March 31, 2021 and 2020:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
EBITDA	₱5,980,913,343	₱6,058,027,450
Add (Deduct):		
Depreciation and amortization (Notes 9, 10, 14 and 15)	(1,631,212,087)	(1,615,238,339)
Interest expense (Note 16)	(765,225,894)	(894,185,279)
Provision for income tax	(261,197,442)	(381,172,075)
Provisions for impairment of trade and other receivables, and prepaid taxes (Note 15)	(65,030,211)	(45,594,102)
Interest income (Note 17)	33,631,416	70,021,018
Foreign exchange gains (losses) - net (Note 18)	4,979,439	(20,095,362)
Provision for impairment of parts and supplies inventories (Note 15)	(1,481,300)	(2,623,101)
Miscellaneous charges - net (Note 19)	(34,712,242)	24,907,134
Consolidated net income	₱3,260,665,022	₱3,194,047,344

In the normal course of business, entities within the Company engage in intercompany sale and purchase of steam and electricity. Intersegment revenues are all eliminated in consolidation. Segment information is measured in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements. Intersegment revenue are made at normal commercial terms and conditions.

Unallocated expenses pertain to expenses of the corporate, technical and administrative support groups while unallocated corporate assets and liabilities which include among others certain cash and cash equivalents, property, plant and equipment, parts and supplies inventories, trade and other payables and retirement and post-employment benefits, pertain to the Head Office and are managed on a group basis.

5. Cash and Cash Equivalents

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand and in banks	₱5,783,342,919	₱4,103,609,160
Cash equivalents	10,049,766,280	17,651,828,206
	₱15,833,109,199	₱21,755,437,366

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents consist of money market placements, which are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company.

6. Trade and Other Receivables

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade receivable:		
Third parties	₱6,373,884,124	₱6,481,039,731
Related party (Note 21)	73,635,583	72,214,901
Others:		
Non-trade accounts receivable	375,325,025	1,209,799,193
Loans and notes receivables	54,527,416	56,844,161
Advances to employees	41,244,190	24,912,516
	471,096,631	1,291,555,870
	6,918,616,338	7,844,810,502
Less allowance for doubtful accounts	963,875,110	956,121,213
	₱5,954,741,228	₱6,888,689,289

Trade receivables are noninterest-bearing and are generally collectible in 30 to 60 days. Majority of the Company's trade receivables arose from sale of electricity to National Power Corporation and National Transmission Corporation.

7. Parts and Supplies Inventories

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Parts and supplies inventories:		
At Cost	₱4,616,934,593	₱4,225,110,501
At NRV	1,743,927,084	1,736,084,610
	₱6,360,861,677	₱5,961,195,111

Allowance for inventory obsolescence:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	₱528,719,777	₱448,759,161
Provision (Note 15)	1,481,300	79,960,616
Balance at end of year	₱530,201,077	₱528,719,777

Parts and supplies inventories include items that are carried at net realizable value amounting to ₱1,743.9 million and ₱1,736.1 million as of March 31, 2021 and December 31, 2020, respectively, and have costs amounting to ₱1,898.0 million and ₱2,264.8 million, respectively. The rest of the parts and supplies inventories are carried at cost.

8. **Other current assets**

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Advances to contractors	₱463,039,500	₱446,585,096
Prepaid expenses	427,468,820	659,717,154
Short-term investments	121,325,000	4,013,787,748
Withholding tax certificates	256,825,027	—
Others	165,258,266	127,383,867
	₱1,433,916,613	₱5,247,473,865

9. Property, Plant and Equipment

March 31, 2021 (Unaudited)											
	Land	Power Plants	FCRS and Production Wells	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Right of Use of Assets - Buildings, Improvements and Other Structures	Construction in Progress	Total
Cost											
Balances at January 1	₱789,706,515	₱73,625,022,473	₱51,635,099,353	₱8,195,333,713	₱3,397,230,408	₱105,031,477	₱1,564,088,351	₱826,802,525	₱744,264,106	₱9,356,339,523	₱150,238,918,444
Additions	46,669,402	—	—	2,067,344	4,130,897	6,564,071	4,217,488	9,537,664	—	2,066,090,142	2,139,277,008
Disposals/retirements	—	—	—	—	(484,825)	—	(1,472,530)	—	—	—	(1,957,355)
Reclassifications/adjustments	—	33,081,397	517,457,814	58,324,914	23,049,979	(45,375)	1,324,992	(39,758,991)	(123,151)	(835,365,207)	(242,053,628)
Foreign exchange adjustments	—	181,256,776	—	12,275,736	11,842	—	55,984	18,248	1,521,904	40,818	195,181,308
Balances at March 31	836,375,917	73,839,360,646	52,152,557,167	8,268,001,707	3,423,938,301	111,550,173	1,568,214,285	796,599,446	745,662,859	10,587,105,276	152,329,365,777
Accumulated Depreciation, Amortization and Impairment											
Balances at January 1	17,627,581	33,039,817,587	17,633,782,243	3,367,819,240	2,807,407,651	78,336,387	1,361,951,572	617,579,708	268,874,729	23,322,433	59,216,519,131
Depreciation and amortization	—	907,531,433	446,567,722	110,899,622	23,134,281	2,907,630	37,222,500	20,688,258	32,049,536	—	1,581,000,982
Disposals/retirements	—	—	—	—	(392,650)	—	(1,429,744)	—	—	—	(1,822,394)
Reclassifications	—	—	—	(234,989)	2,109,236	(44,581)	(71,681)	350,775	—	—	2,108,760
Foreign exchange adjustments	—	45,529,224	—	4,090,946	8,261	—	43,833	6,321	(37,796)	—	49,640,789
Balances at March 31	17,627,581	33,992,878,244	18,080,349,965	3,482,574,819	2,832,266,779	81,199,436	1,397,716,480	638,625,062	300,886,469	23,322,433	60,847,447,268
Net Book Value	₱818,748,336	₱39,846,482,402	₱34,072,207,202	₱4,785,426,888	₱591,671,522	₱30,350,737	₱170,497,805	₱157,974,384	₱444,776,390	₱10,563,782,843	₱91,481,918,509

December 31, 2020 (Audited)											
	Land	Power Plants	FCRS and Production Wells	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Right of Use of Assets - Buildings, Improvements and Other Structures	Construction in Progress	Total
Cost											
Balances at January 1	₱632,190,335	₱74,155,848,626	₱48,319,836,807	₱8,090,472,747	₱3,301,435,346	₱93,611,344	₱1,504,721,254	₱751,594,199	₱696,484,033	₱6,148,111,200	₱143,694,305,891
Additions	157,516,180	3,470,937	—	7,981,427	49,832,727	14,655,461	54,282,150	57,136,142	26,970,673	5,817,454,471	6,189,300,168
Disposals/retirements	—	(7,033,016)	—	(591,375)	(13,872,801)	(1,279,593)	(4,639,848)	(363,572)	(41,124,851)	—	(68,905,056)
Reclassifications/adjustments	—	482,375,781	3,315,262,546	160,713,957	59,898,059	(1,955,735)	9,977,196	18,529,766	69,862,597	(2,609,222,287)	1,505,441,880
Foreign exchange adjustments	—	(1,009,639,855)	—	(63,243,043)	(62,923)	—	(252,401)	(94,010)	(7,928,346)	(3,861)	(1,081,224,439)
Balances at December 31	789,706,515	73,625,022,473	51,635,099,353	8,195,333,713	3,397,230,408	105,031,477	1,564,088,351	826,802,525	744,264,106	9,356,339,523	150,238,918,444
Accumulated Depreciation, Amortization and Impairment											
Balances at January 1	17,627,581	29,624,464,071	15,935,219,348	2,860,098,855	2,703,978,332	67,950,038	1,233,005,859	519,769,043	149,558,078	23,322,433	53,134,993,638
Depreciation and amortization	—	3,644,305,918	1,702,337,413	532,703,412	103,065,934	12,402,771	140,914,079	93,197,485	145,256,205	—	6,374,183,217
Disposals/retirements	—	(6,159,871)	—	(299,464)	(12,197,664)	(1,279,593)	(4,406,816)	(356,466)	(16,812,872)	—	(41,512,746)
Reclassifications	—	4,339,058	(3,774,518)	(6,106,812)	12,607,923	(736,829)	(7,318,705)	5,008,373	(7,793,008)	—	(3,774,518)
Foreign exchange adjustments	—	(227,131,589)	—	(18,576,751)	(46,874)	—	(242,845)	(38,727)	(1,333,674)	—	(247,370,460)
Balances at December 31	17,627,581	33,039,817,587	17,633,782,243	3,367,819,240	2,807,407,651	78,336,387	1,361,951,572	617,579,708	268,874,729	23,322,433	59,216,519,131
Net Book Value	₱772,078,934	₱40,585,204,886	₱34,001,317,110	₱4,827,514,473	₱589,822,757	₱26,695,090	₱202,136,779	₱209,222,817	₱475,389,377	₱9,333,017,090	₱91,022,399,313

Estimated Rehabilitation and Restoration Costs

FCRS and production wells include the estimated rehabilitation and restoration costs of the Company's steam fields and power plants' contract areas at the end of the contract period. These were based on technical estimates of probable costs, which may be incurred by the Company in the rehabilitation and restoration of the said steam fields and power plants' contract areas from 2031 up to 2044, using a risk-free discount rate and adjusted the cash flows to settle the provision.

Also, the Company has recorded provision for asset retirement obligation relating to the removal and disposal of all wind farm materials, equipment and facilities from the contract areas at the end of contract period. The amount of provision was recorded as part of the costs of power plants.

These costs, net of accumulated amortization, amounted to ₱559.8 million and ₱768.2 million as of March 31, 2021 and December 31, 2020, respectively. As of March 31, 2021 and December 31, 2020, the provision for rehabilitation costs recognized under "Provisions and other long-term liabilities" amounted to ₱1,393.4 million and ₱1,584.8 million, respectively.

Depreciation and Amortization

Details of depreciation and amortization charges recognized in the unaudited interim consolidated statements of income are shown below:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Property, plant and equipment	₱1,581,000,982	₱1,571,048,135
Intangible assets (Note 10)	50,211,105	44,190,204
	₱1,631,212,087	₱1,615,238,339
Costs of sales of electricity (Note 14)	₱1,527,451,103	₱1,493,508,381
General and administrative (Note 15)	103,760,984	121,729,958
	₱1,631,212,087	₱1,615,238,339

10. Goodwill and Intangible Assets

	March 31, 2021 (Unaudited)			
	Goodwill	Water Rights	Other Intangible Assets	Total
Cost				
Balances at January 1	₱2,656,067,487	₱2,404,778,918	₱605,649,098	₱5,666,495,503
Additions	—	—	24,977,493	24,977,493
Foreign exchange translation adjustment	1,292,399	—	—	1,292,399
Balances at March 31	2,657,359,886	2,404,778,918	630,626,591	5,692,765,395
Accumulated Amortization and Allowance for Impairment				
Balances at January 1	52,731,766	1,358,700,090	355,664,993	1,767,096,849
Amortization	—	24,047,789	26,163,316	50,211,105
Balances at March 31	52,731,766	1,382,747,879	381,828,309	1,817,307,954
Net Book Value	₱2,604,628,120	₱1,022,031,039	₱248,798,282	₱3,875,457,441

	December 31, 2020 (Audited)			
	Goodwill	Water Rights	Other Intangible Assets	Total
Cost				
Balances at January 1	₱2,662,725,765	₱2,404,778,918	₱524,559,969	₱5,592,064,652
Additions	—	—	81,089,129	81,089,129
Foreign exchange translation adjustment	(6,658,278)	—	—	(6,658,278)
Balances at December 31	2,656,067,487	2,404,778,918	605,649,098	5,666,495,503
Accumulated Amortization and Allowance for Impairment				
Balances at January 1	—	1,262,508,933	275,000,102	1,537,509,035
Amortization	—	96,191,157	80,664,891	176,856,048
Impairment of goodwill	54,165,823	—	—	54,165,823
Foreign exchange translation adjustment	(1,434,057)	—	—	(1,434,057)
Balances at December 31	52,731,766	1,358,700,090	355,664,993	1,767,096,849
Net Book Value	₱2,603,335,721	₱1,046,078,828	₱249,984,105	₱3,899,398,654

Water rights are amortized using the straight-line method over 25 years, which is the term of the agreement with National Irrigation Administration. The remaining amortization period of water rights is 10.6 years as of March 31, 2021.

Other intangible assets pertain to the Company's accounting software.

11. Other Noncurrent Assets

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Prepaid taxes	₱4,933,901,378	₱4,685,724,258
Long-term receivables	1,168,463,228	1,176,906,753
Tax credit certificates	910,595,980	909,659,739
Special deposits	188,471,668	216,495,188
Prepaid expenses - net of current portion	115,812,968	10,626,444
Others	1,419,834,076	1,308,628,349
	8,737,079,298	8,308,040,731
Less allowance for impairment	1,246,591,901	1,084,161,573
	₱7,490,487,397	₱7,223,879,158

Provision for prepaid taxes and long-term receivables amounted to ₱65.0 million and ₱45.6 million for the three-month periods ended March 31, 2021 and 2020, respectively (Note 15).

Others

Others include capital expenditures funding made by the Company to Enerco amounting to ₱1,611.0 million and ₱1,248.1 million as of March 31, 2021 and December 31, 2020, respectively. The Company's continued participation in the Mariposa project is subject to positive results being obtained from resource assessment studies to be conducted by the Company for the project.

12. Trade and Other Payables

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Accounts payable:		
Third parties	₱6,139,509,029	₱7,380,972,116
Related parties (Note 21)	1,426,941,278	1,367,491,576
Others:		
Accrued interest on long-term debts	860,707,271	806,489,990
Withholding and other taxes payable	231,628,022	307,898,108
Government share payable	58,603,719	70,157,455
SSS and other contributions payable	9,615,510	8,140,919
Dividends payable	—	5,007,752,699
Other payables	3,320,655,694	1,991,731,058
	4,481,210,216	8,192,170,229
	₱12,047,660,523	₱16,940,633,921

Accounts payable are noninterest-bearing and are normally settled on a 30 to 60 days term.

The accrued interest represents interest accrual on outstanding loans.

“Other payables” account includes provision for shortfall generation amounting to ₱2,348.4 million and ₱1,332.1 million as of March 31, 2021 and December 31, 2020, respectively and deferred output VAT amounting to ₱115.1 million and ₱119.0 million as of March 31, 2021 and December 31, 2020, respectively.

13. Long-term Debts

The details of the Company's long-term debts are as follows:

Creditor/Project	Maturities	Interest Rate	March 31, 2021 (Audited)	December 31, 2020 (Audited)
EDC Loans				
US\$181.1 Million Notes	January 20, 2021	6.50%	₱—	₱8,697,225,400
International Finance Corporation (IFC)				
▪ IFC 1 - ₱4.1 Billion	2012-2023	6.07% per annum from April 16, 2014 to June 21, 2018; 4.52% from June 22, 2018 to October 15, 2018; and 6.37% from October 16, 2018 until maturity	836,219,323	832,874,177
▪ IFC 2 - ₱3.3 Billion	2013-2025	6.98% per annum from April 16, 2016 to June 21, 2018; and 4.78% from June 22, 2018 until next repricing date	1,189,906,201	1,183,786,508
▪ IFC 3 - ₱4.8 Billion	March 15, 2033	7.804%	3,914,200,068	4,077,620,452
Fixed Rate Note Facility (FXCN)				
▪ ₱4.0 Billion	2012-2022	5.25%	3,076,016,625	3,073,175,521
▪ ₱3.0 Billion	2012-2022	5.25%	2,306,826,358	2,304,651,526
2013 Peso Fixed-Rate Bonds				
▪ ₱4.0 billion	May 3, 2023	4.7312%	3,986,940,544	3,985,467,985
▪ ₱3.0 billion	May 3, 2020	4.1583%		—
DBP ₱291.2 Million Term Loan	December 17, 2030	5.50%	222,917,608	222,867,859
UBP ₱1.5 Billion Term Loan	December 5, 2026	5.25%	1,226,129,447	1,225,932,454
SBC ₱1.0 Billion Term Loan	December 5, 2031	5.5788%	965,014,158	₱964,869,997
UBP ₱2.0 Billion Term Loan	April 12, 2032	5.44%	1,526,212,234	1,525,936,266
SBC ₱3.0 Billion Term Loan	May 4, 2027	5.32%	2,151,890,115	2,151,346,410
SBC ₱1.0 Billion Term Loan	May 4, 2032	5.43%	763,053,717	762,910,147
BPI ₱1.0 Billion Term Loan	June 1, 2027	5.21%	717,709,048	717,558,304
PNB ₱500.0 Million Term Loan	June 1, 2022	4.74%	149,800,560	149,731,339
SBC ₱500.0 Million Term Loan	May 4, 2032	5.49%	381,495,283	381,424,849
US\$50 Million Mizuho Loan	March 24, 2022	0.87988%	2,410,623,939	2,381,249,004
BPI				
▪ ₱3.0 Billion Term Loan	April 15, 2030	5.1323%	2,980,772,328	2,979,917,340
▪ ₱3.0 Billion Term Loan	April 15, 2030	3.56%	2,979,984,849	2,979,067,344
BDO ₱4.5 Billion Loan	September 10, 2030	4.2929% until next repricing date	4,245,331,727	4,468,510,776
BDO ₱4.5 Billion Loan	February 18, 2021	4.25%	1,885,292,205	—
EBWPC Loans				
▪ Commercial Debt Facility US\$37.5 Million	October 23, 2029	2% margin plus LIBOR	1,283,921,322	1,269,340,305
▪ ECA Debt Facility US\$150 Million	October 23, 2029	2.35% margin plus LIBOR	5,107,733,139	5,048,269,447
▪ Commercial Debt Facility ₱5.6 Billion	October 23, 2029	2% + PDST-F rate	3,990,396,679	3,988,760,108
GCGI Loan				
₱8.5 Billion Term Loan	March 18, 2022	5.25%	2,120,559,610	2,713,909,376
BGI Loan				
₱5.0 Billion Term Loan	October 7, 2025	5.25%	1,944,534,547	1,943,871,620
Total			52,363,481,634	60,030,274,514
Less current portion			8,760,873,387	14,164,369,802
Noncurrent portion			₱43,602,608,247	₱45,865,904,712

On January 20, 2021, the Parent Company fully paid its \$181.1 Million Notes listed and quoted on the SGX-ST. The notes were subsequently de-listed from the SGX-ST in accordance with the procedures thereof.

The Company's foreign-currency denominated long-term debts were translated into Philippine

pesos based on the prevailing foreign exchange rates at the date of the unaudited interim consolidated statement of financial position (US\$1= ₱48.53 on March 31, 2021 and US\$1= ₱48.02 on December 31, 2020).

14. Costs of Sale of Electricity

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Purchased services and utilities (Note 21)	₱1,594,072,741	₱1,051,148,665
Depreciation and amortization (Notes 9 and 10)	1,527,451,103	1,493,508,381
Rental, insurance and taxes	593,699,992	631,781,181
Personnel costs	508,758,144	496,570,964
Repairs and maintenance	309,066,366	299,632,764
Parts and supplies issued	199,308,204	219,453,505
Government share	63,459,937	58,896,351
Business and related expenses	11,993,880	27,072,592
	₱4,807,810,367	₱4,278,064,403

15. General and Administrative Expenses

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Personnel costs	₱500,503,158	₱486,774,578
Purchased services and utilities	359,953,578	331,614,480
Rental, insurance and taxes	170,472,346	108,061,623
Depreciation and amortization (Notes 9 and 10)	103,760,984	121,729,958
Provisions for impairment of trade and other receivables, and prepaid taxes	65,030,211	45,594,102
Parts and supplies issued	53,670,129	21,363,902
Business and related expenses	32,724,201	53,089,174
Repairs and maintenance	9,679,535	12,848,944
Provision for impairment of parts and supplies inventories	1,481,300	2,623,101
	₱1,297,275,442	₱1,183,699,862

16. Interest Expense

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Interest on long-term debts including amortization of transaction costs (Note 13)	₱747,554,986	₱876,640,173
Interest accretion on provision for rehabilitation and restoration costs	12,238,664	14,255,467
Interest on liability from litigation	1,953,063	1,952,777
Interest expense on lease	3,479,181	1,336,862
	₱765,225,894	₱894,185,279

17. Interest Income

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Interest on placements (Note 5)	₱20,367,124	₱69,395,498
Others	13,264,292	625,520
	₱33,631,416	₱70,021,018

18. Foreign Exchange Gains (Losses)

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Unrealized foreign exchange gains (losses) - net	₱1,484,639	(₱24,796,949)
Realized foreign exchange gains (losses) - net	3,494,800	4,701,587
	₱4,979,439	(₱20,095,362)

This account pertains mainly to foreign exchange adjustments on repayment of loans and restatement of outstanding balances of foreign currency-denominated loans, short-term placements and cash in banks.

19. Miscellaneous Income (Charges)

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Loss on inventory variations	(₱18,872,149)	₱200,550
Derivative gains (losses) - net	(2,399,644)	15,881,866
Mark to market gain (loss) - financial asset at fair value through profit or loss	(1,680,678)	2,692,731
Proceeds from insurance claims	2,084	952,345
Others	(11,761,855)	5,179,642
	(₱34,712,242)	₱24,907,134

20. Earnings Per Share

The earnings per share amounts were computed as follows:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
(a) Net income attributable to equity shareholders of the Parent Company	₱3,121,001,549	₱3,048,522,037
Less dividends on preferred shares	7,500,000	7,500,000
(b) Net income attributable to common shareholders of the Parent Company	₱3,113,501,549	₱3,041,022,037
(c) Weighted average number of common shares outstanding	17,048,627,444	17,052,858,888
Basic/diluted earnings per share (b/c)	₱0.183	₱0.178

The Parent Company does not have dilutive common stock equivalents as of March 31, 2021 and 2020.

21. Related Party Transactions

a. First Balfour, Inc. (First Balfour)

Following the regular bidding process, the Company awarded to First Balfour procurement contracts of various structural and mechanical/piping works in the Company's geothermal, wind and solar power plants. First Balfour is a wholly-owned subsidiary of First Holdings, which is an entity under common control.

b. First Gen Corporation (First Gen)

First Gen provides financial consultancy, business development and other related services to the Parent Company under a consultancy agreement beginning September 1, 2008. Such agreement is for a period of three years up to August 31, 2011. Under the terms of the agreement, billings for consultancy services shall be ₱8.7 million per month plus applicable taxes. This was increased to ₱11.8 million effective September 2009 to cover the cost of additional officers and staff assigned to the Parent Company. In 2017, the consultancy agreement was extended further until December 31, 2020. In 2021, this was again extended to another 2 years from January 1, 2021 to December 31, 2022.

c. ThermaPrime Well Services, Inc. (ThermaPrime)

ThermaPrime is a subsidiary of First Balfour, a wholly owned subsidiary of First Holdings. ThermaPrime provides drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering.

d. Other Related Parties

In the ordinary course of business, the Company avails of or grants advances from/to its

related parties for working capital requirements. Such advances are payable/collectible within 12 months and are non-interest bearing.

Following are the other related parties identified by the Company:

- First Gas Holdings Corporation, First Gas Power Corporation and FGP Corp. are subsidiaries of First Gen. First Philippine Holdings, parent company of First Gen, is a subsidiary of Lopez Holdings Corporation.
- Lopez Holdings Corporation has 56.5% interest on ABS-CBN Corporation (ABS-CBN Corp.). ABS-CBN Publishing, Inc. and ABS-CBN Foundation are wholly owned subsidiaries of ABS-CBN Corporation.
- Rockwell Land Corporation is 86.58%-owned by First Philippine Holdings.
- First Electro Dynamics Corporation (FEDCOR) is a wholly owned subsidiary of First Philippine Holdings.
- First Philec Inc. (formerly First Electro Dynamic Corporation) is a wholly owned subsidiary of First Philippine Holdings.
- Adtel Inc. is a wholly owned subsidiary of Lopez, Inc.
- First Philec Manufacturing Technologies Corp., Securities Transfer Services, Inc. and First Philippine Realty Corp. (FPRC), formerly known as INAEC Development Corp, are wholly owned subsidiaries of First Philippine Holdings.
- First Gen Energy Solutions, Inc. (First GES) is a wholly owned subsidiary of First Gen.
- Skycable is wholly owned subsidiaries of ABS-CBN Corporation.

Following are the amounts of transactions for the three-month periods ended March 31, 2021 and 2020 and outstanding balances as of March 31, 2021 and December 31, 2020:

			Transactions for the three-month period ended March 31 (Unaudited)		Balances March 31, 2021 (Unaudited) December 31, 2020 (Audited)	
Related Party	Nature of Transaction	Terms	2021	2020	2021	2020
Due to related parties						
First Gen	Dividend	Unsecured and will be settled in cash	₱43,672,199	₱36,674,932	₱43,672,199	₱—
	Interest-free advances	- do -	5,757,776	1,333,054	6,314,217	4,753,549
FGP Corp	Interest-free advances	- do -	—	30,000	—	90,000
			₱49,429,975	₱38,037,986	₱6,314,217	₱4,843,549
Dividends payable (Note 12)						
Philippine Renewable Energy Holdings Corp.	Dividend	Unsecured and will be settled in cash	₱—	₱—	₱—	₱2,705,856,580
Red Vulcan	Dividend	- do -	—	—	—	2,199,585,397
First Gen	Dividend	- do -	—	—	—	43,672,199
			₱—	₱—	₱—	₱4,949,114,176
Due from a related party						
First GES	Other services	Unsecured and will be settled in cash	₱1,987,151	₱—	₱19,575,161	₱21,562,312
Thermaprime	Lease drilling	- do -	—	3,916,246	1,941,251	1,941,251
First Gen	Other services	- do -	18,394	—	18,394	—
			₱2,005,545	₱3,916,246	₱21,534,806	₱23,503,563
Trade and other receivables (Note 6)						
First GES	Sale of electricity	Unsecured and will be settled in cash	₱142,969,571	₱170,879,418	₱56,082,881	₱49,275,932
Rockwell Powerplant	- do -	- do -	36,427,826	33,966,291	17,552,702	22,938,969
			₱179,397,397	₱190,030,606	₱73,635,583	₱72,214,901

			Transactions for the three-month period ended March 31 (Unaudited)		Balances March 31, 2021 (Unaudited) December 31, 2020 (Audited)	
Related Party	Nature of Transaction	Terms	2021	2020	2021	2020
Entities under common control						
Trade and other payables (Note 12)						
First Balfour Inc.	Civil Works and other services	- do -	₱700,963,234	₱170,414,145	₱944,967,222	₱907,624,451
Thermaprime	Drilling and other related services	Unsecured and will be settled in cash	378,411,199	345,366,183	347,528,447	314,450,586
PREHC	Directors Fee	- do -	12,711,934	20,601,393	—	—
First GES	Purchase of services and utilities	- do -	10,666,948	11,794,529	3,808,693	13,031,995
Rockwell Land Corporation	Purchase of services and utilities	- do -	10,024,142	491,257	124,379,104	127,642,547
Skycable	Purchase of services and utilities	- do -	1,245,884	—	2,215,815	697,473
First Philec Inc. (formerly First Electro Dynamics Corp.)	Purchase of services and utilities	- do -	210,555	—	358,000	358,000
First Philippine Realty Corporation	Purchase of services and utilities	- do -	90,000	953,743	138,263	140,564
Adtel	Purchase of services and utilities	- do -	—	259,216	956,016	956,016
ABS-CBN Corporation	Purchase of services and utilities	- do -	—	130,621	—	—
First Philippine Industrial Corporation	Purchase of services and utilities	- do -	—	—	465,403	465,629
First Philec Manufacturing Technologies Corp	Purchase of services and utilities	- do -	—	—	2,077,482	2,077,482
ABS-CBN Publishing, Inc.	Purchase of services and utilities	- do -	—	—	3,600	3,600
Securities Transfer Services, Inc.	Purchase of services and utilities	- do -	—	—	43,233	43,233
			₱1,114,323,896	₱550,011,087	₱1,426,941,278	₱1,367,491,576
Lease Liability						
Entities under common control						
Rockwell Land Corporation	Lease	Unsecured and will be settled in cash	₱—	₱22,021,318	₱237,970,758	₱251,456,039

The Company has not recognized any impairment loss on trade and other receivables relating to intercompany transactions as of March 31, 2021 and December 31, 2020.

22. Financial Risk Management Objectives and Policies

The Company's financial instruments consist mainly of cash and cash equivalents, trade receivables, DSRA, FVPL, FVOCI, trade payables, and long-term debts. The main purpose of these financial instruments is to finance the Company's operations and accordingly manage its exposure to financial risks. The Company has various other financial assets and liabilities such as short-term investments, other receivables, other payables and due to/from related parties, which arise directly from operations.

The Company classifies its financial instruments in the following categories:

March 31, 2021 (Unaudited)					
	Amortized Cost	Financial Assets at FVOCI	Financial Assets at FVTPL	Derivatives Designated as Cash Flow Hedges	Total
<i>(In Thousand Pesos)</i>					
Financial Assets					
Cash and cash equivalents	₱15,833,109	₱—	₱—	₱—	₱15,833,109
Trade receivables	5,495,347	—	—	—	5,495,347
Non-trade receivables	372,269	—	—	—	372,269
Loans and notes receivables	54,527	—	—	—	54,527
Advances to employees	32,598	—	—	—	32,598
Due from a related party	21,535	—	—	—	21,535
Short-term investments	121,325	—	—	—	121,325
Long-term receivables	1,067,691	—	—	—	1,067,691
Financial assets at FVOCI:					
Debt investments	—	157,829	—	—	157,829
Equity investments	—	429,470	—	—	429,470
Financial assets at FVPL	—	—	1,001,186	—	1,001,186
Total financial assets	₱22,998,401	₱587,299	₱1,001,186	₱—	₱24,586,886
Financial Liabilities					
Accounts payable*	₱7,515,372	₱—	₱—	₱—	₱7,515,372
Accrued interest on long-term debts	860,707	—	—	—	860,707
Other payables**	435,707	—	—	—	435,707
Due to related parties	6,314	—	—	—	6,314
Long-term debts	52,363,482	—	—	—	52,363,482
Lease liability	341,556	—	—	—	341,556
Derivative liabilities	—	—	—	451,731	451,731
Total financial liabilities	₱61,523,138	₱—	₱—	₱451,731	₱61,974,869

*excluding statutory liabilities

**excluding non-financial liabilities.

2020					
	Amortized Cost	Financial Assets at FVOCI	Financial Assets at FVPL	Derivatives Designated as Cash Flow Hedges	Total
(In Thousand Pesos)					
Financial Assets					
Cash and cash equivalents	₱21,755,437	₱—	₱—	₱—	₱21,755,437
Trade receivables	5,608,836	—	—	—	5,608,836
Non-trade receivables	1,206,743	—	—	—	1,206,743
Loans and notes receivables	56,844	—	—	—	56,844
Advances to employees	16,266	—	—	—	16,266
Due from related parties	23,504	—	—	—	23,504
Short-term investments	4,013,788	—	—	—	4,013,788
Long-term receivables	1,078,480	—	—	—	1,078,480
Financial assets at FVOCI:					
Debt investments	—	169,823	—	—	169,823
Equity investments	—	406,601	—	—	406,601
Financial assets at FVPL	—	—	922,832	—	922,832
Total financial assets	₱33,759,898	₱576,424	₱922,832	₱—	₱35,259,154
Financial Liabilities					
Accounts payable*	₱8,676,192	₱—	₱—	₱—	₱8,676,192
Accrued interest on					
long-term debts	806,490	—	—	—	806,490
Other payables**	457,643	—	—	—	457,643
Due to related parties	4,844	—	—	—	4,844
Long-term debts	60,030,275	—	—	—	60,030,275
Lease liabilities	366,714	—	—	—	366,714
Derivative liabilities	—	—	—	658,611	658,611
Total financial liabilities	₱70,342,158	₱—	₱—	₱658,611	₱71,000,769

*excluding statutory liabilities to the Government

**excluding non-financial liabilities.

The following tables show the fair value information of financial instruments classified under loans and receivables, financial assets at FVPL, financial assets at FVOCI, and derivatives designated as cash flow hedges and analyzed by sources of inputs on fair valuation as follows:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

	March 31, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets				
Amortized cost:				
Long-term receivables	₱1,067,690,974	₱1,018,328,903	₱1,078,479,522	₱1,040,473,511
Financial assets at FVOCI:				
Debt investments	157,829,045	157,829,045	169,823,305	169,823,305
Equity investments	429,469,556	429,469,556	406,600,991	406,600,991
Financial assets at FVPL	1,001,185,527	1,001,185,527	922,831,786	922,831,786
	₱2,656,175,102	₱2,606,813,031	₱2,577,735,604	₱2,539,729,593
Financial Liabilities:				
Financial liabilities at amortized cost:				
Long-term debts	₱52,363,481,634	₱58,759,136,720	₱60,030,274,514	₱66,637,947,154
Lease liabilities	341,555,809	318,435,487	366,713,842	372,725,463
Derivative liabilities:				
Derivative liabilities designated as cash flow hedges	451,730,920	451,730,920	658,611,108	658,611,108
	₱53,156,768,363	₱59,529,303,127	₱61,055,599,464	₱67,669,283,725

Due to relatively short maturity, ranging from one to three months, carrying amounts approximate fair values for cash and cash equivalents, trade and other receivables, amounts due to related parties and trade and other payables.

The methods and assumptions used by the Company in estimating the fair value of financial instruments are:

Long-term Receivables

The fair value of long-term receivables was computed by discounting the expected cash flow using the applicable rate of 2.40% and 1.81% as of March 31, 2021 and December 31, 2020, respectively.

Financial Assets at FVOCI (AFS Investment)

Fair values of quoted debt and equity securities are based on quoted market prices and other observable data.

Financial assets at fair value through profit or loss

The fair values of financial assets at fair value through profit or loss are based on quotations provided by the investment manager.

Derivatives designated as cash flow hedges

The fair values of derivative instruments designated as cash flow hedges are based on quotations provided by the counterparty banks.

Long-term Debts

The fair values for the Company's long-term debts are estimated using the discounted cash flow methodology with the applicable rates ranging from 1.75% to 2.90% as of March 31, 2021 and 1.75% to 2.88% as of December 31, 2020.

Lease Liabilities

The fair values for the Company's lease liabilities are estimated using the discounted cash flow methodology with the applicable rates ranging from 2.81% to 5.16% as of March 31, 2021.

Financial Risk Management Policy

The main financial risks arising from the Company's financial instruments are credit risk, foreign currency risk, interest rate risk, equity price risk and liquidity risk. The Company's policies for managing the aforementioned risks are summarized hereinafter below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

The Company's geothermal and power generation business trades with two (2) key customers, NPC and TransCo, both a government-owned-and-controlled corporations. Any failure on the part of NPC and TransCo to pay their obligations to the Company would significantly affect the Company's business operations. As a practice, the Company monitors closely its collections from NPC and TransCo and may charge interest on delayed payments following the provision of the

PPAs and REPA, respectively. Other customers include distribution utilities, electric cooperatives, industrial customers and contestable customers. Credit risk is controlled by the application of credit approval limit and monitoring procedures. It is the Company's policy to enter into credit-worthy parties to mitigate any significant concentration of credit risk. Trade receivables balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is not significant. The maximum exposure of trade receivable is equal to its carrying amount.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

March 31, 2021 (Unaudited)

	Trade receivables					Credit Impaired	Total
	Days past due						
	Current	<30 days	30-60 days	61-90 days	>91 days		
(In Thousand Pesos)							
Expected credit loss rate	0.0%	0.0%	0.0%	0.3%	1.3%	100.0%	14.8%
Estimated total gross carrying amount at default (Note 7)	₱4,638,665	₱147,524	₱226,744	₱153,226	₱333,964	₱947,397	₱6,447,520
Expected credit loss	—	—	—	458	4,318	947,397	952,172

December 31, 2020 (Audited)

	Trade receivables						Total
	Days past due					Credit Impaired	
	Current	<30 days	30-60 days	61-90 days	>91 days		
(In Thousand Pesos)							
Expected credit loss rate	0.0%	0.0%	0.0%	15.9%	1.5%	100.0%	14.4%
Estimated total gross carrying amount at default (Note 7)	₱4,922,439	₱400,932	₱8,338	₱2,878	₱279,025	₱939,643	₱6,553,255
Expected credit loss	—	—	—	458	4,317	939,643	944,418

Financial instruments and cash deposits

With respect to the credit risk arising from other financial assets of the Company, which comprise of cash and cash equivalents excluding cash on hand, financial asset at FVTPL, short-term investments, other receivables, financial assets at FVOCI/AFS investments, DSRA and due from a related party, 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. Credit risk from these instruments is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing.

Credit Quality of Financial Assets

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before due date. Financial assets are classified as a standard grade if the counterparties settle their obligation with the Company with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. As of March 31, 2021 and December 31, 2020, financial assets categorized as neither past due nor impaired are viewed by management as high grade, considering the collectibility of the receivables and the credit history

of the counterparties. Meanwhile, past due but not impaired financial assets are classified as standard grade.

Concentration of Credit Risk

The Company's exposure to concentration of credit risk arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of the receivables from NPC and TransCo.

Derivative Financial Instruments

The Company engages in derivative transactions, particularly foreign currency swaps, cross currency swaps, interest rate swaps and call spread swaps to manage its foreign currency risk and/or interest rate risk arising from its foreign-currency denominated loans. These derivatives are accounted for either as derivatives designated as accounting hedges or derivatives not designated as accounting hedges.

The table below shows the derivative financial instruments of the Company:

	March 31, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivatives designated as accounting hedges				
Call spread swaps	P=	P48,176,772	P=	P78,464,276
Interest rate swaps	–	403,554,147	–	580,146,832
Total derivatives	P=	P451,730,919	P=	P658,611,108
Presented as:				
Current	P=	P86,009,974	P=	P76,783,883
Noncurrent	–	365,720,946	–	581,827,225
Total derivatives	P=	P451,730,920	P=	P658,611,108

Interest Rate Swap Contracts

In the last quarter of 2014, EBWPC entered into four (4) interest rate swaps (IRS) with aggregate notional amount of US\$150 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt Facility (Foreign Facility) that is benchmarked against US LIBOR and with flexible interest reset feature that allows EBWPC to select what interest reset frequency to apply (i.e., monthly, quarterly or semi-annually). As it is EBWPC's intention to reprice the interest rate on the Foreign facility semi-annually, EBWPC utilizes IRS with semi-annual interest payments and receipts. In the first quarter of 2016, EBWPC entered into three (3) IRS with aggregate notional amount of US\$30 million.

Under the IRS agreement, EBWPC will receive semi-annual interest of 6-month USD-LIBOR and will pay fixed interest. EBWPC designated the IRS as hedging instruments in cash flow hedge against the interest rate risks arising from the Foreign Facility.

As of March 31, 2021 and December 31, 2020, the outstanding aggregate notional amount of EBWPC's IRS amounted to US\$130.5 million. The aggregate fair value losses on these IRS amounted to P587.7 million gain and P757.5 million loss as of March 31, 2021 and December 31, 2020, respectively.

Call Spread Swap Contracts

In July 2017, the Parent Company entered into four (4) CSS with an aggregate notional amount of US\$25.0 million.

In January 2018, the Parent Company entered into two (2) additional CSS with an aggregate notional amount of US\$10.0 million and another two (2) CSS in August 2018 with an aggregate notional amount of US\$20.0 million. An additional two (2) CSS was entered by the Parent Company in November 2018 with an aggregate amount of US\$10.0 million.

These derivative contracts were designated to hedge the possible foreign exchange loss of its \$181.1 million notes which matured in January 2021.

In April 2020, the Parent Company entered into five (5) CSS with an aggregate notional amount of US\$50.0 million. These derivative contracts were designated to hedge possible foreign exchange loss of US\$50.0 million loan with Mizuho bank.

The aggregate fair value change of these call spread contracts amounted to ₱30.3 million as of March 31, 2021.

Fair value Adjustments

The net movement of fair value changes made to “Fair value adjustments on hedging transactions” account for the Company’s cash flow hedges is as follows:

	March 31, 2020 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	(₱813,808,947)	(₱446,886,545)
Changes in fair value	147,072,856	(486,768,948)
	(666,736,090)	(933,655,493)
<i>Transferred to consolidated statements of income</i>		
Interest expense	35,539,895	95,711,021
Balance before tax	(631,196,195)	(837,944,472)
Tax	12,105,960	24,135,525
Balance at end of year	(₱619,090,235)	(₱813,808,947)

Fair Value Changes of Derivatives

The table below summarizes the net movement in fair values of the Company’s derivatives as of March 31, 2021 and December 31, 2020.

	March 31, 2020 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	(₱658,611,108)	(₱238,093,920)
Net changes in fair value of derivatives		
designated as accounting hedges	171,340,293	(516,228,209)
Fair value of settled instruments:		
Designated as accounting hedges	35,539,895	95,711,021
Balance at end of year	(₱451,730,920)	(₱658,611,108)
Presented as:		
Derivative assets	₱—	₱—
Derivative liabilities	(451,730,920)	(658,611,108)
	(₱451,730,920)	(₱658,611,108)

The effective portion of the changes in the fair value of the derivatives designated as accounting hedges were deferred in equity under “Fair Value Adjustment on Hedging Transactions” account.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to comply with its financial loan covenants and support its business operations.

23. Other Matters

Seasonality or Cyclicity of Interim Operations

For Wind Ilocos Norte Business Unit, higher revenue and operating profits are expected in the last quarter of the year due to stronger average wind speed. Solar power plants are expected to generate their highest revenue during summer months. For the rest of the entities, except for FG Hydro's sale of electricity coming from hydroelectric power/operations, seasonality or cyclicity of interim operations is not applicable. The Parent Company's contract with NPC includes guaranteed volume under the applicable take-or-pay, minimum energy off-take or contracted energy provisions. GCGI's, BGI's and ULGEI's sales to cooperatives, distribution utilities, and industrial customers are also not subject to seasonality or cyclicity.

Issuances, Repurchases, and Repayments of Debt and Equity Securities

Except for the payment of US\$181.1 million notes in January 2021, there are no issuances, repurchases and repayments of debt and equity securities during the current period.

Changes in Estimates and Amounts Reported in Prior Financial Years

The key assumptions concerning the future and other key sources of estimation uncertainty used in preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as of and for the year ended December 31, 2020.

Changes in the Composition of the Company During the Interim Period

There are no material changes in the composition of the registrant during the period.

Changes in Contingent Liabilities or Contingent Assets Since the Last Annual Reporting Date

There are no material changes in the contingent liabilities or contingent assets since the last annual reporting date.

Existence of Material Contingencies and Any Other Events or Transactions that are Material to an Understanding of the Current Interim Period

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 (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region (NCR). The community quarantine has been extended on a more relaxed form (general community quarantine) after the May 15, 2020 extension. On February 27, 2021, the general community quarantine was extended until March 31, 2021 in selected areas including the NCR. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Company was not materially affected by the COVID-19 outbreak as the Company continued to operate normally and majority of its capacity is contracted. For the uncontracted capacity, it was affected by lower market prices in 2021 as a result of the decrease in demand during the community quarantine period.

Considering the evolving nature of this outbreak, the Company will continue to monitor the situation in subsequent periods.

Energy Development Corporation and Subsidiaries
Aging of Trade Receivables
As of March 31, 2021
In Million Pesos

	Amount
Trade receivables	
Neither past due nor impaired	4,638.6
Less than 30 days past due	-
31 days to 1 year past due	856.7
Credit impaired	952.2
Subtotal	6,447.5
Other receivables	471.1
Total receivables	6,918.6
Allowance for doubtful accounts	(963.9)
Trade and other receivables – net	5,954.7

Certified true and correct:



ERWIN O. AVANTE
Vice President, Chief Financial Officer,
Treasurer and Compliance Officer
May 6, 2021
Date Signed