aboitiz

November 12, 2021

via electronic mail
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City, 1307

ATTENTION : **DIR. VICENTE GRACIANO P. FELIZMENIO JR.**
Markets and Securities Regulation Department

via PSE EDGE
PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 28th Street, cor. 5th Avenue
Bonifacio Global City, Taguig City

ATTENTION : **MS. JANET A. ENCARNACION**
Head, Disclosure Department

via electronic mail
PHILIPPINE DEALING & EXCHANGE CORP.
Market Regulatory Services Group
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

ATTENTION : **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head – Issuer Compliance and Disclosure Department

Gentlemen:

Please see enclosed SEC Form 17-Q (3rd Quarterly Report 2021) of Aboitiz Equity Ventures Inc.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES INC.
By:

MANUEL ALBERTO R. COLAYCOCNC
Corporate Secretary

COVER SHEET

C E O 2 5 3 6

S.E.C. Registration Number

A B O I T I Z E Q U I T Y V E N T U R E S I N C .

(Company's Full Name)

3 2 N D S T R E E T , B O N I F A C I O G L O B A L

C I T Y , T A G U I G C I T Y , M E T R O M A N I L A

P H I L I P P I N E S

(Business Address: No. Street City / Town / Province)

MANUEL ALBERTO R. COLAYCO	**(02) 8-886-2338**
Contact Person	Company Telephone Number

	1st Quarterly Report 2021	**4th Monday of April**
1 2 3 1	1 7 - Q	0 4 2 6
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

Amended Articles Number/Section

	x	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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S T A M P S

Remarks = pls. 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 **September 30, 2021**

2. Commission identification number **CEO2536** 3.BIR Tax Identification No. **003-828-269-V**

4. Exact name of issuer as specified in its charter

   ABOITIZ EQUITY VENTURES INC.

5. Province, country or other jurisdiction of incorporation or organization

   Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

   32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines **1634**

8. Issuer's telephone number, including area code

   (02) 8 886-2800

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

   N/A

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 of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock ₱1 Par Value	**5,630,225,457**
Amount of Debt Outstanding (September 30, 2021)	**₱319,600,694,000.00**

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

    Yes [**x**] No [ ]

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

    Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

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

Yes [**x**] No [ ]

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

Yes [**x**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedule attached herewith.

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

Management's Discussion and Analysis or Plan of Action of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of Aboitiz Equity Ventures Inc. (AEV, the "Company", or the "Parent Company") and its Subsidiaries (collectively, the "Group") should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying disclosures set forth elsewhere in this report.

The Group's operating segments are as follows: a.) Aboitiz Power Corporation ("AboitizPower") and its Subsidiaries (collectively, the "Power Group"), b.) Banking and Financial Services, c.) Pilmico Foods Corporation and its Subsidiaries, and Pilmico International Pte. Ltd. ("Pilmico International") and its Subsidiaries (collectively, the "Food Group"), d.) Aboitiz InfraCapital Inc. and its Subsidiaries, and Republic Cement and Building Materials, Inc. and its Subsidiaries ("Republic") (collectively, the "Infrastructure Group"), and e.) AboitizLand, Inc. (AboitizLand) and its Subsidiaries (collectively, the "Real Estate Group").

<u>TOP FIVE KEY PERFORMANCE INDICATORS</u>

Management uses the following indicators to evaluate the performance of AEV and its subsidiaries:

1. EQUITY IN NET EARNINGS OF INVESTEES

Equity in net earnings (losses) of investees represents the Group's share in the undistributed earnings or losses of its Associates and Joint Ventures for each reporting period subsequent to the acquisition of the said investment. This account reflects the result of the operating performance of Associates and Joint Ventures and indicates its contribution to the Group's consolidated net income.

Manner of Computation: Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost.

2. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)

The Company computes EBITDA as earnings before extraordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure in evaluating the Group's ability to service its debts and to finance its capital expenditure and working capital requirements.

3. CASH FLOW GENERATED

Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. CURRENT RATIO

Current Ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt-paying ability. The higher the ratio, the more liquid the Group is.

5. DEBT-TO-EQUITY RATIO

Debt-to-Equity Ratio indicates how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total liabilities by total equity.

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-SEP 2021	**JAN-SEP 2020**
EQUITY IN NET EARNINGS OF INVESTEES	**₱13,846,961**	₱6,335,531
EBITDA	**49,518,742**	38,833,650
CASH FLOW GENERATED:		
Net cash flows from operating activities	**27,861,705**	27,134,154
Net cash flows used in investing activities	**(6,944,536)**	(7,916,841)
Net cash flows from (used in) financing activities	**(36,364,110)**	(30,550)
Net increase (decrease) in Cash & Cash Equivalents	**(15,446,941)**	19,186,763
Cash & Cash Equivalents, Beginning	**65,966,411**	46,424,663
Cash & Cash Equivalents, End	**50,987,829**	65,403,138
	SEPTEMBER 30, 2021	**DECEMBER 31, 2020**
CURRENT RATIO	**1.5**	1.6
DEBT-TO-EQUITY RATIO	**1.5**	1.7

Equity earnings in investees increased by 119% from ₱6.3 billion (bn) during the first nine months of 2020 to ₱13.8 bn during the first nine months of 2021. The increase was due to: (i) higher output of SN Aboitiz Power-Magat, Inc.'s and SN Aboitiz Power-Benguet, Inc.'s hydro power plants resulting from higher water inflows, (ii) higher earnings of Union Bank of the Philippines (UnionBank, or the "Bank"), (iii) recognition of income from liquidated damages for delays in the construction of Unit 1 of GNPower Dinginin Ltd. Co.'s (GNPD) power plant, and (iv) higher earnings of Republic due to stronger demand, increased overall efficiency, and tax adjustments resulting from the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE Act").

Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations. These inflows, coupled with dividends received from Associates and Joint Ventures are the main source of internally-generated funds, which are then used to finance capital expenditures, additional investments into Associates, cash dividends and debt servicing.

With total equity increasing and total liabilities decreasing during the first nine months of 2021, Debt-to-Equity ratio decreased to 1.5x from the end-2020 level of 1.7x. The Current Ratio as of September 30, 2021 was at 1.5x, a decline from the end-2020 level of 1.6x, as the growth in current liabilities outpaced the growth in current assets.

REVIEW OF JANUARY-SEPTEMBER 2021 OPERATIONS COMPARED TO JANUARY-SEPTEMBER 2020

RESULTS OF OPERATIONS

For the nine-month period ended September 30, 2021, AEV and its Subsidiaries posted a net income attributable to the equity holders of Parent Company ("Net Income to Equity Holders of AEV") of ₱19.5 bn, a 135% increase year-on-year ("YoY"). This translated to earnings per share of ₱3.47 for the period. The Power Group accounted for the bulk of the income contributions to AEV at 58%, followed by the Banking and Financial Services, Food, Infrastructure, and Real Estate Groups at 26%, 7%, 6%, and 3%, respectively.

During the first nine months of 2021, the Group generated non-recurring gains of ₱83 million (mn) (compared to ₱5 mn for the corresponding period in 2020) due to the revaluation of dollar-denominated assets. Without these one-off gains, the Group's core net income for the first nine months of 2021 was ₱19.5 bn, 133% higher YoY. AEV recorded a 28% increase in consolidated EBITDA for the first nine months of 2021 to ₱49.5 bn, compared to ₱38.8 bn for the same period in 2020.

MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

The following discussion describes the material changes in the line items of the Company's statement of income and of comprehensive income for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Revenues

Sale of Power

The Group's revenue from sale of power increased by 16%, or ₱13.2 bn, from ₱80.2 bn in the nine months ended September 30, 2020 to ₱93.4 bn in the nine months ended September 30, 2021. The increase was primarily attributable to (i) higher availability of Therma Luzon, Inc. (TLI), Therma South, Inc. (TSI) and Therma Visayas, Inc. (TVI) facilities, and (ii) higher Wholesale Electricity Spot Market (WESM) dispatch in compliance with the must-offer rule. The Group's sale of power comprised 59% as a percentage of total revenues in both the nine months ended September 30, 2020 and September 30, 2021.

Sale of Goods

The Group's revenue from sale of goods increased by 16%, or ₱8.6 bn, from ₱52.8 bn in the nine months ended September 30, 2020 to ₱61.3 bn in the nine months ended September 30, 2021. The increase was primarily due to higher feeds selling prices. The Group's sale of goods comprised 39% as a percentage of total revenues in both the nine months ended September 30, 2020 and September 30, 2021.

Real Estate

The Group's revenue from real estate increased by 18%, or ₱0.4 bn, from ₱2.2 bn in the nine months ended September 30, 2020 to ₱2.6 bn in the nine months ended September 30, 2021. The increase was primarily attributable to AboitizLand's higher revenue recognition from increased construction activity for its residential business segment, as well as increased sales with high spot down payments. As a percentage of total revenues, the Group's revenue from real estate comprised 2% for both the nine months periods ended September 30, 2020 and September 30, 2021.

Other Revenues

The Group's combined revenue from the fair value of swine, service fees and other sources decreased by 55%, or ₱1.0bn, from ₱1.9 bn in the nine months ended September 30, 2020 to ₱0.8 bn in the nine months ended September 30, 2021. This was mainly due to the decrease in live hogs sold. As a percentage of total revenues, the Group's other revenues comprised 1% in both the nine months ended September 30, 2020 and September 30, 2021.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power increased by 18%, or ₱7.7 bn, from ₱42.1 bn in the nine months ended September 30, 2020 to ₱49.8 bn in the nine months ended September 30, 2021. The increase was primarily attributable to higher purchased power rates driven by higher WESM prices, and higher fuel cost. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 36% and 37% in the nine months ended September 30, 2020 and September 30, 2021, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 20%, or ₱8.8 bn, from ₱45.2 bn in the nine months ended September 30, 2020 to ₱54.0 bn in the nine months ended September 30, 2021. The increase was primarily attributable to higher raw materials costs of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 39% and 40% in the nine months ended September 30, 2020 and September 30, 2021, respectively.

Operating Expenses

The Group's operating expenses increased by 4%, or ₱1.0 bn, from ₱27.6 bn in the nine months ended September 30, 2020 to ₱28.6 bn in the nine months ended September 30, 2021. The increase was primarily attributable to higher expenses for insurance and for the repairs and maintenance of the Group's power plants. As a percentage of total costs and expenses, the Group's operating expenses comprised 24% and 21% in the nine months ended September 30, 2020 and September 30, 2021, respectively.

Other Costs and Expenses

For the nine months ended September 30, 2021, the Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, remained flat at ₱1.4 bn as in the nine months ended September 30, 2020. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% in both the nine months ended September 30, 2020 and September 30, 2021.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 17%, or ₱3.6 bn, from ₱20.7 bn in the nine months ended September 30, 2020 to ₱24.2 bn in the nine months ended September 30, 2021.

Income Before Income Tax

The Group's income before income tax increased by 51%, or ₱9.0 bn, from ₱17.5 bn in the nine months ended September 30, 2020 to ₱26.5 bn in the nine months ended September 30, 2021. The increase was mainly due to higher operating profit and equity earnings, partly offset by losses on the revaluation of foreign-currency denominated liabilities.

Net Income

As a result of the foregoing, coupled with the application of the provisions of the CREATE Act, the Group's Net Income to Equity Holders of AEV increased by 135%, or ₱11.2 bn, from ₱8.3 bn in the nine months ended September 30, 2020 to ₱19.5 bn in the nine months ended September 30, 2021.

Net income attributable to non-controlling interests for the nine months ended September 30, 2021 increased to ₱5.0 bn, from ₱3.4 bn in the nine months ended September 30, 2020. This was primarily due to the increase in consolidated net income of AboitizPower during the first nine months of 2021.

STRATEGIC BUSINESS UNITS (SBU)

The following discussion describes the performance of the Group's SBUs for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Power

For the nine months ended September 30, 2021, the Power Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, was ₱12.1 bn, a 124% increase from ₱5.4 bn in the nine months ended September 30, 2020.

Before elimination of transactions within the Group, the combined contribution of AboitizPower's Power Generation and Retail Electricity Supply businesses to Net Income to Equity Holders of AEV increased by 157%, from ₱4.9 bn in the nine months ended September 30, 2020 to ₱12.5 bn in the nine months ended September 30, 2021. The variance was primarily due to (i) commissioning revenue from GNPD Unit 1, (ii) higher water inflows for the Power Group's hydro power plants, (iii) higher availability of TLI, TSI and TVI facilities, (iv) higher WESM dispatch, and (v) other income from liquidated damages and business interruption claims.

Capacity sold increased from 3,394 megawatts (MW) for the nine months ended September 30, 2020 to 3,663 MW for the nine months ended September 30, 2021. Energy sold in the nine months ended September 30, 2021 increased by 11% to 18,442 gigawatt-hours (GWh) from 16,689 GWh in the same period in 2020.

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV of AboitizPower's Power Distribution Group increased by 19%, from ₱2.2 bn for the nine months ended September 30, 2020 to ₱2.6 bn for the nine months ended September 30, 2021. This increase was mainly due to higher energy consumption resulting from recoveries in demand. Energy sales increased by 5% to 4,197 GWh during the nine months ended September 30, 2021 from 3,994 GWh in the nine months ended September 30, 2020.

Banking & Financial Services

UnionBank's contribution to Net Income to Equity Holders of AEV increased by 26%, from ₱4.3 bn in the nine months ended September 30, 2020 to ₱5.4 bn in the nine months ended September 30, 2021. The increase was primarily attributable to higher net interest margins, and the increase in non-interest income which was mainly driven by higher trading gains, higher foreign exchange income, and higher fees and commissions.

Food

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food Group increased by 54% to ₱1.5 bn for the nine months ended September 30, 2021, compared to ₱1.0 bn for the nine months ended September 30, 2020.

For the nine months ended September 30, 2021, the Food Group's Philippine Subsidiaries reported a net income of ₱1.1bn, 88% higher compared to ₱0.6 bn for the nine months ended September 30, 2020. This was mainly due to the recovery of selling prices of the Farms business as the spread of the African Swine Fever lowered the supply of pork in the market. The improvement in the Farms business was partly offset by lower by-product contributions and higher operating and administration costs of the Flour business, and the continuous rise in raw materials costs of the Feeds business.

Before elimination of transactions within the Group, Pilmico International and its Subsidiaries, recorded net income of ₱0.4 bn for the nine months ended September 30, 2021, the same level as in the nine months ended September 30, 2020.

Real Estate

The contribution of AboitizLand to Net Income to Equity Holders of AEV for the nine months ended September 30,2021, before elimination of transactions within the Group, amounted to ₱646 mn, a 665% increase from

₱85 mn for the nine months ended September 30, 2020. This increase was mainly due to higher revenue recognition from increased construction and site development activities for AboitizLand's residential business, and an increase in sales with higher spot down payments.

Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group increased by 351% to ₱1.3 bn for the nine months ended September 30, 2021, compared to ₱291 mn for the nine months ended September 30, 2020. This mainly came from the contribution of Republic which increased by 247% to ₱1.4 bn in the nine months ended September 30, 2021, compared to ₱400 mn in the nine months ended September 30, 2020. The increase was mainly due to stronger market demand driven by the residential and infrastructure segments, increased overall efficiency, and tax adjustments resulting from the CREATE Act.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Consolidated assets (as of September 30, 2021 compared to December 31, 2020) increased by 4% to ₱631.8 bn, due to the following:

- Trade and other receivables (current and noncurrent) increased by 14% (₱45.1 bn as of September 30, 2021 compared to ₱39.4 bn as of December 31, 2020) mainly due to increased receivables of the Power and Food Groups resulting from higher revenues.
- Inventories increased by 27% (₱27.4 bn as of September 30, 2021 compared to ₱21.6 bn as of December 31, 2020) mainly due to higher spare parts, supplies and fuel inventory of the Power Group, and higher raw materials inventory of the Food Group.
- Investments in and Advances to Associates and Joint Ventures increased by ₱8.2 bn (₱153.6 bn as of September 30, 2021 compared to ₱145.4 bn as of December 31, 2020) mainly due to ₱994 mn infusion into Unity Digital Infrastructure, Inc., AboitizPower's ₱952 mn additional infusion into GNPD, ₱744 mn cumulative translation adjustments (CTA), and the recording of ₱13.8 bn share in net earnings of Associates and Joint Ventures. This increase was partially reduced by the ₱8.1 bn dividends from Associates and Joint ventures during the period.
- Deferred Income Tax Assets (net of Deferred Income Tax Liabilities) of ₱53 mn as of September 30, 2021 changed from a net deferred income tax liability of ₱358 mn as of December 31, 2020) mainly due to the application of the provisions of the CREATE Act.
- Other Current Assets (OCA) increased by 35% (₱25.3 bn as of September 30, 2021 compared to ₱18.7 bn as of December 31, 2020) primarily due to the increase in short-term cash deposits, prepaid expenses and advances to suppliers.
- Other Noncurrent Assets (OCA) increased by 7% (₱15.6 bn as of September 30, 2021 compared to ₱14.6 bn as of December 31, 2020) primarily due to additional investments in financial assets.
- Intangible Assets increased by 8% (₱73.5 bn as of September 30, 2021 compared to ₱67.8 bn as of December 31, 2020) mainly due to the forex revaluation of goodwill and additions to service concession rights relating to Apo Agua Bulk Water project.

The above increases were offset by decreases in the following:

- Cash & Cash Equivalents decreased by 23% (₱51.0 bn as of September 30, 2021 compared to ₱66.0 bn as of December 31, 2020). The decrease was mainly due to the movement of cash to short-term cash deposits, debt servicing and dividend payments.
- Land and improvements decreased by 7% (₱2.8 bn as of September 30, 2021 compared to ₱3.0 bn as of December 31, 2020) mainly due to the reclassification to inventory of a newly launched project of the Real Estate Group.

Liabilities

Total Liabilities (as of September 30, 2021 compared to December 31, 2020) decreased by 1% to ₱381.1 bn due to the following:

- Long-term debt, which includes both current and non-current portions, decreased by 2% (₱255.4 bn as of September 30, 2021 compared to ₱261.0 bn as of December 31, 2020) mainly due to the prepayment of AEV's retail bonds and of AboitizPower's US Dollar loan, and principal payments made on existing loans. These were partly offset by the following: (i) issuance of retail bonds by AboitizPower amounting to ₱14.0 bn; (ii) issuance of retail bonds by AEV amounting to ₱10.0 bn; and (iii) ₱1.7 bn of new loan availments by Subsidiaries.
- Long-term obligation on Power Distribution System, which includes current and non-current portions, increased by 9% (₱200 mn as of September 30, 2021 compared to ₱183 mn as of December 31, 2020) due to the accretion of interest.
- Lease liabilities, which includes current and non-current portions, decreased by 10% (₱36.0 bn as of September 30, 2021 compared to ₱39.8 bn as of December 31, 2020) due to TLI's payment on its obligation to Power Sector Assets and Liabilities Management Corporation (PSALM).
- Trade and other payables, inclusive of noncurrent portion, increased by 19% (₱44.3 bn as of September 31, 2021 compared to ₱37.3 bn as of December 31, 2020) mainly due to the increase of trade and fuel purchases in the Power Group, and raw materials purchases of the Food Group.
- Income tax payable decreased by 35%, from ₱1.0 bn as of December 31, 2020 to ₱0.7 bn as of September 30, 2021, mainly due to the application of the provisions of the CREATE Act.
- Net derivative asset and liabilities (current and noncurrent) changed from ₱2.0 bn net derivative liability as of December 31, 2020 to ₱4.6 bn net derivative asset as of September 30, 2021. This was due to the Power Group's hedging gains.
- Customers' deposits increased by 5%, from ₱7.0bn as of December 31, 2020 to ₱7.3bn as of September 30, 2021, due to Power Group's receipt of bill deposits from new customers.
- Decommissioning liability increased by 15%, from ₱5.0 bn as of December 31, 2020 to ₱5.8 bn as of September 30, 2021, due to the recognition of additional decommissioning provisions on power plant assets.
- Pension Liabilities (net of Pension assets) increased by 7% to ₱493 mn as of September 30, 2021 compared to ₱459 mn as of December 31, 2020 due to the Group's retirement cost for the period.

Equity

Equity attributable to equity holders of the parent (as of September 30, 2021 compared to December 31, 2020) increased by ₱21.6 bn, from ₱183.1 bn to ₱204.7 bn, due to the following:

- ₱19.5 bn net income recorded during the period; and

- ₱7.2 bn movement in CTA from hedging gains and effects of translation.

These were partly offset by the ₱5.1 bn cash dividends paid by AEV.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the nine months ended September 30, 2021, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed, and dividends received from Associates and Joint Ventures.

Compared to the cash inflow in the nine months ended September 30, 2020, consolidated cash generated from operating activities in the nine months ended September 30, 2021 increased by ₱1.6 bn to ₱28.7 bn. This was mainly due to higher earnings before interest, depreciation and amortization, partly offset by higher working capital requirements.

As of September 30, 2021, ₱7.8 bn net cash was used in investing activities compared to ₱7.9 bn during the nine months ended September 30, 2020. Out of the cash usage for the current period, ₱5.9 bn was invested in short-term cash deposits to maximize interest income.

Net cash used in financing activities was ₱36.4 bn for the nine months ended September 30, 2021 compared to ₱31 mn in the nine months ended September 30, 2020. The increase was largely attributed to net payment of principal and interest on existing loans in 2021 compared to net availments in 2020.

For the nine months ended September 30, 2021, net cash outflows surpassed cash inflows, resulting in a 23% decrease in cash and cash equivalents from ₱66.0 bn as of year-end 2020 to ₱51.0 bn as of September 30, 2021.

FINANCIAL RATIOS

The Group's financial ratios remained healthy in the nine months ended September 30, 2021. Current Ratio decreased to 1.5x from the end-2020 level of 1.6x, as growth in current liabilities outpaced the growth in current assets. Debt-to-Equity ratio decreased to 1.5:1 from year-end 2020’s 1.7:1, with a decrease in total liabilities and an increase in equity during the first nine months of 2021.

Outlook for the Upcoming Year/Known Trends, Events, and Uncertainties Which May Have a Material Impact on Registrant

Based on information provided by Union Bank of the Philippines, Inc. (UnionBank or the “Bank”) Economic Research Unit, Aboitiz Equity Ventures Inc. (the “Company” or “AEV”) expects the Philippines’ GDP to grow by 4.1% in 2021 and 5.8% in 2022. Internal research indicates that a more robust economic recovery may take place in the fourth quarter of 2021 with declining Covid-19 cases and rising levels of fully vaccinated people.

On September 27, 2021, AEV disclosed that it had executed an agreement to sell 1,840,334,941 common shares in AboitizPower (equivalent to 25.01% of AboitizPower’s total outstanding capital stock) to JERA Asia Private Limited (“JERA Asia”) for approximately US$ 1.46 bn. JERA Asia is a wholly owned subsidiary of JERA Co., Inc. (“JERA”), a power generation company based in Japan. The completion of the transaction is subject to certain conditions precedent, one of which is the approval and ratification of the shareholders of the sale and a special stockholders’ meeting scheduled on December 10, 2021. On October 28, 2021, the Philippine Competition Commission acknowledged that the proposed acquisition does not breach the prescribed compulsory notification thresholds, satisfying one of the conditions precedent.

Following the completion of the transaction, AEV will continue to own a controlling stake of 52.0% in AboitizPower. This means that AEV will retain control of AboitizPower's operations while having access to JERA's expertise, including large-scale renewable energy centered on offshore wind power generation and Liquefied Natural Gas (LNG) value chains, zero-emission thermal power generation using ammonia and hydrogen, and a Zero CO2 Emissions 2050 roadmap. JERA Asia has also entered into an agreement with AEV's parent, Aboitiz & Company (ACO), to acquire an additional 1.99% ownership interest in AboitizPower, which would bring JERA Asia's total post-completion ownership stake in AboitizPower to 27%. The partnership enables AboitizPower's 10-year renewable energy expansion journey.

The transaction has compelling strategic and financial merits for AEV. It will release significant cash proceeds to AEV and provide it the financial flexibility to pursue growth initiatives across the Group, as well as allowing AEV to refinance its existing debt. The transaction is fully aligned with AEV's long-term strategy and previously announced 2030 growth targets including, among others: 1) expanding the non-power share of its portfolio to about 50% of beneficial EBITDA; 2) and growing its overseas activity to about 10%.

Power SBU

AboitizPower remains focused on addressing the needs of its markets, namely: (1) providing reliable supply, at a (2) reasonable cost, and with (3) minimal impact on the environment and communities. The company believes that there is no single technology that completely addresses the country's energy requirements and that to address the deficiency, a mix of power generation technologies is necessary. Thus, AboitizPower continues to pursue both renewable projects and thermal technologies where and when it makes sense.

Despite increased competition in the power generation market, the AboitizPower believes that it has built the foundation to sustain its long term growth, as seen in its pipeline of six (6) new power generation projects totalling 1,314 MW of attributable net sellable capacity: (1) the GNPower Dinginin Project (Dinginin Project); (2) the SN AboitizPower-Magat Floating Solar Project ("Magat Floating Solar Project"); (3) the TMI Maco Hybrid Battery Energy Storage System Project ("Maco BESS Project"); (4) the SNAP Magat BESS Project ("Magat BESS Project"); (5) the PV Sinag Power Cayanga Project ("Cayanga Project"); (6) the PV Sinag Power Laoag project ("Laoag Project"); and (7) the Hedcor Bukidnon Kibungan Hydro Project ("Kibungan Project").

The Dinginin Project is in the final stages of construction, with Unit 1 achieving first synchronization last February 5, 2021. The commissioning and testing of Unit 1 is currently ongoing, albeit impacted by COVID outbreaks. Unit 1 is projected to start commercial operations once AboitizPower receives the Certificate of Compliance from the Energy Regulatory Commission, which is expected to occur in December 2021. Unit 2 is expected to start its initial synchronization in the second quarter of 2022.

In June 2019, SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat) switched on its first 200kW floating solar project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of SN Aboitiz Power Group, which was looking at other renewables and complementary technologies to expand its portfolio. The Magat Floating Solar Project has proven its technical and commercial viability. SN Aboitiz Power-Magat is working on the renewable energy service contract application with the Department of Energy (DOE). Since the National Irrigation Administration (NIA) is the government agency in charge of dams and reservoirs, SN AboitizPower-Magat secured an extension of the memorandum of understanding with NIA on the conduct of the feasibility study, with ongoing discussions regarding the agreement for use of the reservoir. Based on the results of the pre-feasibility studies, phase one of the project will be for 67 MW. The plan is to install up to 150 MW, depending on the final technical solution and layout.

In November 2020, AboitizPower announced two battery projects. TMI's Maco BESS Project is located in Maco, Compostela Valley. It has a storage capacity of 49 MW and is intended to be used for ancillary services. Development activities are ongoing to integrate the battery energy storage system with TMI's Maco oil barge. The project is currently 61% complete and commercial operations are currently targeted to commence in the first half of 2022. The Maco BESS Project is one of the 12 projects with a total capacity of 248 MW for regulating and contingency reserves which the AboitizPower is targeting to develop in the next 10 years. It will serve as a model for future battery investments as well as hybrid renewable energy projects.

The Magat BESS Project is located in Ramon, Isabela. It has a storage capacity of 20 MW and will be used to provide ancillary services. Early work activities have been completed, including site surveys and basic engineering design. The tendering process is in its final stages. Necessary permits for construction have been secured from various agencies and the local government unit. The project is expected to commence commercial operations in the second half of 2024.

The PV Sinag Power Cayanga Project is a 75 MW plant located in barangay Cayanga, municipality of Bugallon, Pangasinan. Preparations for its planned construction and execution are in progress. The engineering procurement and construction bidding process has been concluded. The target issuance of the notice to proceed for this project and transmission line works is expected on November 24, 2021. The project is expected to commercially operate by the fourth quarter of 2022.

AboitizPower is also aiming to start the construction of a 130 MW solar project in Laoag, Ilocos Norte and a 40 MW hydro project in Kibungan, Benguet. The expected completion dates are the third quarter of 2023 and second quarter of 2024, respectively.

In relation to AboitizPower's existing capacity, the steam field operator for AP Renewables Inc. (APRI) has commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of aggregated individual well capacity by 2023. The scheduled three make up wells for MakBan for 2021 have been completed and are currently contributing 14 MW. Eight more production wells are expected to be completed by 2022. The total incremental capacity from new wells to date is now contributing 26 MW. APRI is also developing a 15 MW Binary power plant project in Tiwi, Albay. The initiative to convert waste heat from the geothermal brine to power a 15 MW Binary power plant is reaching the final stages of tender. Negotiations with top ranked bidders for design optimization and final contracting are ongoing. APRI is expected to award the project by year-end, while commissioning is targeted by 2023. These projects are significant as they will allow APRI to optimize its current net sellable capacity of 290 MW.

The AboitizPower is currently planning to double its net attributable capacity by the end of the decade, with a target of 9,200 MW by 2030. It will achieve a 50:50 balance between its renewable ("Cleanergy") and thermal capacities without new coal builds. This is expected to come from a portfolio of renewables and selective baseload builds.

The AbotiizPower aims to maximize opportunities from the implementation of the Renewable Portfolio Standards (RPS) by the DOE starting in 2021. In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. The AboitizPower will continue to pursue international opportunities, with a continued focus on renewable energy projects in wind, hydro, and solar in high-growth geographic markets with acceptable regulatory environments. The company will significantly grow Cleanergy by 3,700 MW, both domestically and internationally, and bring its renewables portfolio to 4,600 MW by 2030.

The AboitizPower is optimizing its existing baseload facilities to meet the existing critical market needs. Its options for a third unit in its existing baseload facilities remain open to address future baseload needs of the market if called upon. For baseload growth, the AboitizPower is shifting its focus to gas. The AboitizPower has early feasibility studies and, within the next 10 years, is targeting to build one gas plant with a capacity of 1,000 MW, unless a cleaner technology proves to be the more economical option.

AboitizPower fully supports the DOE's coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. AboitizPower is also closely and proactively monitoring the risks associated with climate-related regulations and initiatives, including recent discussions on the early retirement of coal assets in the Philippines and Indonesia. AboitizPower, through its parent AEV, is the first Philippine company to sign up and commit to the Task Force on Climate-Related Financial Disclosure framework. The AboitizPower has taken steps to proactively quantify the potential impacts of various climate regulations on its assets. The company is monitoring this risk as part of its risk management framework and is developing strategies to manage risks that are above certain risk thresholds.

Given the current state of power needs in the Philippines and the expected build progression of new plants over the next 10 years, AboitizPower believes its existing coal assets will need to continue to play a significant role for at least another 15 to 20 years. AboitizPower is always looking at improvements to make sure it continues to operate its assets responsibly and compliant to all regulations.

The AboitizPower believes that it is well-positioned to take advantage of opportunities arising from developments in the power industry. It expects its financial condition to give it the agility to create or acquire additional generating capacity over the next few years.

AboitizPower, together with its partners, has allotted ₱23 bn for capital expenditures in 2021, about 70% of which is for expansions and upgrades. These include the remaining investment for GNPD's construction, as well as for the company's battery energy storage system projects.

Despite the challenges posed by the global pandemic and the currently challenging business situation, the AboitizPower continues to operate with its business continuity plans in force, in accordance with the protocols and guidelines of the government's community quarantine. The AboitizPower will continue to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities.

On September 27, 2021, AboitizPower's parent company, AEV, disclosed that it had executed an agreement for the sale by AEV of a 25.01% ownership interest in AboitizPower to JERA Asia for approximately US$ 1.5 billion. The transaction involves the sale by AEV of its 25.01% stake in AboitizPower to JERA Asia. JERA Asia is a wholly owned subsidiary of JERA, a power generation company based in Japan. The completion of the transaction is subject to customary necessary conditions, one of which is a special stockholders' meeting that AEV has scheduled on December 10, 2021. On October 28, 2021, the Philippine Competition Commission acknowledged that the proposed acquisition does not breach the prescribed compulsory notification thresholds, satisfying one of the conditions precedent.

Following the completion of the transaction, AEV will continue to own a controlling stake of 52.0% in AboitizPower, retaining control of the company's operations while having access to JERA's expertise, including large-scale renewable energy centered on offshore wind power generation and LNG value chains, zero-emission thermal power generation using ammonia and hydrogen, and a Zero CO2 Emissions 2050 roadmap. JERA Asia has also entered into an agreement with AEV's parent, ACO to acquire an additional 1.99% ownership interest in AboitizPower, which would bring JERA Asia's total post-completion ownership stake in AboitizPower to 27%. The partnership enables AboitizPower's 10-year renewable energy expansion journey.

Upon completion of JERA Asia's acquisition of shares in AboitizPower, AboitizPower and JERA have agreed to explore immediate collaboration in the following areas: 1) development of power projects (including LNG-to-Power projects); 2) management and sourcing of LNG fuel supply; and 3) potential participation in aspects of plant operation and maintenance (O&M).

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of AboitizPower's Information Statement (e.g. for an extensive discussion on regulatory issues, see Effects of Existing or Probable Government Regulations on the Business on page 80 of AboitizPower's 2020 Definitive Information Statement.)

Banking & Financial Services SBU

UnionBank continues to pursue its business transformation roadmap towards its vision to become one of the top three universal banks in the Philippines in terms of return on equity, return on assets, and cost-efficiency. Rather than using traditional metrics such as asset size or branch network, this transformation roadmap shifts the Bank's focus to providing financial value to stakeholders, operational excellence, customer franchise or share of wallet, unique customer experience, and delivering superior and innovative products and services.

To fulfill its vision, the Bank's primary goal is to become one of the country's great retail banks by increasing its core earning asset base, attaining balanced sources of revenues, and shifting towards a recurring income business model as it fortifies its balance sheet.

The Bank has made progress in achieving its primary goal. As of September 30, 2021, the majority of the Bank's revenues are already recurring in nature as loan portfolio has grown above industry average over the years (the Bank's 5yr average at 12% compared to the industry's average at 11%). In addition, the retail segment already accounts for a significant portion of the Bank's revenues.

UnionBank continues to leverage on its core strengths: (i) Capital, (ii) Branch Transformation, (iii) Corporate Relationships, (iv) Processes, (v) Partners, and (vi) its unique UnionBank DNA. It leverages on Capital by prompting a shift from trading to building recurring income to generate stable returns and predictability in the growth of shareholder value. It leverages on Branch Transformation by establishing the competence of the Bank's sales force, rather than expanding the brick-and-mortar network, to cater to changing customer expectations. It leverages on Corporate Relationships, by providing superior cash management solutions to anchor clients and in the process, penetrate their entire ecosystem. It leverages on Processes by building the foundation of the Bank's automation and digital transformation initiatives. It leverages on Partners by building synergies for the expansion of products and services, as well as customer reach. It leverages on having a unique UnionBank DNA by building the right culture and organizational capabilities. The Bank also leverages its subsidiaries, such as City Savings Bank, Inc. ("CitySavings"), to serve the unbanked or underbanked segment for inclusive prosperity.

In 2015, the Bank embarked on a Digital Transformation Strategy to gain a competitive advantage and capitalize on the eventual shift of the Philippine banking industry towards digitalization. The Banks' Digital Transformation Strategy consisted of two objectives:

1) To strengthen its business model by repositioning itself into an agile and digitally-transformed universal bank. The Bank's strategy was (i) to apply higher technologies into its core banking systems and processes to quickly respond to changing customer behavior; and (ii) to employ its digitized processes to transform CitySavings and its subsidiaries into digital mass market focused-banks. The goal was to reach the underbanked and unbanked segments and employ the Bank's digitized processes to improve operational efficiencies in order to ramp up scale and accelerate achieving inclusive prosperity.

2) To search for new business models where banking may become embedded or disintermediated in people's day-to-day lives. The objective was to immerse the Bank in emerging technologies such as blockchain and the token economy which may disrupt the business of banking. The Bank sought to develop, enable, and invest in financial technologies ("fintech") companies, as their business models may evolve into the future of the financial landscape. Moreover, the Bank planned to make technology its core and to deliver digital platforms and solutions to meet its clients' banking needs. All these served to integrate the Bank in any supply and demand chain, making the Bank indispensable in

a future where banking will no longer be a transaction choice but part of an integrated experience. These have, since 2019, been led by UBX PH, the Bank's technology and innovation Subsidiary.

Coming from Phase 1 (i.e. building the foundational infrastructure to be *"Digital to the Core"*) and Phase 2 (i.e. launch of critical customer channels), UnionBank is already in Phase 3 of its Digital Transformation – the monetization and commercialization of the Bank's digital transformation. With the key channels and platforms now in place, the Bank is focused on accelerating its customer acquisition and deepening engagement across all digital channels to achieve sustained growth of its lending and deposit businesses and, at the same time, reap operational efficiencies from its digital investments.

UBX PH is also ramping up operations with its flagship platforms, namely: (i) *i2i* (a financial platform for financial institutions); (ii) *BUX* (a payment gateway and logistics fulfillment platform for online merchants); (iii) *Sentro* (a free online shop builder embedded with a payment gateway); and (iv) *SeekCap* (a lending marketplace for MSMEs offering various financing options and faster approvals).

The Bank expects a low interest environment to persist to help stimulate recovery until certain economic growth factors such as credit demand or consumer spending normalize.

The pandemic also accelerated the shift of consumer behavior towards digital banking. The banking industry in general, and Unionbank in particular, experienced immense growth in electronic transactions (e.g. fund transfers and in-app bills payment), as well as increased users of digital channels and applications since 2020. The Bank expects this trend to continue, especially as more Filipinos discover and experience the advantages of digital payments and digital banking.

In July 2021, the Bank obtained a digital bank license for its fully-digital bank, *"UnionDigital."* Set to be launched in 2022, UnionDigital is envisioned to capture the underbanked segments of the population by offering superior customer experience with a cost-efficient infrastructure and organization.

With the Bank's digital thrust, the Bank believes it is well-positioned to leverage on these trends as it carries on with the commercialization program of its transformation. The Bank aims to (i) accelerate digital acquisition of customers; (ii) continue to maximize engagement via digital marketing, data science, and artificial intelligence; (iii) progress towards DevSecOps to ramp up product development and testing; and (iv) continue pioneering experimentations to remain ahead of developments in the industry. To support these initiatives, the Bank has allotted more than ₱2 bn for capital expenditures in 2021.

The Bank's strong capitalization and above-industry profitability and efficiency ratios will continue to provide it with a cushion against potential economic headwinds.

Food SBU

The Food Group, composed of AEV's non-listed multinational food Subsidiaries, is an integrated regional agribusiness and food company based in the Philippines and Singapore. Its businesses in the Philippines include flour milling, feed milling, livestock farming, and commodity trading. It remains one of the Philippines' top flour, feeds, and farm market participants and has a nationwide presence. The Food Group also operates in the ASEAN and across the Asia-Pacific regions through Pilmico International Pte. Ltd. and its subsidiaries - which includes Gold Coin Management Holdings Limited (Gold Coin) - and is well-positioned in the Asia Pacific as a manufacturer and producer.

Leveraging on the global trend of increasing protein consumption, the Food Group intends to build a comprehensive animal nutrition platform in Asia. This requires a good base of products and services that facilitates the creation of a portfolio of offerings that will serve both existing and future customers and markets. At the same time, the Food Group continues to utilize a strategy of sustaining and strengthening the profitability of existing businesses as it looks to build new businesses.

The acquisition of the Gold Coin and its Subsidiaries (the "Gold Coin Group") has allowed the Food Group to expand its customer base and geographic reach. The Company believes the Food Group is the fourth largest animal feed producer in Southeast Asia based on internal market data on the capacities of major players within the market. The Food Group has and continues to harness synergies in distribution, localized operations, cross-selling, research and development, raw materials, and logistics costs.

The Food Group continues to face the challenges of the COVID-19 global pandemic and the African Swine Fever (ASF). But trusting in its strategy of *"Balance, Optimize, and Develop"*, the Food Group was able to mitigate the decline in its bottom-line in 2020 and continue to improve on it to-date. This was evidenced by the net income increase during the first nine months of 2021 due to the rebound of its Farms business from a loss recorded in the same period in the previous year. For the remaining months of 2021, the Food Group continues to maintain a balanced portfolio that will maximize opportunities and minimize associated risks, amidst the continuing challenges posed by COVID-19 and ASF. This will be optimized through execution excellence founded on harmonized processes and systems of the entire Food Group. Furthermore, the Food Group will continue to build and develop capabilities to innovate and expand the business. Overall, this approach will serve as the compass in steering the Food Group to achieve its growth targets in the coming years.

The Flour business will continue employing the improved two-pronged market strategy of: (i) maximizing growth potential in the Visayas region and Mindanao island, while (ii) building and developing new channels in Luzon for future exploration of new geographical territory. The Flour business likewise intends to move forward in the value chain as it continues selling value-added flour products and potentially expanding into a more diversified product portfolio.

The Farms business continues to face the challenges of ASF in the swine farming industry as it brings a trade-off of risk and reward. It is believed that ASF has wiped out over a third of the Philippines' pig stocks and has resulted in a severe shortage of pork, an important part of the Filipino diet, and has led to a price increase of many food items. The Food Group sees an expansion opportunity to capture the demand and benefit on the high prices of pig and pork products. During the second quarter of 2021, the Food Group began construction in Nueva Ecija of its third breeder farm facility. The new breeder farm will have an additional capacity of 2,500 sow level and is expected to be completed by June 2022. The expansion is anchored on the confidence brought about by the improved biosecurity protocols, and methodology, that will surely thrive amidst the spread of ASF in the country. Farms' sow level capacity is expected to reach 58,160 heads by 2030. The increase in volume comes with opportunities to unlock more distribution channels and to push forward integration in the value chain.

In August 2020, the Food Group operationalized its meat fabrication and processing plant in Tarlac, which is expected to provide more stable profitability through selling high-margin pork meats compared to live hog selling. The pork meat products are now made available in the Philippines through different digital platforms such as Lazada and via online selling from the Food Group's branded meat store – "The Good Meat". On top of one existing store, two new physical stores will be fully operational by the end of the year with a capacity of 2 metric tons (MT) per day per store. Furthermore, 40 supermarket concessions were established during the first nine months of the year, and 30 concessionaires are expected to be added by the end of 2021. These initiatives are expected to allow the Food Group to further develop a business-to-customer (B2C) channel and to expand its supply chain to ensure better distribution to all customers in the relevant areas.

The targeted increase in layers capacity still remains, which is expected to result in a monthly production of 22 mn eggs by 2025.

Feeds Philippines seeks to solidify its market position through expanding production in strategic locations in the Visayas and Mindanao regions in the next five years. Feeds Philippines operationalized its third feed mill in Iligan in November 2020, which now serves the growing requirements of its Visayas and Mindanao customers. To support the wider market, the Food Group employs platform improvements in logistics to enhance operational agility and improve customer experience. Lastly, continuous product developments through precise nutrition and feeding management, the introduction of Pet Food, and building-up of Specialty Nutrition will be key to a strengthened and diversified Feeds portfolio.

The Gold Coin Group will pursue (i) fast-growing segments like aqua feeds and (ii) attractive geographies where it has a captive market and the ability to compete. By the fourth quarter of 2021, Gold Coin China expects to pursue geographic expansion to Guangxi via capital light options (leasing) to serve the customers from Guizhou province (currently being supplied by Yunnan) and save on freight at the same time.

In addition, the expansion of Gold Coin Group's raw materials warehouse in Medan, Indonesia is at 46% completion rate as of September 30, 2021. The expanded warehouse will be able to store up to 3,000 MT and is intended to improve efficiency, stability of production, and reduce external warehouse dependencies. The project is expected to be completed by the first quarter of 2022. These carefully selected and calibrated investments are expected to capture greater returns, while steadily building a strong and diversified regional food business integrated across the business system.

In terms of operations, the Food Group continues to find synergies between Pilmico Philippines and Gold Coin through intercountry trade, group purchasing, optimization of IT shared services, and mitigating foreign exchange risk to trim expenses. All these strategies mentioned are expected to increase profits and boost bottom line figures.

With all of these strategies in place and in the pipeline, Food Group aims to achieve better results amidst any unforeseeable future challenges.

Food Group has allotted ₱4 bn for capital expenditures in 2021.

Infrastructure SBU

Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)

Aboitiz InfraCapital remains committed to participating in the Philippine infrastructure space and contributing to its economic recovery amid the COVID-19 pandemic.

Industrial

To capitalize on emerging market opportunities, Aboitiz InfraCapital aims to scale the growth of its industrial-anchored mixed-use estates through the timely completion of (i) construction activities within the Integrated Economic Centers (IEC), and (ii) critical land banking activities. Construction activities within the IEC have progressed as targeted throughout 2021 and remain on track to be completed within schedule.

Lima Land, Inc. (LIMA Land) continues to strengthen its portfolio, especially with the recent PEZA proclamation of its expansion area in October 2021. Presidential Proclamation 1229 dated October 11, 2021 covered 47 hectares in Phase 1 of the Block 9 expansion. More than half of this block has already been sold or reserved, with a healthy pipeline of prospective locators. Meanwhile, Phase 2 of the Block 9 expansion is expected to begin construction in January 2022. Completion of all of LIMA Land's development activities are expected to generate in excess of 28,000 new jobs in Batangas and neighboring areas. Furthermore, construction of a 40-hectare industrial expansion by West Cebu Industrial Park in Balamban, Cebu is expected to commence by January 2022. With the limited availability of industrial lots in PEZA-proclaimed economic zones in Cebu, this expansion project addresses the demand for both new and expanding locators in medium to heavy industries.

Commercial

LIMA Estate's 30-hectare commercial area is the first master planned commercial business district (CBD) to rise in the province of Batangas. It currently houses various commercial components such as The Outlets at Lipa, LIMA Exchange, LIMA Park Hotel, and LIMA Transport Hub.

Four hectares of commercial lot inventory were recently opened within the LIMA CBD. Lot sizes range from 1,800 up to 5,000 square meters, ideal for BPO companies, offices, dormitories, condominiums, schools, hospitals, hotels, civic centers, and other commercial uses. These types of establishments will complement existing commercial components in the zone. As of September 30, 2021, LIMA CBD's inventory had been fully sold and investors are expected to start construction by the second quarter of 2022.

Leveraging on the resilient growth of business process outsourcing (BPO) companies outside of Metro Manila, LIMA is set to build a seven-tower office complex in the heart of its CBD. The first tower, LIMA Tower One, is set to break ground by the second quarter of 2022.

While Aboitiz InfraCapital maintains a cautious outlook in 2021, it remains optimistic about long-term growth. With the vision to turn into smart developments in the near future, initiatives to develop the industrial zones into fully integrated economic centers will continue. Critical land banking for the expansion of the parks will continue to be pursued. Easing government restrictions and increased consumer confidence in safety protocols are expected to lead to a continued improvement in foot traffic and tenant sales in 2021, albeit still below pre-COVID levels.

Water

Lima Water Corporation (Lima Water)

Lima Water is the exclusive water and wastewater services provider of LIMA Technology Center (LTC), one of the Philippines' largest industrial parks. Lima Water is currently building its capability to fully support the expansion plans of LTC, which is expected to experience healthy growth in the coming years.

It remains optimistic that the increasing water consumption trend will continue with new production lines from existing and new locators in LTC. Lima Water remains committed to supporting its customers and ensuring uninterrupted service through its robust business continuity plans.

Apo Agua Infrastructura, Inc. (Apo Agua)

Apo Agua is the project company owned by AEV and J.V. Angeles Construction Corporation (JVACC), organized to design, construct and operate a hydroelectric powered-bulk water treatment facility and a conveyance system which will deliver at least 300 mn liters per day of treated water to the Davao City Water District (DCWD) over 30 years.

A total of around 65 kilometers of pipes of varying sizes are being laid, leading to eight off-take points of the DCWD spread across Davao City. Although construction was suspended during the second quarter of 2020 when the City was placed under enhanced community quarantine, construction has since resumed with strict social distancing protocols in place.

To mitigate the impact of the pandemic on the project, Apo Agua and its contractor, JVACC, increased its human resource count to over 5,000 workers to support the aggressive recovery plan in line with its target to commence operations in 2022.

Aboitiz InfraCapital intends to use its current water portfolio, including a 16% stake in Balibago Waterworks System, Inc., as a strategic platform to build its water business. It will look into unserved highly-urbanized cities for opportunities to expand its footprint in the water space across the country.

Digital Infrastructure

In line with the Department of Information and Communication Technology's Department Circular No. 8, Aboitiz InfraCapital received the Independent Tower Company (ITC) Certificate of Registration for its towers subsidiary on February 24, 2021. The ITC Certificate of Registration recognizes Aboitiz InfraCapital's tower subsidiary as a common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites and allow the company to secure contracts with mobile network operators.

In April 2021, Aboitiz InfraCapital announced the launch of its joint venture telecommunications infrastructure platform with Partners Group, Unity Digital Infrastructure, Inc. ("Unity"). To date, four sites have been completed, with a target to complete over 1,000 sites in 2022.

Aboitiz InfraCapital has also entered into partnership agreements with Globe Telecom ("Globe") and Dito Telecommunity ("Dito") to deploy small cell sites in key cities nationwide. The sites are readily available in high-density urbanized areas like Cebu and Davao, where improving network quality and services is difficult due to congestion and the availability of sites. The sites will serve as complementary offerings to the macro tower sites.

Together with Globe and Dito, the deployments are ongoing to meet the accelerated demand for improved telecommunication services. More than 350 small cell sites in Cebu and Davao are expected to be deployed by the end of 2021, with Subic expected to be a new deployment area in the coming months.

Regional Airports

The Department of Transportation (DOTr) granted Aboitiz InfraCapital Original Proponent Status to its unsolicited proposals to operate, maintain, and expand the new Bohol-Panglao International Airport on September 3, 2018. The same status was received from Civil Aviation Authority of the Philippines (CAAP) for Laguindingan Airport on February 26, 2019. On November 29, 2019, Aboitiz InfraCapital obtained the approval of the National Economic Development Authority Board for the Bohol unsolicited proposal, while the Investment Coordination Committee-Cabinet Committee (ICC-CabCom) approved the proposal for Laguindingan Airport on December 20, 2019.

In the face of the unprecedented impact of COVID-19 on the air travel and airport business, Aboitiz InfraCapital remains keen on pursuing its unsolicited proposals for the Bohol Panglao International Airport and Laguindingan Airport. Aboitiz InfraCapital believes that these projects are vital to reviving the economy and are aligned with its objective to support regional growth centers outside of the National Capital Region. Aboitiz InfraCapital continues to discuss the best and most prudent way to move forward with the projects with the government.

Republic Cement and Building Materials, Inc.

The Cement outlook for the remainder of2021 is cautiously optimistic. While the government has allotted a significant proportion of the 2021 national budget for infrastructure, slow economic recovery would also lead to slow recovery in market demand.

The Department of Trade Industry has started an investigation into the possible imposition of anti-dumping duty on cement imports from Vietnam. If imposed, this will help prevent the dumping of imported cement into the country.

RCBM remains committed to serving its key markets throughout the country with high-quality products, while improving efficiencies and reducing costs. Two newly-commissioned mills provide RCBM with additional 2.3 million tonnes per annum ("MTPA") capacity to serve the market needs.

RCBM is currently experiencing inflationary pressures in certain global commodities, particularly coal, which impacts its production costs. In an effort to mitigate the impact of its external headwinds, RCBM continues to focus on operational excellence initiatives and cost control measures.

RCBM will also continue to staunchly support the Philippine government's *Go Lokal* and *Buy Lokal* programs, as an industry leader and proud manufacturer of the country's best quality cement used in building a safer, greener, and stronger republic.

Land SBU

Aboitiz Land, Inc. (AboitizLand)

AboitizLand continues to improve its operations in 2021 and is optimistic that it will continue to perform strongly by the end of the year. Aboitizland's hybrid marketing strategy of engaging vecinos both online and offline has proven to be effective as seen in its sales performance. Its Time to Grow campaign highlighting the value appreciation of residential lots is yielding increased take-up for land-only units. AboitizLand's digital initiatives are progressing and are all currently on track and these will help further boost its operational efficiency.

PART II--OTHER INFORMATION

There are no significant information on the company which requires disclosure herein and/or were not included in SEC Form 17-C.

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.

Issuer	**ABOITIZ EQUITY VENTURES INC.**
Principal Accounting Officer	**Marlita M. Villacampa**
Signature and Title	**First Vice President and Comptroller**
Date	**November 12, 2021**
Authorized Officer of the Issuer	**Manuel Alberto R. Colayco**
Signature and Title	**Senior Vice President and Chief Legal Officer/Corporate Secretary/Chief Compliance Officer**
Date	**November 12, 2021**

Aboitiz Equity Ventures, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of September 30, 2021 (with Comparative Figures as of December 31, 2020) and
For the Nine-Month Periods Ended September 30, 2021 and 2020

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

(With Comparative Figures as of December 31, 2020)
(Amounts in Thousands)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱50,987,829**	₱65,966,411
Trade and other receivables (Note 6)	**44,443,396**	38,026,254
Inventories	**27,434,497**	21,645,913
Land and improvements	**2,814,903**	3,039,972
Derivative asset (Note 24)	**5,278,389**	—
Other current assets (Note 7)	**25,257,947**	18,702,683
Total Current Assets	**156,216,961**	147,381,233
Noncurrent Assets		
Property, plant and equipment	**218,702,563**	219,538,095
Investments and advances (Note 8)	**153,594,236**	145,416,644
Intangible assets (Note 9)	**73,530,579**	67,776,489
Investment properties	**11,269,822**	10,937,685
Deferred income tax assets	**2,116,048**	2,041,497
Trade and other receivables - net of current portion (Note 6)	**624,888**	1,398,791
Derivative asset - net of current portion (Note 24)	**25,932**	—
Net pension assets	**115,892**	115,023
Other noncurrent assets (Note 10)	**15,555,490**	14,550,470
Total Noncurrent Assets	**475,535,450**	461,774,694
TOTAL ASSETS	**₱631,752,411**	₱609,155,927

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱43,132,646**	₱35,611,592
Bank loans (Note 12)	**28,257,740**	29,330,883
Current portions of:		
Long-term debts (Notes 13 and 14)	**23,149,143**	17,417,474
Long-term obligation on Power Distribution System (PDS)	**40,000**	40,000
Lease liabilities (Note 15)	**8,038,914**	7,283,183
Derivative liability (Note 24)	**383,635**	982,348
Income tax payable	**657,694**	1,006,445
Total Current Liabilities	**₱103,659,772**	₱91,671,925

(Forward)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Notes 13 and 14)	**₱232,221,873**	₱243,623,606
Lease liabilities (Note 15)	**27,933,024**	32,485,663
Trade and other payables (Note 11)	**1,145,439**	1,657,982
Long-term obligation on PDS	**160,008**	143,436
Customers' deposits	**7,312,607**	6,990,008
Decommissioning liability	**5,755,145**	5,008,033
Deferred income tax liabilities	**2,062,596**	2,399,529
Net pension liability	**608,558**	574,217
Derivative liability - net of current portion (Note 24)	**273,320**	1,001,529
Total Noncurrent Liabilities	**277,472,570**	293,884,003
Total Liabilities	**381,132,342**	385,555,928
Equity Attributable to Equity Holders of the Parent		
Capital stock	**5,694,600**	5,694,600
Additional paid-in capital	**13,013,197**	13,013,197
Other equity reserves:		
Gain on dilution	**5,043,152**	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary	**469,540**	469,540
Acquisition of non-controlling interests	**(11,727,718)**	(11,727,718)
Accumulated other comprehensive income (loss) (Note 17)	**3,227,418**	(3,959,403)
Retained earnings (Notes 16 and 25)		
Appropriated	**9,200,000**	9,200,000
Unappropriated	**180,397,052**	165,976,675
Treasury stock at cost	**(647,672)**	(647,672)
	204,669,569	183,062,371
Non-controlling Interests (Note 25)	**45,950,500**	40,537,628
Total Equity	**250,620,069**	223,599,999
TOTAL LIABILITIES AND EQUITY	**₱631,752,411**	₱609,155,927

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	For the nine-month period ended September 30		For the quarter ended September 30	
	2021	2020	**2021**	2020
REVENUES (Note 18)	**₱158,091,732**	₱136,982,793	**₱55,757,543**	₱42,376,728
COSTS AND EXPENSES (Note 19)	**133,852,586**	116,295,861	**46,479,250**	34,340,405
FINANCIAL INCOME (EXPENSE)				
Interest income (Notes 5 and 6)	**385,595**	810,852	**103,726**	198,082
Interest expense and other financing costs (Note 23)	**(12,883,239)**	(13,417,491)	**(4,051,303)**	(4,325,103)
	(12,497,644)	(12,606,639)	**(3,947,577)**	(4,127,021)
OTHER INCOME - NET				
Share in net earnings of associates and joint ventures (Note 8)	**13,846,961**	6,335,531	**3,162,511**	3,230,178
Other income (expense) - net (Note 20)	**940,316**	3,120,206	**296,792**	1,970,991
	14,787,277	9,455,737	**3,459,303**	5,201,169
INCOME BEFORE INCOME TAX	**26,528,779**	17,536,030	**8,790,019**	9,110,471
PROVISION FOR INCOME TAX	**1,946,794**	5,820,379	**899,953**	3,290,268
NET INCOME	**₱24,581,985**	₱11,715,651	**₱7,890,066**	₱5,820,203
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**₱19,543,882**	₱8,331,289	**₱6,081,503**	₱4,406,663
Non-controlling interests	**5,038,103**	3,384,362	**1,808,563**	1,413,540
	₱24,581,985	₱11,715,651	**₱7,890,066**	₱5,820,203
EARNINGS PER SHARE (Note 21)				
Basic and diluted, for net income for the period attributable to ordinary equity holders of the parent	**₱3.47**	₱1.48	**₱1.08**	₱0.78

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	For the nine-month period ended September 30		For the quarter ended September 30	
	2021	2020	**2021**	2020
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**₱19,543,882**	₱8,331,289	**₱6,081,503**	₱4,406,663
Non-controlling interests	**5,038,103**	3,384,362	**1,808,563**	1,413,540
	24,581,985	11,715,651	**7,890,066**	5,820,203
OTHER COMPREHENSIVE INCOME (Note 17)				
Items that will be reclassified to consolidated statements of income:				
Net movement in cumulative translation adjustments	**8,756,284**	(1,464,622)	**6,060,517**	84,338
Share in movement in cumulative translation adjustments of associates and joint ventures	**743,738**	(256,341)	**408,763**	(297,149)
Share in movement in net unrealized mark-to-market losses on FVOCI investments of associates	**(39)**	(3,124)	**(39)**	(2)
Movement in net unrealized mark-to-market gains (losses) on FVOCI investments	**(853)**	(3,135)	**196**	(5,422)
	9,499,130	(1,727,222)	**6,469,437**	(218,235)
Items that will not be reclassified to consolidated statements of income:				
Share in movement in actuarial gains on defined benefit plans of associates and joint ventures, net of tax	**147**	654	**1,219**	—
Movement in actuarial gains (losses) on defined benefit plans, net of tax	**(6,954)**	400	**—**	—
	(6,807)	1,054	**1,219**	—
TOTAL COMPREHENSIVE INCOME	**₱34,074,308**	₱9,989,483	**₱14,360,722**	₱5,601,968
ATTRIBUTABLE TO:				
Equity holders of the parent	**₱26,730,703**	₱6,966,922	**₱10,992,489**	₱4,383,150
Non-controlling interests	**7,343,605**	3,022,561	**3,368,233**	1,218,818
	₱34,074,308	₱9,989,483	**₱14,360,722**	₱5,601,968

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021 AND 2020
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent											
							Retained Earnings					
	Capital Stock: Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interest	Accumulated Other Comprehensive Income (Note 17)	Appropriated (Note 16)	Unappropriated (Note 16)	Treasury Stock	Total	Non-controlling Interest	Total
Balances at January 1, 2021	**₱5,694,600**	**₱13,013,197**	**₱5,043,152**	**₱469,540**	**(₱11,727,718)**	**(₱3,959,403)**	**₱9,200,000**	**₱165,976,675**	**(₱647,672)**	**₱183,062,371**	**₱40,537,628**	**₱223,599,999**
Net income for the period	–	–	–	–	–	–	–	**19,543,882**	–	**19,543,882**	**5,038,103**	**24,581,985**
Other comprehensive income	–	–	–	–	–	**7,186,821**	–	–	–	**7,186,821**	**2,305,502**	**9,492,323**
Total comprehensive income for the period (Note 17)	–	–	–	–	–	**7,186,821**	–	**19,543,882**	–	**26,730,703**	**7,343,605**	**34,074,308**
Cash dividends - ₱0.91 per share (Note 16)	–	–	–	–	–	–	–	**(5,123,505)**	–	**(5,123,505)**	–	**(5,123,505)**
Cash dividends paid to non-controlling interests (Note 25)	–	–	–	–	–	–	–	–	–	–	**(1,937,046)**	**(1,937,046)**
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	**6,313**	**6,313**
Balances at September 30, 2021	**₱5,694,600**	**₱13,013,197**	**₱5,043,152**	**₱469,540**	**(₱11,727,718)**	**₱3,227,418**	**₱9,200,000**	**₱180,397,052**	**(₱647,672)**	**₱204,669,569**	**₱45,950,500**	**₱250,620,069**
Balances at January 1, 2020	**₱5,694,600**	**₱13,013,197**	**₱5,043,152**	**₱469,540**	**(₱11,590,375)**	**(₱2,648,022)**	**₱4,200,000**	**₱162,864,330**	**(₱565,246)**	**₱176,481,176**	**₱40,713,904**	**₱217,195,080**
Net income for the period	–	–	–	–	–	–	–	8,331,289	–	8,331,289	3,384,362	11,715,651
Other comprehensive loss	–	–	–	–	–	(1,364,367)	–	–	–	(1,364,367)	(361,801)	(1,726,168)
Total comprehensive income (loss) for the period (Note 17)	–	–	–	–	–	(1,364,367)	–	8,331,289	–	6,966,922	3,022,561	9,989,483
Cash dividends - ₱1.30 per share	–	–	–	–	–	–	–	(7,321,269)	–	(7,321,269)	–	(7,321,269)
Acquisition of treasury shares	–	–	–	–	–	–	–	–	(82,426)	(82,426)	–	(82,426)
Appropriation during the year	–	–	–	–	–	–	5,000,000	(5,000,000)	–	–	–	–
Cash dividends paid to non-controlling interests (Note 25)	–	–	–	–	–	–	–	–	–	–	(3,446,066)	(3,446,066)
Acquisition of non-controlling interests	–	–	–	–	(127,500)	–	–	–	–	(127,500)	–	(127,500)
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1,351,000)	(1,351,000)
Balances at September 30, 2020	**₱5,694,600**	**₱13,013,197**	**₱5,043,152**	**₱469,540**	**(₱11,717,875)**	**(₱4,012,389)**	**₱9,200,000**	**₱158,874,350**	**(₱647,672)**	**₱175,916,903**	**₱38,939,399**	**₱214,856,302**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine-month period ended September 30		For the quarter ended September 30	
	2021	2020	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱26,528,779**	₱17,536,030	**₱8,790,019**	₱9,110,471
Adjustments for:				
Interest expense (Notes 15 and 23)	**12,883,239**	13,417,491	**4,051,303**	4,325,103
Depreciation and amortization	**9,682,279**	9,442,383	**3,385,167**	3,220,578
Net unrealized foreign exchange losses (gains)	**1,720,112**	(1,562,435)	**1,208,556**	(1,017,176)
Write-off of project costs and other assets (Note 20)	**—**	7,240	**—**	7,240
Loss (gain) on sale/disposal of:				
Property, plant and equipment (Note 20)	**(5,945)**	64,543	**1,198**	20,199
Fair value through profit or loss (FVTPL) and Fair value through other comprehensive income (FVOCI) investments (Note 20)	**(114,871)**	(14,959)	**(87,162)**	(18,958)
Investment in a subsidiary	**44,258**	—	**44,258**	—
Unrealized mark-to-market losses (gains) on derivatives	**(71,248)**	226,406	**(34,306)**	195,978
Unrealized mark-to-market losses on FVTPL investments (Note 20)	**30,455**	8,941	**90,960**	786
Dividend income (Note 20)	**(2,767)**	(4,096)	**(512)**	(720)
Interest income	**(385,595)**	(810,852)	**(103,726)**	(198,082)
Share in net earnings of associates and joint ventures (Note 8)	**(13,846,961)**	(6,335,531)	**(3,162,511)**	(3,230,178)
Operating income before working capital changes	**36,461,735**	31,975,161	**14,183,244**	12,415,241
Decrease (increase) in operating assets	**(13,894,240)**	(546,878)	**(4,176,574)**	3,379,816
Increase (decrease) in operating liabilities	**8,671,293**	(102,195)	**3,405,481**	(4,663,550)
Net cash generated from operations	**31,238,788**	31,326,088	**13,412,151**	11,131,507
Income and final taxes paid	**(2,488,805)**	(4,191,934)	**(1,536,406)**	(2,014,136)
Net cash flows from operating activities	**28,749,983**	27,134,154	**11,875,745**	9,117,371
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash dividends received (Note 8)	**9,583,190**	3,466,754	**1,779,529**	112,690
Interest received	**411,236**	801,504	**175,775**	216,470
Proceeds from sale of (additions to) FVTPL and FVOCI investments	**(903,695)**	(1,167,662)	**107,572**	(1,207,009)
Additions to:				
Property, plant and equipment and investment properties	**(6,772,387)**	(5,384,474)	**(3,510,020)**	(2,647,997)
Investments in and advances to associates (Note 8)	**(2,321,457)**	(2,700,935)	**(23,001)**	(949,571)
Short-term cash deposits	**(5,887,769)**	—	**676,731**	—
Increase in intangible assets	**(3,264,770)**	(1,683,847)	**(860,608)**	(353,722)
Decrease (increase) in other noncurrent assets	**713,838**	(1,248,181)	**(813,627)**	(1,396,598)
Proceeds from sale of shares of associates and joint ventures	**609,000**	—	**—**	—
Net cash flows used in investing activities	**(7,832,814)**	(7,916,841)	**(2,467,649)**	(6,225,737)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (payments of) long-term debts - net of transaction costs (Note 13 and 14)	**(8,599,786)**	26,029,459	**(8,200,743)**	6,749,167
Net proceeds from (payments of) bank loans (Notes 11)	**(1,073,143)**	2,780,058	**(818,979)**	(11,615,463)
Acquisition of treasury shares	**—**	(82,426)	**—**	—
Acquisition of non-controlling interest	**—**	(165,196)	**—**	—
Cash dividends paid and other changes to non-controlling interest (Note 25)	**(1,937,046)**	(3,446,066)	**252,134**	(299,200)
Cash dividends paid to equity holders of the parent (Note 16)	**(5,123,505)**	(7,321,269)	**—**	—
Interest paid	**(11,528,299)**	(11,237,703)	**(4,554,009)**	(4,496,582)
Lease liabilities paid including interest accretion (Note 15)	**(8,102,331)**	(6,587,407)	**(2,929,155)**	(2,708,072)
Net cash flows used in financing activities	**(36,364,110)**	(30,550)	**(16,250,752)**	(12,370,150)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(15,446,941)**	19,186,763	**(6,842,656)**	(9,478,516)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**468,359**	(208,288)	**210,657**	(406,860)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**65,966,411**	46,424,663	**57,619,828**	75,288,514
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱50,987,829**	₱65,403,138	**₱50,987,829**	₱65,403,138

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Earnings per Share and Exchange Rate Data and When Otherwise Indicated)

1. Corporate Information

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply and power distribution, food manufacturing, banking and financial services, real estate development, and infrastructure. The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

2. Group Information

The unaudited interim consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled by the Company and a joint operation that is subject to joint control (collectively referred to as the Group).

The following are the subsidiaries as of September 30, 2021 and December 31, 2020:

			Percentage of Ownership			
			September 30, 2021		December 31, 2020	
	Nature of Business	Place of Incorporation	**Direct**	**Indirect**	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	**77.00**	**–**	77.00	–
AboitizPower International Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	**–**	**100.00**	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	**–**	**100.00**	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Malvar Enerzone Corporation (MVEZ)	Power	Philippines	**–**	**100.00**	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	**–**	**100.00**	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	**–**	**99.94**	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	**–**	**100.00**	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	**–**	**99.93**	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI)	Holding	Philippines	**–**	**100.00**	–	100.00
San Carlos Sun Power, Inc. (Sacasun)	Power	Philippines	**–**	**100.00**	–	100.00
AboitizPower International B.V.	Holding	Netherlands	**–**	**100.00**	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	**–**	**60.00**	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	**–**	**60.00**	–	60.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	**–**	**55.26**	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	**–**	**100.00**	–	100.00

			Percentage of Ownership			
			September 30, 2021		December 31, 2020	
	Nature of Business	Place of Incorporation	**Direct**	**Indirect**	Direct	Indirect
Hedcor, Inc. (HI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
PV Sinag Power, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Amihan Power, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Solar Power, Inc*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tamugan, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewable Energy Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power	Philippines	**–**	**100.00**	–	100.00
Mt. Apo Geopower, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	**–**	**100.00**	–	100.00
Hydro Electric Development Corporation*	Power	Philippines	**–**	**99.97**	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	**–**	**100.00**	–	100.00
Bakun Power Line Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
Sinag Solar Power Corporation (formerly AP Solar Tiwi, Inc.)*	Power	Philippines	**–**	**100.00**	–	100.00
Retensol, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	**–**	**100.00**	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	**–**	**100.00**	–	100.00
Negron Cuadrado Geopower, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	**–**	**100.00**	–	100.00
La Filipina Elektrika, Inc. (LFEI)[1]*	Power	Philippines	**–**	**100.00**	–	40.00
Maaraw Renewable Energy Corporation[2]*	Power	Philippines	**–**	**100.00**	–	–
Wind Renewable Energy Corporation[2]*	Power	Philippines	**–**	**100.00**	–	–
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
Mindanao Sustainable Solutions, Inc.*	Services	Philippines	**–**	**100.00**	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	**–**	**100.00**	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Power-Visayas, Inc. (TPVI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Central Visayas, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Subic, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mariveles Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
GNPower Mariveles Energy Center Ltd. Co. (Formerly, GNPower Mariveles Coal Plant Ltd. Co.) (GMEC)	Power	Philippines	**–**	**78.33**	–	78.33
Therma Dinginin Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Therma Visayas, Inc. (TVI)	Power	Philippines	**–**	**80.00**	–	80.00
Abovant Holdings, Inc.	Holding	Philippines	**–**	**60.00**	–	60.00
Pilmico Foods Corporation (PFC) and Subsidiaries	Food manufacturing	Philippines	**100.00**	**–**	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	**100.00**	**–**	100.00	–

	Nature of Business	Place of Incorporation	Percentage of Ownership **September 30, 2021** **Direct**	 **Indirect**	 December 31, 2020 Direct	 Indirect
Lima Land, Inc. (LLI)	Real estate	Philippines	**–**	**100.00**	–	100.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	**–**	**100.00**	–	100.00
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	**–**	**60.00**	–	60.00
Cebu Industrial Park Services, Inc.	Services	Philippines	**–**	**100.00**	–	100.00
Misamis Oriental Land Development Corporation	Real estate	Philippines	**–**	**60.00**	–	60.00
ALLRise Development Corp. (formerly A2 Airport Partners, Inc.) and Subsidiaries	Real estate	Philippines	**–**	**50.00**	–	50.00
78 Point Blue, Inc.	Real estate	Philippines	**–**	**100.00**	–	100.00
Triplecrown Properties, Inc. (TCP)	Real estate	Philippines	**–**	**100.00**	–	100.00
Firmwall Systems, Inc.	Real estate	Philippines	**–**	**100.00**	–	100.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico International Pte. Ltd. (PIPL) and Subsidiaries	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico Vietnam Company Limited (PVCL)	Food manufacturing	Vietnam	**–**	**100.00**	–	100.00
Abaqa International Pte Ltd. (formerly Comfez Pte. Ltd.)	Trading	Singapore	**–**	**100.00**	–	100.00
Gold Coin Management Holdings Pte. Ltd. (GCMH) and Subsidiaries	Holding	Singapore	**–**	**100.00**	–	100.00
GC Investment Holdings Limited	Holding	Hong Kong	**–**	**100.00**	–	100.00
Gold Coin (ZhangJiang) Company Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin (Zhangzhou) Company Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin Animal Husbandry (Zhangzhou) Co. Ltd*	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin (Zhuhai) Company Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Kunming) Co. Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Dongguan) Co. Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin (Yunnan) Co. Limited*	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin Agriculture (Guangxi) Co. Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin Management (Shenzhen) Co. Ltd.	Holding	China	**–**	**100.00**	–	100.00
Gold Coin Sabah Sdn. Bhd.	Holding	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Dong Nai) Co. Ltd.	Feedmills	Vietnam	**–**	**100.00**	–	100.00
American Feeds Company Limited	Feedmills	Vietnam	**–**	**100.00**	–	100.00
Gold Coin Feedmill Ha Nam Co. Ltd. (GCFHN)	Feedmills	Vietnam	**–**	**100.00**	–	100.00
Glen Arbor Holdings (Singapore) Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Gold Coin Feed Mills (Lanka) Ltd.	Feedmills	Sri Lanka	**–**	**100.00**	–	100.00
Gold Coin Group Limited	Holding	Hong Kong	**–**	**100.00**	–	100.00
Gold Coin Holdings Sdn Bhd	Holding	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Services Singapore Pte Limited (GCSS)	Holding	Singapore	**–**	**–**	–	100.00
Gold Coin Feedmill Binh Duong Company (GCFBDC)	Feedmills	Vietnam	**–**	**100.00**	–	100.00
Myanmar Gold Coin International Co. Ltd.	Feedmills	Myanmar	**–**	**100.00**	–	100.00
KLEAN Greentech Co. Ltd.	Feedmills	Thailand	**–**	**100.00**	–	100.00
Gold Coin Vietnam Holdings Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Gold Coin Aqua Feed Incorporated	Holding	British Virgin Island	**–**	**100.00**	–	100.00
Gold Coin Aqua Feed (Singapore) Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Gold Coin Specialities Sdn. Bhd.	Feedmills	Malaysia	**–**	**70.00**	–	70.00
Gold Coin Specialities (Thailand) Co. Ltd.	Feedmills	Thailand	**–**	**93.90**	–	93.90
P.T. Gold Coin Trading Indonesia	Feedmills	Indonesia	**–**	**100.00**	–	100.00
P.T. Gold Coin Indonesia	Feedmills	Indonesia	**–**	**100.00**	–	100.00
P.T. Gold Coin Specialities	Feedmills	Indonesia	**–**	**99.90**	–	99.90
PT Ayam Unggul (PTAYAM)	Feedmills	Indonesia	**–**	**60.00**	–	60.00
FEZ Animal Nutrition Pte Ltd	Holding	Singapore	**–**	**100.00**	–	100.00
FEZ Animal Nutrition Philippines, Inc.	Holding	Philippines	**–**	**40.00**	–	40.00

	Nature of Business	Place of Incorporation	Percentage of Ownership September 30, 2021 Direct	Indirect	December 31, 2020 Direct	Indirect
FEZ Animal Nutrition Pakistan (Private Limited)	Holding	Pakistan	**–**	**100.00**	–	100.00
Gold Coin Malaysia Group Sdn. Bhd.	Holding	Malaysia	**–**	**70.00**	–	70.00
Gold Coin Feedmills (Malaysia) Sdn. Bhd.	Feedmills	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Sabah) Sdn. Bhd.	Feedmills	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Sarawak Sdn. Bhd.	Feedmills	Malaysia	**–**	**72.80**	–	72.80
Bintawa Fishmeal Factory Sdn. Bhd.	Feedmills	Malaysia	**–**	**72.80**	–	72.80
Golden Livestock Sdn Bhd.	Holding	Malaysia	**–**	**100.00**	–	100.00
Pilmico Aqua Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Aboitiz Data Innovation Pte. Ltd.[2]*	Data Analytics	Singapore	**–**	**100.00**	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	**100.00**	**–**	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	**100.00**	**–**	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	**100.00**	**–**	100.00	–
Aboitiz Infracapital, Inc. (AIC) and Subsidiaries	Holding	Philippines	**100.00**	**–**	100.00	–
Lima Water Corporation (LWC)	Water Infrastructure	Philippines	**–**	**100.00**	–	100.00
Apo Agua Infrastructura, Inc. (Apo Agua)*	Water Infrastructure	Philippines	**1.40**	**68.60**	22.22	47.78

[1]In 2021, ARI acquired 100% of LFEI from TPI (40%) and La Filipina Uy Gongco Corporation (60%). As a result, LFEI (formerly an associate) became a subsidiary
[2]Incorporated in 2021.

** No commercial operations as of September 30, 2021.*

<u>Interest in a Joint Operation</u>
On May 15, 2014, the Group entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through Pagbilao Energy Corporation (PEC). TPI and TPEC both agreed to provide their respective capital contributions and subscribe to common shares such that each stockholder owns 50% of the issued and outstanding shares of stock of PEC.

The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

The Group's share of assets, liabilities, revenue, expenses and cash flows of a joint operation are included in the unaudited interim condensed consolidated financial statements on a line-by-line basis.

3. Basis of Preparation and Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments in certain debt and equity securities, and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements are 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 consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

On October 29, 2021, the Audit Committee of the Board of Directors (BOD) of the Company approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of the Group.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2021. The Group 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 temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group's treasury function is managing the Group's LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced floating-rate debt and the associated swap and the corresponding update of the hedge designation. However, the change reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

As of January 1, 2021, the Group has fully adopted the provisions of PFRS 15 in relation to its real estate segment as described below:

- Philippines Interpretation Committee (PIC) Q&A No. 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04)

  On February 14, 2018, the PIC issued PIC Q&A No: 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 7, 2019, the Philippine SEC issued SEC Memorandum Circular (MC) Nos. 14-2018 and 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020.

On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

a. The accounting policies applied
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the Philippine SEC will later prescribe.

The Group has already applied the provisions of these PIC Q&As except for the availment of the deferral option with respect to the accounting for significant financing component as provided in PIC Q&A No. 2018-12 in its most recent annual consolidated financial statements as of and for the year ended December 31, 2020. As of January 1, 2021, the Group completed the evaluation of the impact which is as follows:

- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitutes a significant financing component. Adoption of this guidance impacted interest income, interest expense, revenue from real estate sales, contract asset, provision for deferred income tax, deferred income tax asset or liability.

The Group has concluded that the impact to the unaudited interim consolidated financial statements, including the effect on all comparative periods presented, and the opening balance of retained earnings is not significant.

- Certain Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04)

  On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the Philippine SEC will later prescribe.

  On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

  The Group has concluded that the impact to the unaudited interim consolidated financial statements is not significant as its current policy in accounting for the cancellation of real estate sales is aligned with one of the approaches allowed by PIC Q&A 2020-05 where the cumulative amount of previously recognized real estate sales and the related costs of sales are reversed.

4. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group also included, as one of its main consideration, the continuing impact of COVID-19 pandemic in making significant judgements and assumptions.

The Group 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 Group. Such changes are reflected in the assumptions when they occur.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual consolidated financial statements.

Judgments

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

Nonconsolidation of certain investees

The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Generation, Inc.

The Group has 60% and 70% interest in AA Thermal, Inc (AA Thermal) and GN Power Dinginin Ltd. Co. (GNPD) respectively.

The Group does not consolidate MORE, AA Thermal and GNPD since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees, AA Thermal and GNPD, and their respective investees. This is a result of the partnership and shareholders' agreements which, among others, stipulate the management and operation of MORE, AA Thermal and GNPD. Management of MORE, AA Thermal and GNPD are vested in their respective BOD or "Management Committee" and the affirmative vote of the other shareholder or partners is required for the approval of certain company actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.40% ownership interest in Republic Cement and Building Materials, Inc., 99.72% ownership interest in Republic Cement Mindanao, Inc., and 100% ownership interest in Republic Cement Land and Resources, Inc.

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH.

Consequently, the Group accounts for MORE, a joint venture, and AEV CRH and GNPD, associates, using the equity method in the consolidated financial statements.

Determining a joint operation

The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

5. Cash and Cash Equivalents

	September 30, 2021	December 31, 2020
Cash on hand and in banks	**₱28,161,896**	₱22,224,763
Short-term deposits	**22,825,933**	43,741,648
	₱50,987,829	₱65,966,411

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

6. Trade and Other Receivables

	September 30, 2021	December 31, 2020
Trade receivables		
Power	**₱21,552,296**	₱17,726,379
Real estate	**8,966,548**	7,593,207
Food manufacturing	**9,498,225**	7,901,937
Holding and others	**326,466**	1,096,632
	40,343,535	34,318,155
Nontrade receivables	**7,956,789**	6,521,500
Dividends receivable	**—**	1,498,000
Advances to contractors	**379,828**	234,799
Others	**339,428**	276,282
	49,019,580	42,848,736
Less allowance for expected credit losses	**3,951,296**	3,423,691
	45,068,284	39,425,045
Less noncurrent portion	**624,888**	1,398,791
	₱44,443,396	₱38,026,254

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

Non-trade receivables include advances to partners in GMEC and Power Sector Assets and Liabilities Management Corporation (PSALM) adjustment recoverable from the customers of distribution subsidiaries. These advances are subject to offset against any cash dividends declared by GMEC and due to the partners.

Other receivables include accrued interest income.

Trade Receivables of Real Estate Group
Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱8.7 billion and ₱309.7 million, respectively, as of September 30, 2021, and ₱7.3 billion and ₱301.4 million, respectively, as of December 31, 2020.

7. Other Current Assets

	September 30, 2021	December 31, 2020
Short term cash deposits	**₱6,848,229**	₱960,460
Restricted cash	**4,741,000**	5,324,213
Prepaid expenses	**3,909,555**	2,239,858
Input value added tax (VAT)	**1,992,896**	3,452,005
Insurance assets	**1,816,398**	2,227,427
Advances to suppliers	**1,118,065**	106,870
Deposits for land acquisition	**1,058,123**	885,788
Biological assets	**979,354**	800,264
Advances to National Grid Corporation of the Philippines (NGCP)	**615,785**	1,167,296
Others	**2,178,542**	1,538,502
	₱25,257,947	₱18,702,683

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement. The asset will be used to pay the current portion of loans payable, interest payments and operating costs in the following period.

Prepaid expenses mainly include prepaid taxes and prepayments for insurance.

Advances to NGCP pertain to TVI's cost of construction and installation of substation and transmission facilities which is subject for reimbursement after completion of the project. The substation is 100.0% completed.

"Others" include asset held for sale and prepayments to regulatory agencies.

8. Investments and Advances

The Group's investees and the corresponding equity ownership are as follows:

		Percentage of ownership	
	Nature of Business	**September 30, 2021**	December 31, 2020
MORE [1]	Holding	**83.33**	83.33
GNPD **	Power generation	**70.00**	70.00
AEV CRH	Holding	**60.00**	60.00
AA Thermal [2]	Holding	**60.00**	60.00
Cebu District Property Enterprise, Inc. (CDPEI) [1] **	Real estate	**50.00**	50.00
Unity Digital Infrastructure Inc. (UDII, formerly Aboitiz Airports Advisory Services Corporation)[5]*	Services	**50.00**	100.00
Union Bank of the Philippines (UBP)	Banking	**49.27**	49.34
Hijos de F. Escaño, Inc.	Holding	**46.73**	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	**44.87**	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84
STEAG State Power Inc. (STEAG)	Power generation	**34.00**	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	**25.00**	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	**20.00**	20.00
Western Mindanao Power Corporation (WMPC)	Power distribution	**20.00**	20.00
Gold Coin Feed Mills (Brunei) Sdn. Bhd. ***	Feedmills	**20.00**	20.00
Balibago Water Systems, Inc. (BWSI) [3]	Water infrastructure	**15.94**	15.94
Singlife Philippines Inc. [SLPI, formerly Singapore Life (Philippines), Inc.] [3]**	Insurance	**15.00**	15.00
Cebu Homegrown Developers, Inc. (CHDI) [1]**	Real estate	**—**	50.00
LFEI [4]**	Power generation	**—**	40.00

[1]Joint ventures.
[2]Economic interest.
[3]Significant influence by virtue of the board seat held by the Group
[4]In 2021, ARI acquired 100% of LFEI from TPI (40%) and La Filipina Uy Gongco Corporation (60%). As a result, LFEI (formerly an associate) became a subsidiary
[5]In 2021, the Group reduced its effective ownership in UDII to 50% upon entry of new joint venture partner.
***No commercial operations as of September 30, 2021.*
****Registered in Malaysia and is part of GCMH Group*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

In 2021, the Group, through TPI and AA Thermal, made capital contributions to GNPD amounting to ₱952.1 million.

In 2021, the Group also made capital contributions to CDPEI amounting to ₱310.0 million.

The detailed carrying values of investees, which are accounted for under the equity method, follow:

	September 30, 2021	December 31, 2020
UBP	**₱58,667,787**	₱55,369,791
GNPD/AA Thermal	**47,491,751**	41,859,316
AEV CRH	**24,297,741**	24,297,741
MORE	**8,294,157**	10,653,803
CEDC	**3,498,614**	3,409,799
STEAG	**3,230,348**	3,855,162
CRH ABOITIZ	**2,437,196**	1,146,868
CDPEI	**1,725,342**	1,417,499
SFELAPCO/PEVI	**1,034,443**	928,495
UDII	**981,325**	—
BWSI	**613,449**	580,523
Others	**547,914**	481,026
RP Energy	**519,852**	522,347
WMPC	**164,354**	168,244
SPPC	**51,051**	53,246
CHDI	**—**	652,257
	153,555,324	145,396,117

	September 30, 2021	December 31, 2020
Acquisition cost:		
Balance at beginning of period	**₱102,434,357**	₱99,669,607
Additions during the period	**2,303,072**	2,764,750
Disposals during the period	**(660,000)**	—
Balance at end of period	**104,077,429**	102,434,357
Accumulated share in net earnings:		
Balances at beginning of period	**44,585,338**	41,228,330
Share in net earnings for the period	**13,846,961**	9,019,033
Newly consolidated subsidiary	**1,007**	—
Disposals during the period	**6,742**	—
Cash dividends received and receivable	**(8,082,422)**	(5,662,025)
Balance at end of period	**50,357,626**	44,585,338
Gain on dilution	**1,014,136**	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates	**125,573**	125,612
Share in cumulative translation adjustments of associates and joint ventures	**44,309**	(699,430)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(1,383,018)**	(1,383,165)
	154,236,055	146,076,848
Less allowance for impairment losses	**680,731**	680,731
	153,555,324	145,396,117
Advances to associates	**38,912**	20,527
	₱153,594,236	₱145,416,644

9. Intangibles

Set out below is the carrying amount of the Group's intangible assets as of September 30, 2021 and the movements for the nine-month period then ended:

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of period	₱55,170,011	₱12,068,755	₱3,078,431	₱1,029,421	₱99,746	₱943,446	₱72,389,810
Additions during the period	—	3,512,568	—	188,500	—	63,382	3,764,450
Exchange differences /Others	2,343,257	61,580	—	—	—	3,079	2,407,916
Balances at end of period	57,513,268	15,642,903	3,078,431	1,217,921	99,746	1,009,907	78,562,176
Accumulated amortization:							
Balances at beginning of period	—	3,403,951	583,620	—	88,835	536,915	4,613,321
Amortization	—	260,087	57,720	—	2,976	97,493	418,276
Balances at end of period	—	3,664,038	641,340	—	91,811	634,408	5,031,597
Net book values	₱57,513,268	₱11,978,865	₱2,437,091	₱1,217,921	₱7,935	₱375,499	₱73,530,579

10. Other Noncurrent Assets

	September 30, 2021	December 31, 2020
Prepaid taxes	**₱3,601,647**	₱3,559,354
Input VAT and tax credit receivable	**3,629,871**	3,076,027
Financial assets at FVOCI	**3,337,480**	2,215,044
Advances to contractors and projects	**1,315,912**	2,030,652
Receivable from NGCP	**1,044,475**	920,682
Financial assets at FVTPL	**974,167**	1,009,554
Prepaid rent and other deposits	**470,777**	845,586
Biological assets	**138,745**	133,440
Debt investments at amortized cost	**31,827**	101,161
Others	**1,010,589**	658,970
	₱15,555,490	₱14,550,470

Prepaid taxes are composed of creditable withholding taxes.

11. Trade and Other Payables

	September 30, 2021	December 31, 2020
Trade payables	**₱29,143,419**	₱21,245,087
Output VAT	**4,256,066**	3,583,387
Nontrade and other payables	**2,604,446**	2,236,388
Accrued expenses		
Interest	**1,965,792**	2,880,135
Taxes and fees	**936,930**	941,214
Others	**2,208,986**	1,795,287
Amounts due to contractors and other third parties	**1,762,212**	3,501,864
PSALM deferred adjustment	**1,358,081**	1,042,861
Unearned revenue	**42,153**	43,351
	44,278,085	37,269,574
Less noncurrent portion	**1,145,439**	1,657,982
	₱43,132,646	₱35,611,592

Trade payables are non-interest bearing and are usually on 30-90 days' terms.

Accrued taxes and fees represent accrual of real property tax, transfer tax and other fees.

Other accrued expenses include fuel and lubricant costs, freight expense, materials and supplies that are due within 12 months.

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Amounts due to contractors and other third parties include liabilities arising from construction projects.

12. Bank Loans

	September 30, 2021	December 31, 2020
Philippine peso loans	**₱23,158,500**	₱25,582,500
Vietnamese dong loans	**2,537,192**	2,022,115
Chinese yuan loans	**1,549,002**	1,074,805
Indonesia rupia loans	**450,852**	—
US dollar loans	**204,000**	192,092
Other foreign currency-denominated loans	**358,194**	459,371
	₱28,257,740	₱29,330,883

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 1.08% - 8.50% and 1.15% to 5.55% in 2021 and 2020, respectively. These loans will mature on various dates within 12 months.

13. Long-term Debts

	September 30, 2021		December 31, 2020	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
Company:				
Financial and nonfinancial institutions - unsecured	**2.84% - 6.32%**	**₱39,421,350**	2.84% - 6.32%	₱37,888,380
Subsidiaries:				
GMEC				
Financial institutions - unsecured	**LIBOR + 1.70% - 4.85%**	**36,587,236**	LIBOR + 1.70% - 4.00%	33,711,803
Therma Marine				
Financial institutions - secured	**4.54%**	**780,000**	—	—
TVI				
Financial institutions – secured	**5.56% - 9.00%**	**26,947,493**	5.56% - 9.00%	29,418,667
AP				
Financial and nonfinancial institutions - Philippine peso - unsecured	**3.13% - 8.51%**	**48,950,000**	3.13% - 8.51%	44,950,000
Financial and nonfinancial institutions - Foreign currency -unsecured	**LIBOR + 1.20%**	**2,805,000**	LIBOR + 1.20%	14,406,900
TSI				
Financial institutions - secured	**5.26%**	**18,314,624**	5.26%	18,729,025
APRI				
Financial institutions - secured	**4.25% - 5.20%**	**5,623,920**	4.48% - 5.20%	6,873,920
Hedcor Bukidnon				
Financial institutions - secured	**4.00% - 5.34%**	**8,714,717**	4.00% - 5.34%	9,315,000
HSI				
Fixed rate corporate notes - unsecured	**4.63% - 5.42%**	**3,702,401**	4.63% - 5.42%	3,702,401
PFC				
Financial institutions - unsecured	**4.18% - 5.16%**	**2,870,000**	4.18% - 5.16%	2,877,500
PANC				
Financial institutions - unsecured	**4.50%**	**2,530,000**	4.50%	2,570,000
VECO				
Financial institution - unsecured	**4.73% - 4.81%**	**579,000**	4.73% - 4.81%	579,000
LHC				
Financial institutions - secured	**LIBOR + 2.00%**	**175,950**	LIBOR + 2.00%	271,330
DLP				
Financial institution - unsecured	**4.73% - 4.92%**	**434,250**	4.73% - 4.92%	434,250
HI				
Financial institution - secured	**7.41% - 7.87%**	**1,500,000**	7.41% - 7.87%	1,630,000
SEZ				
Financial institution - unsecured	**—**	**—**	5.00%	56,500
CLP				
Financial institution - unsecured	**4.73% - 4.92%**	**86,850**	4.73% - 4.92%	86,850
TPVI				
Financial institution - unsecured	**3.32% - 5.06%**	**1,500,000**	3.32% - 5.06%	1,500,000
AESI				
Financial institution - secured	**4.87%**	**594,000**	4.87%	600,000
Apo Agua				
Financial institutions Philippine peso - secured	**5.75% - 8.26%**	**9,000,000**	5.75% - 8.26%	9,000,000
AEV International				
Financial institutions: Foreign currency - secured	**3.26% - 3.72%**	**11,373,000**	3.26% - 3.72%	10,709,129
US Dollar bonds Foreign currency - unsecured	**4.20%**	**20,400,000**	4.20%	19,209,200
GCMH				
Financial institution - unsecured	**LIBOR + 1.44%**	**2,040,000**	LIBOR + 2.55%	1,920,920
PTAYAM				
Financial institution - unsecured	**JIBOR + 3.48%**	**125,595**	JIBOR + 3.48%	119,082
GCFHN				
Financial institution - unsecured	**4.00% - 4.90%**	**69,921**	4.00% - 4.90%	89,112
TCP				
Financial institution - unsecured	**6.50%**	**1,114,750**	6.50%	235,360
Joint Operation - PEC				
Financial institution - secured	**5.77% - 6.27%**	**11,146,344**	5.50% - 8.31%	12,251,259
Total		**257,386,401**		263,135,588
Deferred financing costs		**(2,015,385)**		(2,094,508)
		255,371,016		261,041,080
Less current portion		**23,149,143**		17,417,474
Noncurrent portion		**₱232,221,873**		₱243,623,606

Loan covenants
The loan agreements on long-term debts of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of September 30, 2021 and December 31, 2020.

14. Debt Securities

As of September 30, 2021, AEV and AP registered and issued peso-denominated fixed-rate retail bonds totaling ₱67.4 billion under the following terms:

Maturity	Issuer	Annual Interest Rate	Amount
10-year bonds to mature on November 21, 2023	AEV	4.62%	₱1,800,000
12-year bonds to mature on August 6, 2027	AEV	6.02%	5,071,350
5-year bonds to mature on June 18, 2024	AEV	6.02%	3,350,000
10-year bonds to mature on June 18, 2029	AEV	6.32%	1,650,000
5-year bonds to mature on November 16, 2027	AEV	3.31%	696,700
5-year bonds to mature on November 16, 2023	AEV	2.84%	6,853,300
7-year bonds to mature on September 8, 2028	AEV	4.32%	5,000,000
4-year bonds to mature on September 8, 2025	AEV	3.30%	5,000,000
10-year bonds to mature on July 3, 2027	AP	5.34%	3,000,000
5.25-year bonds to mature on January 25, 2024	AP	7.51%	7,700,000
7-year bonds to mature on October 25, 2025	AP	8.51%	2,500,000
7-year bonds to mature on October 14, 2026	AP	5.28%	7,250,000
2-year bonds to mature on July 6, 2022	AP	3.13%	9,000,000
5-year bonds to mature on July 6, 2025	AP	3.94%	550,000
5-year bonds to mature on March 16, 2026	AP	3.82%	8,000,000

15. Leases

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities as of September 30, 2021 and the movements for the nine-month period then ended:

	Right-of-use assets					
	Land	Building	Power Plant	Manufacturing Plant, Equipment and Others	Total	Lease Liabilities
As of January 1	₱3,413,409	₱389,708	₱32,504,564	₱92,073	₱36,399,754	₱39,768,846
Additions	721	47,731	—	72,392	120,844	120,123
Amortization expense	(145,929)	(120,896)	(785,951)	(15,631)	(1,068,407)	—
Capitalized amortization	(1,137)	—	—	—	(1,137)	—
Interest expense	—	—	—	—	—	2,024,702
Payments	—	—	—	—	—	(8,102,331)
Others	28,088	2,843	—	220,743	251,674	2,160,598
As of September 30	₱3,295,152	₱319,386	₱31,718,613	₱369,577	₱35,702,728	₱35,971,938

Set out below are the amounts recognized in the consolidated statement of income:

	Jan - Sep 2021	Jan - Sep 2020
Amortization expense of right-of-use assets	**₱1,068,407**	₱1,067,318
Interest expense on lease liabilities	**2,024,702**	2,212,034
Rent expense - short-term leases	**131,020**	108,165
Rent expense - low-value assets	**7,260**	7,271
	₱3,231,389	₱3,394,788

16. Retained Earnings

On March 5, 2021, the BOD approved the declaration of a regular cash dividend of ₱0.91 per share (₱5.1 billion) to all stockholders of record as of March 19, 2021. These dividends were taken out of the unrestricted retained earnings as of December 31, 2020, and were paid on March 31, 2021.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱156.6 billion and ₱143.6 billion as of September 30, 2021 and December 31, 2020, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements.

17. Other Comprehensive Income

	September 30, 2021	December 31, 2020
Cumulative Translation Adjustments		
Balance at beginning of period	**(₱474,733)**	(₱944,486)
Movements	**6,621,652**	469,753
Balance at end of period	**6,146,919**	(474,733)
Actuarial Losses on Defined Benefit Plans		
Balances at beginning of period	**(1,468,919)**	(861,868)
Movements	**(6,954)**	(607,051)
Balance at end of period	**(1,475,873)**	(1,468,919)
Net Unrealized Gains on Financial Assets at FVOCI		
At beginning of period	**3,009**	3,135
Movements	**(853)**	(126)
Balance at end of period	**2,156**	3,009
Share in Cumulative Translation Adjustments of Associates and Joint Ventures		
Balance at beginning of period	**(765,424)**	(137,020)
Movements	**572,274**	(628,404)
Balance at end of period	**(193,150)**	(765,424)
Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures		
Balance at beginning of period	**(1,356,084)**	(819,928)
Movements	**741**	(536,156)
Balance at end of period	**(1,355,343)**	(1,356,084)
Share in Fair Value Changes on Financial Assets at FVOCI of Associates and Joint Ventures		
At beginning of period	**102,748**	112,145
Movements	**(39)**	(9,397)
Balance at end of period	**102,709**	102,748
	₱3,227,418	(₱3,959,403)

Tax Effects Relating to Each Component of Other Comprehensive Income

	January - September 2021		
	Before Tax Amount	**Tax Expense**	**Net of Tax Amount**
Net unrealized mark-to-market losses on FVOCI investments	**(₱853)**	**₱—**	**(₱853)**
Share in net unrealized mark-to-market losses on FVOCI investments of associates and joint ventures	**(39)**	**—**	**(39)**
Movement in cumulative translation adjustments	**8,756,284**	**—**	**8,756,284**
Share in movement in cumulative translation adjustment of associates and joint ventures	**743,738**	**—**	**743,738**
Movement in actuarial losses on defined benefit plans	**(9,934)**	**2,980**	**(6,954)**
Share in actuarial gains on defined benefit plans of associates and joint ventures	**210**	**(63)**	**147**
Other comprehensive income (loss) for the period - net of tax	**₱9,489,406**	**₱2,917**	**₱9,492,323**

	January - September 2020		
	Before Tax Amount	Tax Expense	Net of Tax Amount
Net unrealized mark-to-market losses on FVOCI investments	(₱3,135)	₱—	(₱3,135)
Share in net unrealized mark-to-market losses on FVOCI investments of associates and joint ventures	(3,124)	—	(3,124)
Movement in cumulative translation adjustments	(1,464,622)	—	(1,464,622)
Share in movement in cumulative translation adjustment of associates and joint ventures	(256,341)	—	(256,341)
Actuarial gains on defined benefit plans	571	(171)	400
Share in actuarial gains on defined benefit plans of associates and joint ventures	934	(280)	654
Other comprehensive income (loss) for the period - net of tax	(₱1,725,717)	(₱451)	(₱1,726,168)

18. Revenues

	Jan - Sep 2021	Jan - Sep 2020
Sale of:		
Power	**₱93,378,435**	₱80,177,589
Goods	**61,320,149**	52,767,153
Real estate	**2,552,909**	2,166,841
Service fees	**597,819**	390,177
Sale of swine at fair value	**51,838**	1,292,834
Others	**190,582**	188,199
	₱158,091,732	₱136,982,793

19. Costs and Expenses

	Jan - Sep 2021	Jan - Sep 2020
Cost of goods sold	**₱54,047,446**	₱45,227,739
Cost of purchased power	**29,094,492**	23,608,193
Cost of generated power	**20,734,530**	18,506,175
Cost of real estate sales	**1,302,370**	1,297,922
Operating expenses	**28,615,119**	27,586,842
Overhead expenses	**58,629**	68,990
	₱133,852,586	₱116,295,861

20. Other Income (Expense)

	Jan - Sep 2021	Jan - Sep 2020
Surcharges	**₱468,519**	₱315,159
Rental income	**126,970**	48,088
Gain (loss) on disposal of:		
Financial assets at FVTPL	**114,871**	14,959
Property, plant and equipment	**5,945**	(64,543)
Stock investments	**(44,258)**	—
Non-utility operating income	**104,635**	887,435
Dividend income	**2,767**	4,096
Net foreign exchange gain (loss)	**(855,919)**	816,288
Unrealized valuation losses on financial assets	**(30,455)**	(8,941)
Write off of project costs and other assets	**—**	(7,240)
Others - net	**1,047,241**	1,114,905
	₱940,316	₱3,120,206

"Net foreign exchange gain (loss)" are the net gains and losses relating to currency forward transactions of AP.

"Others - net" comprise non-recurring items like sale of scrap and sludge oil, and reversal of provisions.

21. Earnings per Common Share

Basic and diluted earnings per common share amounts were computed as follows:

	Jan - Sep 2021	Jan - Sep 2020
a. Net income attributable to equity holders of the parent	**₱19,543,882**	₱8,331,289
b. Weighted average number of common shares issued and outstanding	**5,630,225**	5,630,225
Basic and diluted earnings per common share (a/b)	**₱3.47**	₱1.48

There are no dilutive potential common shares for the nine-month periods ended September 30, 2021 and 2020.

22. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the BOD, the Group's CODM, are as follows:

- power segment, which is engaged in power generation and sale of electricity;
- financial services segment, which is engaged in banking and money remittance operations;
- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- real estate segment, which is engaged in real property development for sale and lease;
- infrastructure segment, which is engaged in the production of cement and other building materials and in the supply of treated bulk water; and
- the parent company and others, which include the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

In addition, The Group presents geographical segments based on two categories, as follows:

- Philippines, which represents the Group's local operations; and
- Rest of Asia, which represents the foreign operations of the Group across several countries in Asia.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statement of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity and other services which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length basis.

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Financial information on the operations of the various business segments are summarized as follows:

	January - September 2021							
	Power	**Financial Services**	**Food Manufacturing**	**Real Estate**	**Infrastructure**	**Parent Company and Others**	**Eliminations**	**Consolidated**
REVENUES								
Third parties	**₱93,440,766**	**₱—**	**₱61,371,987**	**₱2,839,690**	**₱92,687**	**₱346,602**	**₱—**	**₱158,091,732**
Inter-segment	**160,808**	**—**	**2,001,851**	**68,179**	**1,775**	**902,056**	**(3,134,669)**	**—**
Total revenue	**₱93,601,574**	**₱—**	**₱63,373,838**	**₱2,907,869**	**₱94,462**	**₱1,248,658**	**(₱3,134,669)**	**₱158,091,732**
RESULTS								
Segment results	**₱21,102,722**	**₱—**	**₱2,594,016**	**₱732,949**	**(₱154,677)**	**(₱35,864)**	**₱—**	**₱24,239,146**
Unallocated corporate income (expenses) - net	**456,272**	**—**	**(95,597)**	**(5,592)**	**28,952**	**556,281**	**—**	**940,316**
INCOME FROM OPERATIONS								**25,179,462**
Interest expense	**(10,294,844)**	**—**	**(618,716)**	**(44,341)**	**(366)**	**(1,946,122)**	**21,150**	**(12,883,239)**
Interest income	**256,843**	**—**	**62,278**	**4,039**	**3,298**	**80,287**	**(21,150)**	**385,595**
Share in net earnings (losses) of associates and joint ventures	**7,111,247**	**5,399,532**	**9,317**	**(1,156)**	**1,331,619**	**13,903,175**	**(13,906,773)**	**13,846,961**
Benefit from (provision for) income tax	**(1,641,434)**	**—**	**(421,590)**	**56,742**	**(3,496)**	**62,984**	**—**	**(1,946,794)**
NET INCOME (LOSS)	**₱16,990,806**	**₱5,399,532**	**₱1,529,708**	**₱742,641**	**₱1,205,330**	**₱12,620,741**	**(₱13,906,773)**	**₱24,581,985**
Depreciation and amortization	**₱8,378,668**	**₱—**	**₱1,096,895**	**₱55,402**	**₱24,848**	**₱126,467**	**₱—**	**₱9,682,280**
OTHER INFORMATION (as of September 30, 2021)								
Segment assets	**₱82,268,738**	**₱—**	**₱34,186,442**	**₱21,246,319**	**₱5,507,594**	**₱16,115,576**	**(₱2,219,430)**	**₱157,105,239**
Investments and advances	**64,681,037**	**58,667,787**	**82,399**	**1,725,342**	**28,329,711**	**146,977,687**	**(146,869,727)**	**153,594,236**
Unallocated corporate assets	**258,201,751**	**—**	**31,882,886**	**10,043,262**	**11,176,747**	**10,322,165**	**(573,875)**	**321,052,936**
Consolidated total assets								**₱631,752,411**
Segment liabilities	**₱249,714,026**	**₱—**	**₱33,601,196**	**₱12,770,853**	**₱10,234,317**	**₱74,250,913**	**(₱2,767,811)**	**₱377,803,494**
Unallocated corporate liabilities	**1,499,889**	**—**	**32,453,177**	**816,655**	**17,009**	**(31,457,882)**	**—**	**3,328,848**
Consolidated total liabilities								**₱381,132,342**

	January - September 2020							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱80,290,569	₱—	₱54,059,986	₱2,166,841	₱66,945	₱398,452	₱—	₱136,982,793
Inter-segment	71,980	—	—	—	—	453,507	(525,487)	—
Total revenue	₱80,362,549	₱—	₱54,059,986	₱2,166,841	₱66,945	₱851,959	(₱525,487)	₱136,982,793
RESULTS								
Segment results	₱18,181,050	₱—	₱2,848,725	₱263,335	(₱148,309)	(₱484,973)	₱27,104	₱20,686,932
Unallocated corporate income (expenses) - net	3,613,739	—	(142,885)	(13,330)	5,968	(316,184)	(27,102)	3,120,206
INCOME FROM OPERATIONS								23,807,138
Interest expense	(10,614,840)	—	(750,581)	(66,534)	—	(2,028,425)	42,889	(13,417,491)
Interest income	540,235	—	44,144	8,146	12,822	248,394	(42,889)	810,852
Share in net earnings (losses) of associates and joint ventures	1,709,968	4,284,193	12,666	(24,799)	353,900	6,015,948	(6,016,345)	6,335,531
Benefit from (provision for) income tax	(4,785,682)	—	(956,131)	(31,309)	(11,190)	(36,067)	—	(5,820,379)
NET INCOME (LOSS)	₱8,644,470	₱4,284,193	₱1,055,938	₱135,509	₱213,191	₱3,398,693	(₱6,016,343)	₱11,715,651
Depreciation and amortization	₱2,610,960	₱—	₱360,368	₱22,175	₱4,950	₱49,592	₱—	₱3,048,045
OTHER INFORMATION (as of December 31, 2020)								
Segment assets	₱77,504,703	₱—	₱27,288,310	₱19,182,052	₱3,385,735	₱21,443,628	(₱1,423,195)	₱147,381,233
Investments and advances	61,828,801	55,369,791	71,020	2,069,756	26,025,132	126,890,485	(126,838,341)	145,416,644
Unallocated corporate assets	258,591,615	—	41,561,960	8,300,160	8,023,658	454,533	(573,876)	316,358,050
Consolidated total assets								₱609,155,927
Segment liabilities	₱261,578,030	₱—	₱28,397,739	₱12,256,824	₱9,824,430	₱71,843,403	(₱1,971,504)	₱381,928,922
Unallocated corporate liabilities	1,762,015	—	31,000,041	581,967	17,009	(29,734,026)	—	3,627,006
Consolidated total liabilities								₱385,555,928

Revenues and noncurrent operating assets by geographical locations are summarized below:

	Revenue		Property, Plant and Equipment		Intangible Assets	
	September 2021	September 2020	**September 2021**	December 2020	**September 2021**	December 2020
Philippines	**₱120,038,437**	₱97,295,466	**₱177,889,993**	₱178,347,621	**₱15,935,493**	₱12,503,579
Rest of Asia	**51,406,671**	40,212,814	**5,109,842**	4,790,720	**81,819**	102,899
	₱171,445,108	₱137,508,280	**₱182,999,835**	₱183,138,341	**₱16,017,312**	₱12,606,478

The revenue information above is based on the locations of customers. Noncurrent operating assets consist of property, plant and equipment and intangible assets.

23. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents bank loans, long-term debts and lease liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables, trade and other payables and customer deposits which arise directly from operations.

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases.

Risk Management Structure
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial risk committee
The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Treasury service group
The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debts; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, investments in FVTPL and FVOCI and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

Market Risk
The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-

balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of September 30, 2021, 15.30% of the Group's long-term debt had annual floating interest rates ranging from 3.26% to 8.26%, and 84.70% are with fixed rates ranging from 2.84% to 9.00%. As of December 31, 2020, 15.50% of the Group's long-term debt had annual floating interest rates ranging from 1.62% to 4.90%, and 84.50% are with fixed rates ranging from 2.00% to 8.51%.

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to cash flow interest rate risk:

September 30, 2021

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱1,343,279**	**₱19,453,659**	**₱18,312,699**	**₱39,109,637**

December 31, 2020

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱2,448,799	₱30,086,294	₱8,007,950	₱40,543,043

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on the other financial instruments of the Group that are not included in the above tables are either fixed-rate or non-interest bearing, and are therefore not subject to interest rate risk. Its derivative assets and liabilities are subject to fair value interest rate risk.

The interest expense recognized during the periods follows:

	Jan - Sep 2021	Jan - Sep 2020
Long-term debts	**₱9,936,290**	₱10,067,268
Lease liabilities	**2,024,702**	2,212,034
Bank loans	**712,752**	950,658
Other long-term obligations	**207,309**	186,591
Customers' deposits	**2,186**	940
	₱12,883,239	₱13,417,491

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of September 30, 2021 and 2020:

	Increase (decrease) in basis points	Effect on income before tax
September 30, 2021	**200**	**(₱587,180)**
	(100)	**293,590**
September 30, 2020	200	(₱601,239)
	(100)	300,620

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant during the first nine months of 2021 and 2020, due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

There is no other impact on the Group's equity other than those already affecting the unaudited interim consolidated statements of income.

Commodity Price Risk
Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including lease liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of September 30, 2021 and December 31, 2020, foreign currency denominated borrowings account for 30.11% and 31.15%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	September 30, 2021		December 31, 2020	
	US dollar	**Philippine peso Equivalent[1]**	US dollar	Philippine peso Equivalent[2]
Financial assets				
Cash and cash equivalents	**$352,692**	**₱17,987,292**	$618,093	₱29,682,701
Short-term deposits	**134,279**	**6,848,229**	20,000	960,460
Trade and other receivables	**37,124**	**1,893,324**	111,091	5,334,947
Investments in FVTPL and FVOCI	**37,930**	**1,934,430**	21,789	1,046,395
Total financial assets	**665,523**	**33,941,673**	770,973	37,024,503
Financial liabilities				
Bank loans	**4,000**	**204,000**	78,054	3,748,384
Trade and other payables	**162,709**	**8,298,159**	240,418	11,545,608
Long-term debts	**714,651**	**36,447,201**	963,243	46,257,829
Lease liabilities	**342,179**	**17,451,129**	400,786	19,246,931
Total financial liabilities	**1,223,539**	**62,400,489**	1,682,501	80,798,752
Net foreign currency denominated liabilities	**($558,016)**	**(₱28,458,816)**	($911,528)	(₱43,774,249)

[1]$1= ₱51.00
[2]$1= ₱48.02

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of:

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
September 30, 2021	**US dollar strengthens by 5%**	**(₱1,422,941)**
	US dollar weakens by 5%	**1,422,941**
December 31, 2020	US dollar strengthens by 5%	(₱2,188,712)
	US dollar weakens by 5%	2,188,712

The increase in US dollar rate represents depreciation of Philippine peso while the decrease in US dollar rate represents appreciation of Philippine peso.

Equity price risk
Equity price risk is the risk that the fair value of traded equity instruments decreases as the result of the changes in the levels of equity indices and the value of the individual stock.

As of September 30, 2021 and December 31, 2020, the Group's exposure to equity price risk is minimal.

Credit Risk
For its cash investments (including restricted portion), financial assets at FVTPL or FVOCI, derivative assets, and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. With respect to cash and financial assets at FVTPL or FVOCI , the risk 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. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures.

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of September 30, 2021 and December 31, 2020 is summarized in the following table:

	September 30, 2021	December 31, 2020
Power distribution:		
Industrial	**₱5,481,592**	₱4,005,713
Residential	**2,125,510**	1,922,998
Commercial	**980,830**	1,144,382
City street lighting	**620,721**	764,702
Power generation:		
Power supply contracts	**10,157,068**	8,066,769
Spot market	**2,286,299**	1,821,815
	₱21,652,020	₱17,726,379

Liquidity Risk
Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows, making use of a centralized treasury function to manage pooled business unit cash investments and borrowing requirements.

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of September 30, 2021 and December 31, 2020, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 10.38% and 8.02%, respectively.

For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents, short term cash deposits and trade and other receivables, which are all short-term in nature, have balances of ₱51.0 billion, ₱6.8 billion and ₱44.4 billion as of September 30, 2021, respectively and ₱66.0 billion, ₱1.0 billion and ₱38.0 billion as of December 31, 2020, respectively. These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

September 30, 2021

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱39,996,588	₱39,996,588	₱2,436,838	₱37,244,530	₱315,220	₱—
Customers' deposits	7,312,607	7,312,607	—	171	445,592	6,866,844
Financing						
Bank loans	28,257,740	28,257,740	—	28,257,740	—	—
Long-term debts	255,371,016	257,386,401	—	23,022,434	122,828,603	111,535,364
Lease liabilities	35,971,938	46,353,840	—	11,000,483	30,348,618	5,004,739
Long-term obligation on PDS	200,008	320,000	—	40,000	200,000	80,000
Others						
Derivative liabilities	656,955	656,955	—	383,635	273,320	—
	₱367,766,852	₱380,284,131	₱2,436,838	₱99,948,993	₱154,411,353	₱123,486,947

**Excludes statutory liabilities*

Capital Management

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

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

No changes were made in the objectives, policies or processes during the periods ended September 30, 2021 and December 31, 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below at the consolidated level. The Group determines net debt as the sum of interest-bearing short-term and long-term obligations (comprised of long-term debts and lease liabilities) less cash and short-term deposits.

Gearing ratios of the Group as of September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
Bank loans	**₱28,257,740**	₱29,330,883
Long-term obligations	**291,342,954**	300,809,926
Cash and cash equivalents (including restricted cash and short-term cash deposits)	**(62,577,058)**	(72,251,084)
Net debt (a)	**257,023,636**	257,889,725
Equity	**250,620,069**	223,599,999
Equity and net debt (b)	**₱507,643,705**	₱481,489,724
Gearing ratio (a/b)	**50.63%**	53.56%

24. Financial Instruments

Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	September 30, 2021		December 31, 2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	**₱1,358,081**	**₱1,259,233**	₱2,140,226	₱1,939,398
Financial liabilities:				
Lease liabilities	**35,971,938**	**34,146,853**	39,768,846	38,413,752
Long-term debt - fixed rate	**216,261,379**	**241,787,017**	220,498,037	245,613,118
PSALM deferred adjustment	**1,358,081**	**1,259,233**	2,140,226	1,939,398
Long-term obligation on PDS	**200,008**	**162,164**	183,436	162,164
	₱253,791,406	**₱277,355,267**	₱262,590,545	₱286,128,432

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

Cash and cash equivalents, short-term cash deposits, trade and other receivables, short-term loans and trade and other payables

The carrying amounts of cash and cash equivalents, short-term cash deposits, trade and other receivables, short-term loans and trade and other payables approximate their fair values due to the relatively short-term maturity of these financial instruments.

Lease liabilities

The fair value of the lease liabilities was calculated by discounting future cash flows using applicable interest rates. The disclosed fair value is determined using Level 3 inputs.

Fixed-rate borrowings

The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. The disclosed fair value is determined using Level 3 inputs.

Long-term obligation on PDS and PSALM deferred adjustment

The fair value of the long-term obligation is calculated by discounting expected future cash flows at prevailing market rates.

Customers' deposits

The fair value of bill deposits approximate their carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformers and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

Financial assets at FVTPL and FVOCI

These equity securities are carried at fair value.

Derivative asset and liabilities

The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

The Group also entered into an interest rate swap agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan and par forward contracts to hedge the floating rate exposure on foreign currency-denominated payments.

The Group also entered into deliverable and non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities, purchases and highly probable forecasted purchases.

The Group also entered into commodity swap contracts to hedge the price volatility of its forecasted coal purchases.

The movements in fair value changes of all derivative instruments are as follows:

	September 30, 2021	December 31, 2020
At beginning of period	**(₱1,983,877)**	(₱2,334,937)
Net changes in fair value of derivatives designated as cash flow hedges	**6,200,148**	877,257
Net changes in fair value of derivatives not designated as accounting hedges	**71,248**	(4,848)
Fair value of settled instruments	**359,847**	(521,349)
At end of period	**₱4,647,366**	(₱1,983,877)

<u>Fair Value Hierarchy</u>

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly

Level 3: techniques that use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data

As of September 30, 2021, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
Investments in financial assets:				
At FVTPL	**₱974,167**	**₱974,167**	**₱—**	**₱—**
At FVOCI	**3,337,480**	**3,337,480**	**—**	—
Derivative asset	**5,304,321**	—	**5,304,321**	—
Derivative liability	**656,955**	—	**656,955**	—
Disclosed at fair value:				
Lease liabilities	**34,146,853**	—	—	**34,146,853**
Long-term debt - fixed rate	**241,787,017**	—	—	**241,787,017**
Long-term obligation on PDS	**162,164**	—	—	**162,164**

During the nine-month period ended September 30, 2021, there were no transfers between Level 1 and Level 2 fair value measurements and transfers into and out of Level 3 fair value measurement.

25. Other Disclosure

a. Seasonality of Interim Operations
Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This precipitation seasonality greatly affects subsidiary companies HI, HSI, Hedcor Bukidnon, Hedcor Tudaya, Hedcor Sabangan and LHC, which operate 'run-of-river' hydropower plants since these plants do not have any means to impound water.

Any unexpected change in the seasonal aspects will have no material effect on the Group's financial condition or results of operations.

b. COVID-19
The Philippines has been placed in a stringent community quarantine, varying in terms of degree and location since the COVID-19 outbreak in 2020. The community quarantine negatively affects business, especially those that are not considered essentials.

The Group has experienced the negative effect of the COVID-19 pandemic in its 2020 operations across most of its segments, varying in terms of magnitude. However, because of the diverse business portfolio of the Group covering different industries and to a certain extent, geographical location , the overall effect has been cushioned. In addition, significant improvements have been felt in the latter part of 2020 as the economy started to improve, and has been continuing during the first nine months of 2021 as the community quarantine starts to ease down.

The Group has an in-placed and extensive business continuity plan on similar risk, including the lay out of the necessary steps that will help address or minimize the Group's business exposures. However, considering the evolving nature of this outbreak, the Group will continue to monitor the situation and adjust the steps it is currently implementing in subsequent periods.

c. Application of the Provisions of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On March 26, 2021, the Office of the President of the Philippines signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the consolidated financial statements of the Group as of and for the year ended December 31, 2020 because of their retroactive effect:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant

and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event in the consolidated financial statements of the Group as of and for the year ended December 31, 2020. Accordingly, current and deferred income taxes continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

The Group reflected the changes in the current and deferred income taxes in its unaudited interim condensed consolidated financial statements as of and for the nine-month period ended September 30, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act, reducing provisions for current and deferred income tax by ₱0.6 billion.

d. Dividends to Non-Controlling Interests
The Company's material partly-owned subsidiary, AP and its subsidiaries, paid cash dividends amounting to ₱1.9 billion and ₱3.4 billion to non-controlling interests during the nine-month periods ended September 30, 2021 and 2020, respectively.

e. Material Events and Changes

1. ₱8.0 billion AP bond issuance
In March 2021, AP issued the first tranche of its ₱30.0 billion debt securities program, equivalent to ₱8.0 billion. The Fixed Rate "Series A Bonds" has an interest rate of 3.82% per annum maturing in 2026. The bonds have been rated PRS Aaa by PhilRatings.

2. Aboitizland sale of its 50% equity stake in CHDI
In April 2021, AboitizLand entered into a Share Sale and Purchase Agreement with Ixidor Holdings, Inc. ("Ixidor") for the sale by AboitizLand of its entire interest in CHDI to Ixidor for ₱609.0 million.

3. AP prepayment of US dollar loan and availment of Fixed Rate Notes
In April and July 2021, AP prepaid a total of US$245.0 million of the US$300.0 million syndicated bridge loan facility availed in 2019 to finance the AA Thermal, Inc. acquisition. This loan is due in 2024.

   Loss on extinguishment of the above loans amounted to ₱447.5 million included as part of the "Interest expense and other financing costs" account in the interim consolidated statement of income for the period ended September 30, 2021.

   In July 2021, AP issued ₱6.0 billion 5-year fixed-rate notes due in 2026 with an annual fixed rate equivalent of 4%.

4. AEV redemption of 2015 Series B Bonds
In August 2021, the Company settled its 2015 Series B bonds by prepaying the ₱8.5 billion 7-year bonds maturing in 2022.

5. ₱10.0 billion AEV bond issuance
   In August 2021, the Company issued the third tranche of retail bonds from its ₱30.0 billion fixed-rate retail bonds shelf registration program. ₱5.0 billion Series E bonds with an annual fixed rate of 3.30% maturing in 2025, and ₱5.0 billion Series F bonds with an annual fixed rate of 4.10% maturing in 2028. The bonds have been rated PRS Aaa by PhilRatings.

6. AP redemption of 2014 Series B Bonds
   In September 2021, AP settled its 2014 Series B bonds by prepaying the ₱3.4 billion 12-year bonds maturing in 2026.

Other than those disclosed above, no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons were created during the interim period. There were also no events that would trigger substantial direct or contingent financial obligations or cause any default or acceleration of an existing obligation.

Likewise, there were no other material changes made in such items as: accounting principles and practices, estimates inherent in the preparation of financial statements, status of long-term contracts, changes in the composition of the issuer, and reporting entity resulting from business combinations or dispositions.

Lastly, there were no changes in estimates of amounts reported in prior interim period and financial year that would have a material effect in the current interim period.

f. Material Adjustments
   There were no material, non-recurring adjustments made during the period that would require appropriate disclosures. All other adjustments are of a normal recurring nature.

g. Contingencies
   The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group's financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

   The Company obtained Standby Letters of Credit and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations.

SCHEDULE A – RELEVANT FINANCIAL RATIOS

	Formula	September 30, 2021	December 31, 2020
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	**1.5**	1.6
Acid test ratio	Cash + Marketable securities + Accounts receivable + Other liquid assets / Current liabilities	**1.0**	1.2
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	**1.5**	1.7
Asset to equity ratio	Total assets / Total equity	**2.5**	2.7
Net debt to equity ratio	Debt - Cash & cash equivalents / Total equity	**1.0**	1.2
Gearing ratio	Debt - Cash & cash equivalents / Total equity + (Debt - Cash & cash equivalents)	**50.6%**	53.6%
Interest coverage ratio	EBIT / Interest expense	**3.2**	2.7
PROFITABILITY RATIOS			
Operating margin	Operating profit / Total revenues	**15.3%**	16.9%
Return on equity *	Net income after tax / Total equity	**Not Applicable**	9.0%

*Ratio marked * is deemed Not Applicable for the interim reporting period since this will not be comparable to the ratio reported in the previous period.*

SCHEDULE B - USE OF PROCEEDS

(Amounts in Thousands)

1.) ₱10.0 billion bonds issued in 2021

	Projected Usage (Per Prospectus)	Actual Usage[1]
Refinance facilities drawn to fund the early redemption of the 2015 Series B Bonds	₱8,467,030	₱8,467,030
Partially finance Aboitiz InfraCapital's 2021 equity contributions to Apo Agua to fund its requirements for the construction of a hydroelectric-powered bulk water treatment facility in Davao	750,000	750,000
Finance future funding requirements of Aboitiz InfraCapital in 2022 for its towers project	643,629	—
Bond issuance costs	139,341	133,249
TOTAL	**₱10,000,000**	**₱9,350,279**

2.) ₱7.6 billion bonds issued in 2020

	Projected Usage (Per Prospectus)	Actual Usage[1]
Payment of the maturing 2013 Series A Bonds	₱6,200,000	₱6,200,000
Payment of the maturing 2015 Series A Bonds	2,664,112	1,245,578
Partially finance the 2021 equity contributions to Apo Agua for the construction of a hydroelectric-powered bulk water treatment facility in Davao	1,000,000	—
Bond issuance costs	135,888	104,422
TOTAL	**₱10,000,000**	**₱7,550,000**

[1] The full allotment for the oversubscription was not availed.

3.) ₱5.0 billion bonds issued in 2019

	Projected Usage (Per Prospectus)	Actual Usage
Repayment of Medium-term Loan of AEV International Pte. Ltd.	₱4,936,384	₱4,937,310
Bond issuance costs	63,616	62,690
TOTAL	**₱5,000,000**	**₱5,000,000**

4.) ₱24.0 billion bonds issued in 2015

	Projected Usage (Per Prospectus)	Actual Usage
Capital Infusion into Aboitiz Land, Inc.	₱9,892,000	₱10,000
Capital Infusion into Apo Agua Infrastructura, Inc.	2,055,000	14
Capital Infusion into Aseagas Corporation	311,000	222,500
Capital Infusion into PETNET, Inc.	765,000	125,000
Full repayment of existing long-term debt to fund purchase of UBP shares in 2010 & 2011	1,188,000	1,188,000
Bond Issuance Costs	214,077	219,926
Acquisition of a stake in the Philippine business of Lafarge S.A.	9,574,923	22,234,560
TOTAL	**₱24,000,000**	**₱24,000,000**

**The actual amount spent for the above projects in 2015 reached ₱25.5bn. The funding came from the ₱24bn retail bond proceeds and the ₱1.5bn balance from internally-generated funds.*

5.) ₱8.0 billion bonds issued in 2013

	Projected Usage (Per Prospectus)	Actual Usage
Aboitizland - JV with Ayala Land, Inc.	₱1,499,600	₱1,350,000
Aboitizland - Additional landbank purchases	500,000	590,000
Aboitizland - Purchase of Lima Land Shares	1,545,500	1,546,000
Aboitizland - Purchase of Lima Land Shares	—	985,000
Sub-total	**3,545,100**	**4,471,000**
Payment of Existing Short-term Debt to Finance:		
Capital Infusion into AEV Aviation	500,000	500,000
Purchase of UnionBank shares in 2012	1,030,000	1,030,000
Purchase of UnionBank shares in 2013	1,768,000	1,768,000
Sub-total	**3,298,000**	**3,298,000**
Aseagas - Liquid Bio Methane Project	622,437	295,473
Bond Issuance Costs	79,603	86,114
Warchest	454,860	—
TOTAL	**₱8,000,000**	**₱8,150,587**

ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES

1) AGING OF RECEIVABLES

AS OF : SEPTEMBER 30, 2021

(amounts in thousand pesos)

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Power	15,940,026	865,178	474,619	4,272,473	21,552,296
Food Manufacturing	6,146,174	693,355	532,681	2,126,015	9,498,225
Real Estate	3,612,150	220,569	121,368	5,012,461	8,966,548
Holding and Others	280,413	19,441	19,799	6,813	326,466
	25,978,763	**1,798,543**	**1,148,467**	**11,417,762**	**40,343,535**
Others	**6,122,203**	**123,136**	**37,471**	**2,393,235**	**8,676,045**
	32,100,966	**1,921,679**	**1,185,938**	**13,810,997**	**49,019,580**
Less Allowance for Expected Credit Losses					**3,951,296**
					45,068,284

2) ACCOUNTS RECEIVABLE DESCRIPTION

Type of Receivable	Nature / Description	Collection Period
Trade	uncollected billings to customers for sale of power, goods and services	30 - 60 days
Non-Trade	claims, operating cash advances and advances to suppliers & employees	30 - 120 days

3) NORMAL OPERATING CYCLE

Power Subsidiaries

- Distribution - 60 days
- Generation - 65 days

Food Subsidiaries - 90 days

Real Estate Subsidiaries - 30 days