

# COVER SHEET

SEC Registration Number

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Company Name

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Principal Office (No./Street/Barangay/City/Town/Province)

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
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Department requiring the report

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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's Email Address

**InvRel@fphc.com**

Company's Telephone Number/s

**(02) 8631-8024**

Mobile Number

**N/A**

No. of Stockholders

**11,994**

*As of September 30, 2020*

Annual Meeting  
Month/Day

**Last Monday of May**  
(per By-laws)

*ASM was held on July 30, 2020*

Fiscal Year  
Month/Day

**December 31**

## CONTACT PERSON INFORMATION

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

Name of Contact Person

**Maria Carmina Z. Ubaña**

Email Address

**CZUbaña@fphc.com**

Telephone Number/s

**3449-6253**

Mobile Number

**09173279054**

Contact Person's Address

**6<sup>th</sup> Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City, 1604 Philippines**

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

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, 2020**
2. Commission identification number: **19073**
3. BIR Tax Identification No.: **000-288-698-000**
4. Exact name of issuer as specified in its charter:

**FIRST PHILIPPINE HOLDINGS CORPORATION**

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

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office: **6<sup>th</sup> Floor, Rockwell Business Center Tower 3,  
Ortigas Avenue, Pasig City** Postal Code: **1604**

8. Issuer's telephone number, including area code: **(632) 8631-8024**

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 Revised Securities Act ("RSA")

| Title of each Class     | Number of shares of common stocks<br>outstanding and amount of debt outstanding |
|-------------------------|---|
| <b>Common Shares</b>    | <b>505,425,994</b>  |
| <b>Preferred Shares</b> | <b>3,600,000</b>  |

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:

**The registrant's common and preferred shares are being traded at the  
Philippine Stock Exchange.**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code ("SRC") and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 23 and 177 of the Revised Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

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

Yes ☒ No ☐

## **BUSINESS DISCUSSION**

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#### **EXHIBIT “A”**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS AS OF AND FOR THE PERIODS ENDED  
SEPTEMBER 30, 2020 AND 2019  
(WITH COMPARATIVE AUDITED FIGURES AS AT DECEMBER 31, 2019)**

## **PART I--FINANCIAL INFORMATION**

### **Financial Statements**

The unaudited interim condensed consolidated financial statements of the registrant are incorporated herein by reference to the enclosed document. They are prepared in compliance with the Philippine Financial Reporting Standards (PFRS) specific to Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, as issued by the Financial Reporting Standards Council and adopted by the Philippine SEC and hence do not include all of the information required in the December 31, 2019 annual audited consolidated financial statements. *See Exhibit A.*

References to PFRS standards include the application of PAS, PFRS, and Philippine Interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Earnings per share is presented on the face of unaudited interim consolidated statements of income for the periods ended September 30, 2020 and 2019. The accompanying notes to financial statements describe the basis of computation thereof.

The unaudited interim condensed consolidated financial statements followed the same accounting policies and methods of computations as used in the December 31, 2019 annual consolidated financial statements, except for the adoption of the new accounting standards effective January 1, 2020 as discussed under the Summary of Significant Accounting Policies in the Financial Statements.

The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents are described in Item 2, Management's Discussion and Analysis or Plan of Operation.

Issuances, repurchases, and repayments of debt and equity securities, if any, are described in Item 2, Other Financial Information.

### **Cases relating to the recovery of certain PCIB Shares**

FPH was allowed by the Supreme Court (SC) in FPH vs. Sandiganbayan, G.R. No. 88345 to intervene and litigate its claim of ownership over 6,299,177 sequestered PCIBank shares of stock in the case of the Republic of the Philippines ("Republic") vs. Benjamin Romualdez, et al., Civil Case No. 0035, which is pending before the Sandiganbayan. FPH anchors its claim on, among other facts, the nullity or voidability of the contract transferring the shares from itself to Romualdez, et al. The Sandiganbayan, however, dismissed FPH's Second Complaint-in-Intervention, as well as FPH's subsequent motions for reconsideration/petitions. FPH filed a Petition for Review in the SC as to said dismissal, which is currently pending before the SC.

In a related case, the Presidential Commission on Good Government and FPH separately filed petitions for review before the SC for the dismissal of the Republic's Third Amended Complaint as to TMEE. The petitions and FPH's subsequent Motion for Reconsideration were denied. Meanwhile, FPH continues to pursue its interest in the Sandiganbayan against the other defendants.

In the Sandiganbayan case, the Republic filed a Partial Compliance with Motion for Production and Inspection dated April 30, 2014, which was denied. The Republic's Motion for Reconsideration

thereon was denied. FPH filed a Petition for Certiorari dated January 20, 2016 with the SC assailing the Sandiganbayan's denial. The Petition likewise remains pending as of the filing of this report.

## **Tax Cases**

Several companies within the Group (excluding the First Gen group's tax cases discussed below) received Final Assessment Notices (FAN) from the BIR Large Taxpayers Service (LTS) for the taxable year 2009 for alleged deficiency taxes. Alleged interest and penalties indicated in the FANs amounted to ₱1.86 billion. The companies duly protested on factual, due process and legal grounds, including prescription of some assessments and have filed Petitions for Review with the Court of Tax Appeals (CTA) questioning the validity of the assessment on the same foregoing grounds following the inaction by the BIR on their protest. The management of the companies, based on consultation with their legal counsels, believes that the final resolution of the cases, if any, would not adversely affect the companies' financial position or results of operations. As of November 2020, several cases involving companies within the Group have been terminated by the CTA.

## **Other legal proceedings**

West Tower Condominium Corporation, et al. vs.  
First Philippine Industrial Corporation, et al.  
G.R. No. 194239, Supreme Court of the Philippines

On November 15, 2010, a Petition for the Issuance of a Writ of Kalikasan was filed before the SC by the West Tower Condominium Corporation, et al., against respondents First Philippine Industrial Corporation (FPIC), First Gen, their respective boards of directors and officers, and John Does and Richard Roes. The petition was filed in connection with the accidental oil leak from a segment of FPIC's white oil pipeline located in Bangkal, Makati City and which seeped into the basement of the West Tower Condominium building.

The petition was brought by the West Tower Condominium Corporation purportedly on behalf of its unit owners and in representation of the inhabitants of Barangay Bangkal, Makati City. The petitioners sought the issuance of a Writ of Kalikasan to protect the constitutional rights of the Filipino people to a balanced and healthful ecology, and prayed that the respondents permanently cease and desist from committing acts of negligence in the performance of their functions as a common carrier; continue to check the structural integrity of the entire 117-km white oil pipeline and replace the same; make periodic reports on findings with regard to the said pipeline and their replacement of the same; be prohibited from opening the white oil pipeline and allowing its use until the same has been thoroughly checked and replaced; rehabilitate and restore the environment, especially Barangay Bangkal and West Tower Condominium, at least to what it was before the signs of the leak became manifest; open a special trust fund to answer for similar contingencies in the future; and be temporarily restrained from operating the said pipeline until final resolution of the case.

On November 19, 2010, the SC issued a Writ of Kalikasan with Temporary Environmental Protection Order (TEPO) directing the respondents to: (i) make a verified return of the Writ within a non-extendible period of ten days from receipt thereof; (ii) cease and desist from operating the pipeline until further orders from the court; (iii) check the structural integrity of the whole span of the pipeline, and in the process apply and implement sufficient measures to prevent and avert any untoward incident that may result from any leak in the pipeline; and (iv) make a report thereon within 60 days from receipt thereof.

First Gen and its impleaded directors and officers filed a verified Return in November 2010, and a Compliance in January 2011, explaining that First Gen is not the owner and operator of the pipeline, and is not involved in the management, day-to-day operations, maintenance and repair of the pipeline. For this reason, neither First Gen nor any of its directors and officers has the capability, control, power or responsibility to do anything in connection with the pipeline, including to cease and desist from operating the same. In January 2011, the SC noted and accepted the Return and Compliance filed by First Gen.

In January 2011, FPIC asked the SC to temporarily lift the Writ for the conduct of a pressure-controlled leak test for the entire 117-kilometer white oil pipeline, as recommended by the international technical consultant of the Department of Energy (DOE). On November 22, 2011, the SC issued a Resolution ordering the temporary lifting of the TEPO for a period of 48 hours. The DOE and its international technical consultant, SGS Philippines, Inc., supervised the leak test activities which were witnessed by representatives from the University of the Philippines National Institute of Geological Sciences, UP Institute of Civil Engineering, and the parties.

For the purpose of expediting the proceedings and the resolution of all pending incidents, the SC reiterated its order to remand the case to the Court of Appeals (CA) to conduct subsequent hearings within a period of 60 days, and after trial, to render a report to be submitted to the SC. The SC also clarified that the black oil pipeline is not included in the Writ with TEPO. Hearings before the CA were conducted from March to May 2012.

On December 21, 2012, the former 11<sup>th</sup> Division of the Court of Appeals rendered its Report and Recommendation in which the following recommendations were made to the SC: (i) that certain persons/organizations be allowed to be formally impleaded as petitioners subject to the submission of the appropriate amended petition; (ii) that FPIC be ordered to submit a certification from the DOE that the white oil pipeline is safe for commercial operation; (iii) that the petitioners' prayer for the creation of a special trust fund to answer for similar contingencies in the future be denied for lack of sufficient basis; (iv) that respondent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and First Gen not be held liable in their individual capacities. As for the other pending incidents, the CA ruled: (i) that FPIC should obtain a certification of the black oil pipeline within 30 days from receipt of the resolution; (ii) that the realignment of the segment of the white oil pipeline that is under the Magallanes flyover may proceed subject to endorsement of appropriate government agencies; and (iii) that continuous monitoring and reporting of the clean-up activities be coordinated with IACEH, DENR, and other agencies.

Petitioners filed a Motion for Partial Reconsideration in January 2013, in which they prayed, among others, that the Department of Science and Technology (DOST), specifically its Metal Industry Research and Development Center, be tasked to chair the monitoring of FPIC's compliance with the directives of the court and issue the certification required to prove that the pipeline is safe to operate before commercial operation is resumed; that stakeholders be consulted before a certification is issued; that a trust fund be created to answer for future contingencies; and that First Gen and the directors and officers of First Gen and FPIC also be held liable under the Writ of Kalikasan and the TEPO.

In a Compliance dated January 25, 2013, FPIC submitted to the SC a Certification signed by DOE Secretary Carlos Jericho L. Petilla stating that the black oil pipeline is safe for commercial operation. In a Resolution dated July 30, 2013, the SC adopted the CA's recommendation that FPIC secure a DOE certification stating that the pipeline is already safe for commercial operation before the white

oil pipeline may resume its operations.

FPIC filed an application for DOE's issuance of the required certification, and on October 25, 2013 the DOE issued a certification that the white oil pipeline is safe to return to commercial operations. FPIC submitted the DOE certification to the SC on October 29, 2013.

On June 16, 2015, the SC issued another resolution recognizing the powers of the DOE to oversee the operation of the pipelines. The resolution also stated that the DOE is fully authorized by law to issue an order for the return to commercial operations of the pipeline following the conduct of integrity tests. Petitioners have filed several motions urging the SC to reconsider this resolution. The final resolution of the Writ remains pending with the SC. As of the date of this report, the final resolution of the Writ remains pending with SC.

West Tower Condominium Corporation, et al. vs. First  
Philippine Industrial Corporation, et al.

Civil Case No. 11-256, Regional Trial Court, Makati Branch 58

On March 24, 2011, a civil case for damages was filed by the West Tower Condominium Corporation and some residents of the West Tower Condominium against FPIC, the FPIC directors and officers, First Gen, Pilipinas Shell Petroleum Corporation, and Chevron Philippines, Inc. before the Makati City RTC. In their complaint, the Plaintiffs alleged that FPIC, its directors and officers, and First Gen violated Republic Act No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and RA 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.

First Gen filed its Answer in May 2011, in which it was argued that the case is not an environmental case under the Rules of Procedure for Environmental Cases, but an ordinary civil case for damages under the Rules of Court for which the appropriate filing fees should be paid before the court can acquire jurisdiction thereof. In an Order dated August 22, 2011, Makati City RTC (Branch 158) Judge Eugene Paras ruled that the complaint is an ordinary civil action for damages and that the Plaintiff should pay the appropriate filing fees in accordance with the Rules of Court within 10 days from receipt of the Order. The other individual plaintiffs were ordered dropped as parties in the case. The Plaintiffs filed a Motion to Inhibit Judge Paras as well as a Motion for Reconsideration of the Order. In an Order dated October 17, 2011, the court reiterated that it has no jurisdiction over the case and ordered the referral of the case to the Executive Judge for re-raffle.

In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. In an Order dated March 29, 2012, Judge Calis denied the plaintiffs' Motion for Reconsideration for lack of merit, and ordered the plaintiffs to pay the appropriate filing fees within ten (10) days from receipt of the Order, with a warning that non-compliance will constrain the court to dismiss the case for lack of jurisdiction. Instead of paying the filing fees, the plaintiffs filed a Petition for Certiorari with the CA to nullify the order of Branch 133.

In a resolution dated June 30, 2014, the CA denied the petition of West Tower and affirmed the trial court's recognition of the case as being an ordinary action for damages. The CA, however, also ruled that the individual residents who joined West Tower in the civil case need not file separate cases, but



instead can be joined as parties in the present case. West Tower and FPIC each filed a motion for partial reconsideration, with West Tower arguing that the case is an ordinary action for damages, and FPIC assailing the ruling that the individual residents can be joined as parties in the present case. Both motions were denied in a CA resolution dated December 11, 2014. On February 20, 2015, FPIC filed before the SC a Petition for Review of the CA's denial of its Motion for Partial Reconsideration. As of the date of this report, the resolution of the Petition for Review remains pending.

*West Tower Condominium Corporation vs. Leonides Garde, et al.*

*NPS No. XV-05-INQ-11J- 02709*

*Office of the City Prosecutor*

Makati City

This is a criminal complaint for negligence under Article 365 of the Revised Penal Code against FPIC directors and some of its officers, as well as directors of First Gen, Pilipinas Shell Petroleum Corporation and Chevron Philippines, Inc.

On December 14, 2011, a Counter-Affidavit with Verified Manifestation was filed by Francis Giles B. Puno, Director, President and Chief Operating Officer of First Gen and one of the Respondents. The other Respondent-Directors of First Gen verified the Verified Manifestation and adopted the factual allegations and defenses in the Counter-Affidavit of Respondent Puno.

Makati City Prosecutor Feliciano Aspi motu proprio (on his own) inhibited himself from the case on the ground that he had previously worked for the counsel of First Gen. Complainant then filed with the Department of Justice (DOJ) a petition for change of venue, which petition was granted by way of Department Order No. 63 dated January 18, 2012, which designated Manila Senior Assistant City Prosecutor Raymunda Apolo as special investigating prosecutor for the case.

In an Order dated February 3, 2012, Makati City Prosecutor Aspi ordered the consolidation of the case with another case entitled Anthony M. Mabasa et al. vs. Roberto B. Dimayuga et al. for violation of Article 183 of the Revised Penal Code. The Order stated that the consolidation is being made upon the recommendation of Makati City Assistant Prosecutor Ma. Agnes Alibanto.

On February 17, 2012, Respondent-Directors of First Gen filed a Motion for Reconsideration of the Order dated January 18, 2012 which granted the Complainant's petition for a change of venue.

On January 23, 2018, Senior Assistant City Prosecutor (SACP) Apolo continued with the preliminary investigation of the case, and the parties moved to submit the case for resolution upon filing of their respective memorandum on February 9, 2018. SACP Apolo granted the parties' motion to set for resolution with or without the parties' submission of their respective memorandum. In a Resolution dated February 22, 2018, the complaint was dismissed for lack of probable cause. The prosecutor held that considering that the respondent-directors and officers of FPIC, First Gen, Shell and Chevron were not personally, directly or in supervisory capacity assigned to perform acts of operation, maintenance and control over the pipeline, they cannot be held criminally liable for negligence under Article 365 of the Revised Penal Code. On January 7, 2019, FPIC secured a certificate from the Department of Justice that no appeal or petition for review of the February 22, 2018 resolution has been filed. The dismissal of the criminal complaint is final.

*Bayan Muna Representatives, et al. vs. ERC and Meralco (G.R. No. 210245)*  
*NASECORE, et al. vs. Meralco, ERC and DOE (G.R. No. 210255)*  
*Meralco vs. Philippine Electricity Market Corporation (PEMC), et al*  
*(G.R. No. 210502) Supreme Court*  
Manila

In these cases the SC issued separate Temporary Restraining Orders (TROs) restraining Meralco from increasing the generation charge rate it charges to its consumers during the November 2013 billing period, and similarly restraining PEMC and other generation companies, including certain subsidiaries of First Gen, namely, FGPC, FGP, FG Hydro, BGI, and BEDC, from demanding and collecting from Meralco the deferred amounts representing the costs raised by the latter. The TROs will remain effective until April 22, 2014, unless renewed or lifted ahead of such date.

On February 26, 2014, FGPC, FGP, FG Hydro, BGI and BEDC filed with the SC a Memorandum with Motion to Lift TRO. It is First Gen's position that its right to the payment of the generation charges owed by Meralco is neither dependent nor conditional upon Meralco's right to collect the same from its consumers. In the case of FGPC and FGP, Meralco's obligation to pay is contractual and thus governed by the terms and conditions of their respective PPAs. Ultimately, Meralco is bound to comply with its contractual obligations to FGPC and FGP, whether via the pass-through mechanism or some other means. On April 22, 2014, the subject TRO was extended indefinitely and until further orders from the SC.

In the meantime, the SC ordered the parties to comment on the March 2014 Order of ERC declaring void the Wholesale Electricity Spot Market (WESM) prices for November and December 2013, and imposing regulated prices for the said months to be calculated by the PEMC. First Gen Group filed its Comment in May 2014, where it noted that the ERC has not made any adverse finding against the group or any ruling that the group committed an abuse of market power or anti-competitive behavior.

There has been no further substantial movement in the case since then.

## **Arbitration Proceedings**

### First PV and First Philec Nexolon Corporation (FPNC)

The Parent Company's (or "FPH") subsidiaries, First PV and FPNC initiated arbitration proceedings against Nexolon with the ICC in 2012 on the basis of Nexolon's breaches of the Supply Agreement. The arbitral tribunal rendered the final award in October 2014 which required Nexolon to pay damages and pre-award interest to FPNC in the amount of US\$24.8 million and a put option price to First PV in the amount of ₱2.09 billion (FPNC and First PV are referred to as the "Companies"). To date, no payments have been received on the award from Nexolon which is reported to be in rehabilitation proceedings. The companies have filed their appropriate claims in Korean rehabilitation courts.

## **Significant Transactions of the Parent**

In 2019, First Gen purchased from the open market 33,039,352 of its own common stocks (buyback) for a total amount of ₱814 million. Further, from January to September 30, 2020, First Gen purchased

12,008,700 of its own common stocks from the open market amounting to ₱229 million. The buybacks made by First Gen raised FPH's ownership in First Gen to 67.59% as at December 31, 2019 and 67.82% as at September 30, 2020.

On July 4, 2019, the Board of Directors (BOD) ratified the June 27, 2019 FPH Executive Committee approval for an interim additional budget of ₱750 million and additional allotment of ₱5 billion for a Share Buyback Program up to July 2020.

In 2019, FPH bought back 30,135,570 of its common stocks for a total amount of ₱2,435 million. As at December 31, 2019, the Parent Company has bought back a total of 100,686,835 common stocks at an average cost of ₱67.0 per share equivalent to ₱6,746 million of treasury stocks.

On March 16, 2020, the BOD approved the Audited Financial Statements for the calendar year ended December 31, 2019. Also on this date, the BOD authorized FPH to raise debt financing of up to ₱14 billion from various banks to refinance existing loans and to fund equity investments, capital expenditures, general corporate and other working capital requirements.

On March 19, 2020, FPH executed a Loan Agreement for up to an aggregate principal amount of ₱10.0 billion with BDO Unibank, Inc. The proceeds will be used to refinance existing loans as well as to fund equity investments, capital expenditures, general corporate and other working capital requirements.

On July 9, 2020, the BOD approved the extension and continuation of the FPH common stocks buy-back program from July 2020 to July 2022 for up to ₱6.0 billion.

For the period January 1 to September 30, 2020, FPH acquired a total of 3,536,810 of its own shares at an average cost of ₱59.54 per share. These acquisitions increased Treasury Shares to 104,223,645 as at September 30, 2020.

FPH's most recent dividend payments (as of September 30, 2020) are presented below:

|                  | <u>Declaration Date</u> | <u>Record Date</u> | <u>Payment date</u> | <u>Amount</u>    |
|------------------|-------------------------|--------------------|---------------------|------------------|
| Common Shares    | May 14, 2020            | June 25, 2020      | July 20, 2020       | ₱1.00 per share  |
| Preferred Shares | April 23, 2020          | May 18, 2020       | June 2, 2020        | ₱13.75 per share |
| Common Shares    | November 7, 2019        | November 22, 2019  | December 17, 2019   | ₱1.00 per share  |
| Preferred Shares | November 7, 2019        | November 22, 2019  | December 2, 2019    | ₱13.75 per share |

On September 24, 2020, FPH has agreed to purchase from Brightnote Assets Corporation 1,384,127 common shares and 2,572,726 preferred shares in First Batangas Hotel Corporation (FBHC) for a total consideration of ₱11,474,873.70. After the sale, FPH's 40.5% current stake will increase to 57.7%, making FBHC a subsidiary. FBHC owns a hotel situated in First Philippine Industrial Park, also an FPH subsidiary.

Certain subsidiaries and associates have contingent liabilities with respect to claims, lawsuits and tax assessments. The respective management of the subsidiaries and associates, after consultations with external counsels, believes that the final resolution of these issues will not materially affect their respective financial position and results of operations.

Except for First Gen's subsidiaries, particularly FG Hydro's and FG Bukidnon's sale of electricity coming from hydroelectric power/operations, as well as First Gen's merchant plant and EDC's Burgos Wind and solar projects, seasonality or cyclicity of interim operations is not applicable to the Group's type of business. The Group's other operating segments are also not subject to seasonality or cyclicity.

There are no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

## Item 2. Management's Discussion and Analysis or Plan of Operation

*The following management's discussion and analysis of the FPH Group's (the Group) financial condition and results of operations should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements and the related notes as of and for the periods ended September 30, 2020 and 2019 and the audited consolidated financial statements as at December 31, 2019. This discussion includes forward-looking statements, which may include statements regarding future results of operations, financial condition or business prospects, which are subject to significant risks, uncertainties and other factors and are based on the Group's current expectations, some of which are beyond the Group's control and the actual results are difficult to predict and may differ materially from those anticipated in these forward-looking statements.*

### FINANCIAL HIGHLIGHTS

*The financial highlights and analysis of account movements for the comparative periods are in Philippine pesos (unless specifically indicated), which is the Group's functional currency. The financial statements of the consolidated subsidiaries and associates with functional currency other than the Philippine peso such as the First Gen group are translated to Philippine peso as follows:*

- *Assets and liabilities using the spot rate of exchange prevailing at financial reporting date;*
- *Components of equity using historical exchange rates; and*
- *Income and expenses using the monthly weighted average exchange rate.*

*The table below summarizes the relevant exchange rates used throughout the comparative periods:*

| <i>Translation Basis</i>                      | <i>Sept. 30, 2020</i> | <i>Dec. 31, 2019</i> | <i>Sept. 30, 2019</i> | <i>Dec. 31, 2018</i> |
|---|-----------------------|----------------------|-----------------------|----------------------|
| <i>End of period spot rate 1 US\$ to Php</i>  | <i>48.50</i>          | <i>50.64</i>         | <i>51.83</i>          | <i>52.58</i>         |
| <i>Average exchange rate to 1 US\$ to Php</i> | <i>50.32</i>          | <i>51.96</i>         | <i>52.13</i>          | <i>52.47</i>         |

*Whenever necessary, the impact of exchange rate movements are separately discussed in order to properly explain the movement in account balances in conjunction with business results and transactions.*

### **Consolidated Statements of Income (Unaudited)**

*For the nine months ended September 30, 2020 vs. September 30, 2019*

#### **Revenues**

The Group's consolidated revenues for the period ended September 30, 2020 declined by ₱20.8 billion or 21%, from ₱99.8 billion to ₱79.0 billion, on account of the following:

- Sale of electricity went down by ₱15.7 billion or 19% (from ₱84.3 billion to ₱68.6 billion) due to lower revenues from First Gen's natural gas power plants, FG Hydro, and EDC. The San Gabriel gas plant posted lower electricity sales mainly due to the decrease in average dispatch and capacity charges resulting from a scheduled maintenance outage in January coupled with lower capacity fees during the enhanced community quarantine (ECQ) period and the tripping incident of its Unit 70 in September. Revenue contributions of Sta. Rita and San Lorenzo also declined due to lower average dispatch which led to its lower natural gas consumption coupled with lower average gas prices during the period. Likewise, FG Hydro and Avion reported decline in electricity sales caused by lower generation and spot market prices, which also affected EDC merchant plants, coupled with lower sales volume of certain EDC geothermal plants arising from their lower steam output during the period.

- Sale of real estate decreased by ₱3.7 billion or 47% (from ₱7.7 billion to ₱4.0 billion) mainly due to combined lower sales take-up and construction completion of Rockwell Land across all of its residential development projects following the suspension of construction activities, particularly during the ECQ period, pursuant to the lockdown restrictions implemented during the community quarantine.
- Revenues from contracts and services decreased by ₱1.0 billion or 17% (from ₱6.0 billion to ₱5.0 billion) reflecting the lower contributions of First Balfour and Thermaprime resulting from delays and slowdown on construction projects and drilling services, respectively, particularly during the ECQ period, coupled with lower recurring lease earnings from Rockwell's commercial spaces following the rent concessions given to retail tenants in response to the closure of establishments during the community quarantine period.
- Revenues from sale of merchandise declined by ₱385 million or 22% (from ₱1.7 billion to ₱1.3 billion) mainly due to First Philec's lower volume of electrical transformer sales following the plant shutdown from mid-March to May, and partial operations only resumed in June, in compliance with the operating capacity restrictions implemented during the community quarantine period.

### **Costs and Expenses**

The Group's consolidated costs and expenses totalled ₱60.0 billion, proportionately lower by ₱15.7 billion or 21% compared to last year's ₱75.7 billion. The decrease mainly pertains to the corresponding decline in costs of sale of electricity, real estate sold, costs of contracts and services, and merchandise sold, caused by the decline in sales. General and administrative expenses of the Group also declined mainly on account of lower personnel costs, professional fees, and utilities expenses.

### **Net Income**

Consolidated net income declined by ₱3.6 billion or 20% (from ₱18.1 billion to ₱14.5 billion) primarily due to lower operating profits reflecting the financial impact of the community quarantine measures implemented by the government starting March 16, 2020 in response to the COVID-19 pandemic. This was aggravated by the slightly higher non-recurring expenses reported in 2020 that largely pertain to COVID-19 related donations and expenses, net of favorable foreign exchange and deferred income tax movements. On a recurring net income (RNI) basis, the Group reported earnings of ₱14.4 billion, lower by ₱3.5 billion or 20% compared to last year's ₱17.9 billion.

### **Net Income Attributable to Equity Holders of the Parent**

Net income attributable to equity holders of the Parent declined by ₱2.3 billion or 24% (from ₱9.6 billion to ₱7.3 billion) mainly reflecting the decline in operating income coupled with the share of the equity holders of the Parent in the non-recurring expenses pertaining to the one-off COVID-19 expenses incurred this period, net of the favorable foreign exchange and deferred income tax movements. Excluding FPH's share in these non-recurring items, RNI attributable to equity holders of the Parent likewise declined by ₱2.3 billion or 24%, from ₱9.6 billion to ₱7.3 billion (*see Notes to Unaudited Interim Condensed Consolidated Financial Statements*).

*Detailed discussions of the changes in the Consolidated Statements of Income are presented in the succeeding sections of this report.*

## **Consolidated Statements of Financial Position**

*September 30, 2020 (Unaudited) vs. December 31, 2019 (Audited)*

### **Assets**

Total assets of the Group were slightly higher by 2% or ₱6.6 billion, (from ₱372.3 billion to ₱378.9 billion), reflecting the following major movements:

- Cash and cash equivalents (including Short-term investments) increased by ₱22.3 billion or 51% (from ₱43.6 billion to ₱65.9 billion) mainly representing the cash generated from the Group's operating activities and proceeds from loan drawdowns during the period (see Consolidated Statements of Cash Flows). These were partly offset by scheduled principal and interest payments for outstanding loans, payments of cash dividends, and disbursements for the Parent and First Gen's share buyback programs.
- Inventories increased by ₱1.8 billion or 8% (from ₱20.9 billion to ₱22.7 billion) largely on account of First Gen group's higher period-end balance resulting from EDC's higher inventories of parts and supplies for the geothermal well work-overs and steam field operations and maintenance (O&M).
- Prepayments and other current assets increased by ₱1.2 billion or 14% (from ₱8.4 billion to ₱9.6 billion) largely on account of First Gen group's higher period balances of prepaid insurance, rentals, creditable withholding tax certificates, and advance to contractors.

The above increases were offset by (1) decline in property, plant, and equipment or ₱6.7 billion or 5% (from ₱135.5 billion to ₱128.8 billion) primarily by due to normal depreciation, net of additions made during the period, (2) the decrease in contract assets (current and noncurrent portion) of ₱4.6 billion or 27% (from ₱17.0 billion to ₱12.4 billion) mainly resulting from lower level of Rockwell's current and noncurrent contract assets, (3) the decline in financial assets at fair value through other comprehensive income (FVOCI) of ₱2.0 billion or 14% (from ₱14.8 billion to ₱12.8 billion) following the drop in the stock price of the Meralco shares held by the Group and (4) the decrease in other current financial assets of ₱1.1 billion or 30% (from ₱3.8 billion to ₱2.7 billion) mainly due to the absence of EDC's debt service reserve account (DSRA).

### **Liabilities and Equity**

Total liabilities and equity of the Group were slightly higher by 2% or ₱6.6 billion (from ₱372.3 billion to ₱378.9 billion) primarily due to the following movements:

- Long-term debt, including the current portion, increased by ₱6.7 billion or 5% (from ₱131.3 billion to ₱138.0 billion) mainly due to new loans obtained particularly by the Parent, First Gen group, and Rockwell partly offset by various scheduled principal payments of the Group.
- Loans payable were higher by ₱1.1 billion or 109% (from ₱993 million to ₱2.1 billion) following the new loans obtained by First Gen and First Balfour during the period.
- Other noncurrent liabilities increased by ₱2.0 billion or 47% (from ₱4.2 billion to ₱6.2 billion) mainly due to EDC's higher derivative liability position coupled with higher balance of the Group's non-current portion of lease liability.

- Total equity reported an increase of ₱7.1 billion or 4% (from ₱179.1 billion to ₱186.2 billion) brought by the Group's total consolidated net income for the period partly reduced by other comprehensive losses recognized mainly arising from unrealized losses on financial assets at FVOCI and foreign currency translation adjustments, coupled with common share buybacks and dividends declared during the period.

*Detailed discussions of the significant account movements in the Consolidated Statements of Financial Position are presented in the succeeding sections of this report.*



**DETAILED ANALYSIS OF MATERIAL CHANGES**  
**Consolidated Statements of Income (Results of Operations)**

*Horizontal and Vertical Analyses of Material Changes for the nine months ended September 30, 2020 vs. 2019*

| <i>(Php in millions except earnings per share data)</i>                                   | <b>Unaudited YTD</b> |                 | <b>Horizontal Analysis</b> |             | <b>Vertical Analysis</b> |                 |
|---|----------------------|-----------------|----------------------------|-------------|--------------------------|-----------------|
|   | <b>Sept. 30</b>      | <b>Sept. 30</b> | <b>Increase/ Decrease</b>  |             | <b>Sept. 30</b>          | <b>Sept. 30</b> |
|   | <b>2020</b>          | <b>2019</b>     | <b>Amount</b>              | <b>(%)</b>  | <b>2020</b>              | <b>2019</b>     |
| <b>REVENUES</b>   |                      |                 |                            |             |                          |                 |
| Sale of electricity   | P68,638              | P84,300         | (P15,662)                  | -19%        | 87%                      | 84%             |
| Sale of real estate   | 4,044                | 7,692           | (3,648)                    | -47%        | 5%                       | 8%              |
| Contracts and services  | 5,004                | 6,053           | (1,049)                    | -17%        | 6%                       | 6%              |
| Sale of merchandise   | 1,337                | 1,722           | (385)                      | -22%        | 2%                       | 2%              |
|   | 79,023               | 99,767          | (20,744)                   | -21%        | 100%                     | 100%            |
| <b>COSTS AND EXPENSES</b>   |                      |                 |                            |             |                          |                 |
| Costs of sale of electricity  | 41,970               | 54,228          | (12,258)                   | -23%        | 53%                      | 54%             |
| Real estate sold  | 2,984                | 4,815           | (1,831)                    | -38%        | 4%                       | 5%              |
| Contracts and services  | 3,249                | 3,202           | 47                         | 1%          | 4%                       | 3%              |
| Merchandise sold  | 877                  | 1,126           | (249)                      | -22%        | 1%                       | 1%              |
| General and administrative expenses   | 10,931               | 12,344          | (1,413)                    | -11%        | 14%                      | 12%             |
|   | 60,011               | 75,715          | (15,704)                   | -21%        | 76%                      | 76%             |
| <b>OTHER INCOME (CHARGES)</b>   |                      |                 |                            |             |                          |                 |
| Finance costs   | (5,484)              | (6,288)         | 804                        | -13%        | -7%                      | -6%             |
| Finance income  | 1,769                | 2,259           | (490)                      | -22%        | 2%                       | 2%              |
| Foreign exchange gains - net  | 324                  | 44              | 280                        | 636%        | 0%                       | 0%              |
| Equity in net earnings of associates and joint venture                                    | 297                  | 189             | 108                        | 57%         | 0%                       | 0%              |
| Dividend income   | 682                  | 753             | (71)                       | -9%         | 1%                       | 1%              |
| Others - net  | 919                  | 887             | 32                         | 4%          | 1%                       | 1%              |
|   | (1,493)              | (2,156)         | 663                        | 31%         | -2%                      | -2%             |
| <b>INCOME BEFORE INCOME TAX</b>   | <b>17,519</b>        | <b>21,896</b>   | <b>(4,377)</b>             | <b>-20%</b> | <b>22%</b>               | <b>22%</b>      |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>  |                      |                 |                            |             |                          |                 |
| Current   | 3,659                | 4,174           | (515)                      | -12%        | 5%                       | 4%              |
| Deferred  | (614)                | (345)           | (269)                      | -78%        | -1%                      | 0%              |
|   | 3,045                | 3,829           | (784)                      | -20%        | 4%                       | 4%              |
| <b>NET INCOME</b>   | <b>P14,474</b>       | <b>P18,067</b>  | <b>(P3,593)</b>            | <b>-20%</b> | <b>18%</b>               | <b>18%</b>      |
| <b>Attributable To</b>  |                      |                 |                            |             |                          |                 |
| Equity holders of the Parent  | P7,295               | P9,610          | (P2,315)                   | -24%        | 9%                       | 10%             |
| Non-controlling Interests   | 7,179                | 8,457           | (1,278)                    | -15%        | 9%                       | 8%              |
|   | P14,474              | P18,067         | (P3,593)                   | -20%        | 18%                      | 18%             |
| <b>Earnings Per Share for Net Income Attributable to the Equity Holders of the Parent</b> |                      |                 |                            |             |                          |                 |
| Basic   | P14.274              | P18.363         | (P4.089)                   | -22%        |                          |                 |
| Diluted   | 14.274               | 18.363          | (4.089)                    | -22%        |                          |                 |

## Revenues

The Group's consolidated revenues for the nine months ended September 30, 2020 totaled ₱79.0 billion, lower by ₱20.8 billion or 21% compared to the previous period. The significant movements in the Group's revenues consist of:

*Sale of electricity* – decreased by ₱15.7 billion or 19% (from ₱84.3 billion to ₱68.6 billion) and accounted for 87% and 84% of total revenues for 2020 and 2019, respectively. The decrease was mainly due to lower revenues of First Gen's natural gas power plants aggravated by lower electricity sales of FG Hydro and EDC plants. The San Gabriel gas plant posted lower electricity sales mainly due to the decrease in capacity charges billed to Meralco following a scheduled maintenance outage in January coupled with lower capacity fees during the ECQ period and the tripping incident of its Unit 70 in September. Revenue contributions of Santa Rita and San Lorenzo also declined due to lower average dispatch which led to its lower natural gas consumption coupled with lower average gas prices (\$7.5/MMBtu in 2020 vs \$9.0/MMBtu in 2019). Affected by the Luzon grid's decline in power demand due to the lockdown, FG Hydro and Avion both recognized lower electricity sales caused by lower generation and spot market prices, which also affected EDC merchant plants coupled with lower sales volume of certain EDC geothermal plants arising from the lower steam output for the period.

*Sale of real estate* – decreased by ₱3.7 billion or 47% (from ₱7.7 billion to ₱4.0 billion) and accounted for 5% and 8% of total revenues for 2020 and 2019, respectively. This was largely attributable to Rockwell Land's lower sales take-up and lower construction completion across all of its residential development projects following the suspension of construction activities, particularly during the ECQ period, pursuant to lockdown restrictions implemented during the community quarantine.

*Contracts and services* – decreased by ₱1.0 billion or 17% (from ₱6.0 billion to ₱5.0 billion) and accounted for 6% of total revenues for both periods. The decline reflects the business interruptions brought about by the community quarantine that started mid-March, which caused (a) delays on First Balfour's construction works including the four flagship projects Cebu-Cordova Link Expressway Project, Novaliches-Balara Aqueduct 3 Project, and ATI Manila South Harbour Expansion, (b) slowdowns on the completion of Thermaprime's contract with Philippine Geothermal Production Company, and (c) weaker revenues from Rockwell's commercial leasing spaces following the rent concessions given to retail tenants.

*Sale of merchandise* – declined by ₱385 million or 22% (from ₱1.7 billion to ₱1.3 billion) and accounted for 2% of total revenues for both periods. This was largely on account of First Philec's lower sales volume of electrical distribution transformers following the plant shutdown from mid-March to May and partial operations only resumed in June, in compliance with the operating capacity restrictions implemented during the community quarantine period.

## Costs and expenses

Consolidated costs and expenses decreased by ₱15.7 billion or 21% (from ₱75.7 billion to ₱60.0 billion) and accounted for 76% of total revenues for both periods. Details of costs and expenses line items as well as significant changes for the comparative periods are discussed as follows:

*Cost of sale of electricity* – decreased by ₱12.3 billion or 23% (from ₱54.2 billion to ₱41.9 billion) and accounted for 53% and 54% of total revenues for 2020 and 2019, respectively. The movement mainly reflects the lower fuel and other variable costs attributable to the decreased dispatch of the gas plants for the period. Fuel costs for Santa Rita and San Lorenzo plants also declined because of lower

average gas prices (an average of \$7.5/MMBtu in 2020 vs. average of \$9.0/MMBtu in 2019). Likewise, lower charges for maintenance activities were reported across all geothermal assets of EDC as a result of the imposed community lockdowns.

*Cost of real estate sold* – decreased by ₱1.8 billion or 38% (from ₱4.8 billion to ₱3.0 billion) and accounted for 4% and 5% of total revenues for 2020 and 2019, respectively. The decrease primarily reflects Rockwell Land's lower costs recognition following lower sales booking and lower project completion.

*Cost of contracts and services* – increased by ₱47 million or 1% ( ₱3.2 billion for both periods) and accounted for 4% and 3% of total revenues for 2020 and 2019, respectively. This primarily reflects the increase in First Balfour's and Thermaprime's direct costs following the incremental expenses incurred to comply with the health protocols and community quarantine restrictions coupled with the delays and slowdown on its construction and drilling projects.

*Cost of sale of merchandise* – lower by ₱249 million or 22% (from ₱1.1 billion to ₱877 million) and accounted for 1% of total revenues for both periods. The downturn reflects the decline in the volume of transformers sold by First Philec, Inc. for the period.

*General and administrative expenses* – declined by ₱1.4 billion or 11% (from ₱12.3 billion to ₱10.9 billion) and accounted for 14% and 12% of total revenues for 2020 and 2019, respectively. The decrease was mainly attributable to the Group's lower personnel costs, professional fees, and utilities expenses partly offset by the COVID-19 related expenses and donations incurred by the Group.

### **Finance costs**

Finance costs declined by ₱804 million or 13% and accounted for 7% and 6% of total revenues for 2020 and 2019, respectively. This was primarily due to lower debt levels at the start of the year, partly tempered by incremental finance charges reported for the loan availments of Parent, First Gen group, Rockwell Land, FPIP, and First Balfour.

### **Finance income**

Finance income decreased by ₱490 million or 22% (from ₱2.3 billion to ₱1.8 billion) and accounted for 2% of total revenues for both periods. This was primarily due to lower finance income of First Gen group resulting from lower placements and lower average placement rates for the period. This was partly tempered by higher finance income of Rockwell from recognition of interest income from discounting of receivables for projects launched late last year.

### **Foreign exchange gains - net**

Foreign exchange gains - net increased by ₱280 million or 636% (from ₱44 million to ₱324 million) and accounted for 0.4% and ~0.1% of total revenues for 2020 and 2019, respectively. This was primarily due to the favorable movement of Philippine Peso against the US Dollar in the first nine months of 2020 as compared to the same period last year (refer to foreign exchange table above).

### **Equity in net earnings of associates and joint venture**

This account increased by ₱108 million or 57% (from ₱189 million to ₱297 million) and accounted for 0.4% and 0.2% of total revenues for 2020 and 2019, respectively. This was largely on account of

the improved income of Rockwell's joint venture company following rental escalation and increased reimbursable charges for the leased properties.

### **Dividend income**

Dividend income decreased by ₱71 million or 9% from last year's ₱753 million to ₱682 million and accounted for 1% of total revenues for both periods. This largely reflects the decline in dividends received from Meralco (₱15.09 per share in 2020 vs ₱16.06 per share in 2019).

### **Others**

Other income increased by ₱32 million or 4% from last year's ₱887 million to ₱919 million and accounted for 1% of total revenues for both periods. This is largely due to the absence of a one-time debt extinguishment cost of the First Gen group in 2019 partially offset by EDC's lower insurance proceeds in 2020.

### **Provision for (benefit from) income tax**

Provision for (benefit from) income tax decreased by ₱784 million or 20% from last year's ₱3.8 billion to ₱3.0 billion, and accounted for 4% of total revenues for both periods. The decrease mainly pertains to the decline for provision for current income resulting from lower taxable income of the Group and the increase in benefit from deferred income tax mainly arising from the reversal of Rockwell's provision for deferred income tax position in 2019 to a benefit from deferred income tax arising from the difference in treatment per accounting (outright expense) and per tax (capitalized) of the interest expense incurred during construction.

### **Net income**

Consolidated net income declined by ₱3.6 billion or 20% (from ₱18.1 billion to ₱14.5 billion) primarily due to lower operating profits reflecting the financial impact of the community quarantine measures implemented by the government in response to the COVID-19 pandemic coupled with slightly higher non-recurring expenses, mainly pertaining to the COVID-19 expenses incurred this period, net of the favorable foreign exchange and deferred income tax movements. On an RNI basis, the Group posted earnings of ₱14.4 billion, lower by ₱3.5 billion or 20% compared to last year's ₱17.9 billion.

### **Net income attributable to equity holders of the Parent**

Net income attributable to equity holders of the Parent decreased by ₱2.3 billion or 24% (from ₱9.6 billion to ₱7.3 billion) mainly reflecting the decline in operating income coupled with higher non-recurring expenses mainly pertaining to the COVID-19 expenses incurred this period, net of the favorable foreign exchange and deferred income tax movements. Excluding these non-recurring items, RNI attributable to equity holders of the Parent likewise declined by ₱2.3 billion or 24%, from ₱9.6 billion to ₱7.3 billion (*see Notes to Unaudited Interim Condensed Consolidated Financial Statements*).

### **Net income attributable to non-controlling interests**

Net income attributable to non-controlling interest decreased by ₱1.3 billion or 15% (from ₱8.5 billion to ₱7.2 billion) mainly reflecting the decline in the minority shareholders' share in the consolidated net income, following lower income reported by the First Gen and Rockwell groups

during the period. The significant portion of this account pertains to the share of non-controlling stockholders of First Gen, EDC, Rockwell Land, FPIP and AEI on the consolidated net income.

### Earnings per share (EPS)

Basic and diluted EPS for the period amounted to ₱14.274 versus last year's basic and diluted EPS of ₱18.363. The decline was mainly due to lower net income attributable to equity holders of the Parent for the period, offset by lower outstanding common stocks following the share buy backs made by the Parent from the last quarter of 2019 to the first nine months of 2020.

### Consolidated Statements of Comprehensive Income

*For the nine months ended September 30 2020 vs. September 30, 2019*

|   | (Unaudited)                    |         |                     |             |
|---|--------------------------------|---------|---------------------|-------------|
|   | Nine Months Ended September 30 |         | Increase/(Decrease) |             |
|   | 2020                           | 2019    | Amount              | Percent (%) |
| NET INCOME  | ₱14,474                        | ₱18,067 | (₱3,593)            | -20%        |
| OTHER COMPREHENSIVE INCOME (LOSS)   |                                |         |                     |             |
| Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: |                                |         |                     |             |
| Net losses on cash flow hedge deferred in equity - net of tax                                 | (5)                            | (533)   | 528                 | 99%         |
| Unrealized losses on financial assets at FVOCI  | (2,107)                        | (462)   | (1,645)             | -356%       |
| Exchange losses on foreign currency translation   | (2,465)                        | (142)   | (2,323)             | -1636%      |
|   | (4,577)                        | (1,137) | (3,440)             | 303%        |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD   | ₱9,897                         | ₱16,930 | (₱7,033)            | -42%        |
| Attributable To   |                                |         |                     |             |
| Equity holders of the Parent  | ₱3,153                         | ₱8,130  | (4,977)             | -61%        |
| Non-controlling Interests   | 6,744                          | 8,800   | (2,056)             | -23%        |
|   | ₱9,897                         | ₱16,930 | (₱7,033)            | -42%        |

### Total comprehensive income for the period

Total comprehensive income declined by ₱7.0 billion or 42% (from ₱16.9 billion to ₱9.9 billion). The major movements in the comprehensive income of the Group were as follows:

- (1) Consolidated net income decreased by ₱3.6 billion or 20% (from ₱18.1 billion to ₱14.5 billion) due to factors discussed in the preceding sections.
- (2) Exchange losses on foreign currency translation increased by ₱2.3 billion (from ₱142 million to ₱2.5 billion), mainly due to the translation of First Gen's U.S. dollar- denominated financial statements into Philippine peso for financial consolidation purposes (refer to foreign exchange table above).
- (3) Net losses on cash flow hedge deferred in equity reversed by ₱528 million or 99% (from ₱533 million loss to ₱5 million loss) pertaining to the effective portion of the MTM valuation of the Group's derivative instruments.

- (4) Unrealized fair value losses on financial assets at FVOCI, which largely pertain to the movements in fair value of Meralco shares held by the Group, was higher by ₱1.6 billion from ₱462 million loss in 2019 to ₱2.1 billion loss this year due to the steep decline in Meralco share price from December 31, 2019 to September 30, 2020 compared to the same period in 2019 (share price of ₱317.0 per share at December 31, 2019 to ₱271.0 per share at September 30, 2020 vs. ₱380.0 per share at December 31, 2018 to ₱370.0 at September 30, 2019).

**Total comprehensive income for the period attributable to equity holders of the Parent**

Total comprehensive income attributable to equity holders of the Parent was down by ₱5.0 billion or 61% from ₱8.1 billion income last year to a ₱3.2 billion this year reflecting the Parent's share in the lower consolidated net income aggravated by its share in the unrealized fair value loss on financial assets at FVOCI and foreign currency translation.

**Total comprehensive income for the period attributable to non-controlling interests**

Total comprehensive income attributable to non-controlling interests decreased by ₱2.1 billion or 23% (from ₱8.8 billion to ₱6.7 billion) primarily due to lower net income attributable to non-controlling interest for the period and its share in the unrealized losses on foreign currency translation.

*(Continued next page)*

## Consolidated Statements of Financial Position

Horizontal and Vertical Analyses of Material Changes as of September 30, 2020 and December 31, 2019

| (Php in millions)   | (Unaudited)<br>Sept. 30 | (Audited)<br>Dec. 31 | Horizontal Analysis<br>Increase/Decrease |           | Vertical Analysis<br>Sept. 30 Dec. 31 |             |
|---|-------------------------|----------------------|--|-----------|---------------------------------------|-------------|
|   | 2020                    | 2019                 | Amount                                   | %         | 2020                                  | 2019        |
| <b>ASSETS</b>   |                         |                      |  |           |                                       |             |
| <b>Current Assets</b>   |                         |                      |  |           |                                       |             |
| Cash and cash equivalents   | ₱55,161                 | ₱38,148              | ₱17,013                                  | 45%       | 15%                                   | 10%         |
| Short-term investments  | 10,746                  | 5,438                | 5,308                                    | 98%       | 3%                                    | 1%          |
| Trade and other receivables - net   | 24,582                  | 28,200               | (3,618)                                  | -13%      | 6%                                    | 8%          |
| Current portion of contract assets  | 11,141                  | 13,625               | (2,484)                                  | -18%      | 3%                                    | 4%          |
| Inventories   | 22,675                  | 20,917               | 1,758                                    | 8%        | 6%                                    | 6%          |
| Other current financial assets  | 2,644                   | 3,776                | (1,132)                                  | -30%      | 1%                                    | 1%          |
| Prepayments and other current assets                                      | 9,634                   | 8,420                | 1,214                                    | 14%       | 3%                                    | 2%          |
| Total Current Assets  | 136,583                 | 118,524              | 18,059                                   | 15%       | 36%                                   | 32%         |
| <b>Noncurrent Assets</b>  |                         |                      |  |           |                                       |             |
| Property, plant and equipment - net                                       | 128,832                 | 135,491              | (6,659)                                  | -5%       | 34%                                   | 36%         |
| Goodwill and intangible assets  | 50,189                  | 50,684               | (495)                                    | -1%       | 13%                                   | 14%         |
| Investment properties - net   | 22,627                  | 22,455               | 172                                      | 1%        | 6%                                    | 6%          |
| Financial assets at fair value through other comprehensive income (FVOCI) | 12,777                  | 14,812               | (2,035)                                  | -14%      | 3%                                    | 4%          |
| Investments in associates and joint ventures                              | 2,610                   | 3,460                | (850)                                    | -25%      | 1%                                    | 1%          |
| Contract assets - net of current portion                                  | 1,241                   | 3,339                | (2,098)                                  | -63%      | 0%                                    | 1%          |
| Deferred tax assets - net   | 2,273                   | 2,195                | 78                                       | 4%        | 1%                                    | 1%          |
| Other noncurrent financial assets   | 379                     | 468                  | (89)                                     | -19%      | 0%                                    | 0%          |
| Other noncurrent assets - net   | 21,423                  | 20,902               | 521                                      | 2%        | 6%                                    | 6%          |
| Total Noncurrent Assets   | 242,351                 | 253,806              | (11,455)                                 | -5%       | 64%                                   | 68%         |
| <b>TOTAL ASSETS</b>   | <b>₱378,934</b>         | <b>₱372,330</b>      | <b>₱6,604</b>                            | <b>2%</b> | <b>100%</b>                           | <b>100%</b> |
| <b>LIABILITIES AND EQUITY</b>   |                         |                      |  |           |                                       |             |
| <b>Current Liabilities</b>  |                         |                      |  |           |                                       |             |
| Trade payables and other current liabilities                              | ₱34,818                 | ₱44,977              | (₱10,159)                                | -23%      | 9%                                    | 12%         |
| Current portion of long-term debts  | 31,068                  | 23,747               | 7,321                                    | 31%       | 8%                                    | 6%          |
| Loans payable   | 2,076                   | 993                  | 1,083                                    | 109%      | 1%                                    | 0%          |
| Income tax payable  | 850                     | 548                  | 302                                      | 55%       | 0%                                    | 0%          |
| Total Current Liabilities   | 68,812                  | 70,265               | (1,453)                                  | -2%       | 18%                                   | 19%         |
| <b>Noncurrent Liabilities</b>   |                         |                      |  |           |                                       |             |
| Long-term debts - net of current portion                                  | ₱106,884                | ₱107,527             | (₱643)                                   | -1%       | 28%                                   | 29%         |
| Retirement and other long-term employee benefits liability                | 3,924                   | 3,759                | 165                                      | 4%        | 1%                                    | 1%          |
| Deferred tax liabilities - net  | 3,677                   | 4,514                | (837)                                    | -19%      | 1%                                    | 1%          |
| Asset retirement and preservation obligations                             | 3,264                   | 2,953                | 311                                      | 11%       | 1%                                    | 1%          |
| Other noncurrent liabilities  | 6,215                   | 4,214                | 2,001                                    | 47%       | 2%                                    | 1%          |
| Total Noncurrent Liabilities  | 123,964                 | 122,967              | 997                                      | 1%        | 33%                                   | 33%         |
| Total Liabilities   | 192,776                 | 193,232              | (456)                                    | 0%        | 51%                                   | 52%         |
| <b>Equity</b>   |                         |                      |  |           |                                       |             |
| Common stock  | 6,096                   | 6,096                | -  | 0%        | 2%                                    | 2%          |
| Preferred stock   | 360                     | 360                  | -  | 0%        | 0%                                    | 0%          |
| Capital in excess of par value  | 5,506                   | 5,506                | -  | 0%        | 1%                                    | 1%          |
| Accumulated unrealized fair value gains on financial assets at FVOCI      | 4,069                   | 6,176                | (2,107)                                  | -34%      | 1%                                    | 2%          |
| Cumulative translation adjustments  | (10,757)                | (8,722)              | (2,035)                                  | 23%       | -3%                                   | -2%         |
| Equity reserve  | (8,459)                 | (8,459)              | -  | 0%        | -2%                                   | -2%         |
| Retained earnings   |                         |                      |  |           | 0%                                    | 0%          |
| Unappropriated  | 88,619                  | 81,882               | 6,737                                    | 8%        | 23%                                   | 22%         |
| Appropriated  | 28,700                  | 28,700               | -  | 0%        | 8%                                    | 8%          |
| Treasury stock  | (7,080)                 | (6,939)              | (141)                                    | 2%        | -2%                                   | -2%         |
| Equity Attributable to Equity Holders of the Parent                       | 107,054                 | 104,600              | 2,454                                    | 2%        | 28%                                   | 28%         |
| <b>Non-controlling Interests</b>  | <b>79,104</b>           | <b>74,498</b>        | <b>4,606</b>                             | <b>6%</b> | <b>21%</b>                            | <b>20%</b>  |
| Total Equity  | 186,158                 | 179,098              | 7,060                                    | 4%        | 49%                                   | 48%         |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                       | <b>₱378,934</b>         | <b>₱372,330</b>      | <b>₱6,604</b>                            | <b>2%</b> | <b>100%</b>                           | <b>100%</b> |

## Assets

As of September 30, 2020, the Group's consolidated assets totaled ₱378.9 billion, higher by ₱6.6 billion or 2% compared to the December 31, 2019 consolidated balance of ₱372.3 billion. The material changes in asset accounts are discussed as follows:

*Cash and cash equivalents and short-term investments* – increased by ₱22.3 billion or 51% (from ₱43.6 billion to ₱65.9 billion) and accounted for 17% and 12% of total assets for 2020 and 2019 respectively. The increase mainly represents the cash generated from the Group's operating activities and proceeds from loan drawdown (see Consolidated Statements of Cash Flows). These were partly offset by scheduled principal and interest payments for outstanding loans, payment of dividends, and disbursements for the Parent and First Gen's share buyback programs.

*Trade and other receivables* – decreased by ₱3.6 billion or 13% (from ₱28.2 billion to ₱24.6 billion) and accounted for 6% and 8% of total assets for 2020 and 2019, respectively. The decrease was mostly on account of First Gen's lower period-end trade receivables primarily due to an increase in collections of EDC coupled with the First Gen group's lower revenues from sale of electricity. This was partly offset by Rockwell's higher trade receivable balance largely due to the increase in take-up of condominium sales in the third quarter of 2020 and the recognition of receivables from project completion.

*Contract assets, including noncurrent portion* – decreased by ₱4.6 billion or 27% (from ₱17.0 billion to ₱12.4 billion) and accounted for 4% and 5% of total assets for 2020 and 2019, respectively. This was mainly due to Rockwell's lower level of current and noncurrent contract assets as at period-end.

*Inventories* – increased by ₱1.8 billion or 8% (from ₱20.9 billion to ₱22.7 billion) and accounted for 6% of total assets for both periods. This increase was mainly due to First Gen group's higher inventory level resulting from EDC's higher inventories of parts and supplies for work-over of geothermal wells and steam field O&M.

*Other current financial assets* - lower by ₱1.1 billion or 30% (from ₱3.8 billion to ₱2.7 billion) and accounted for 1% of total assets for both periods. This mainly resulted from the decline in EDC's DSRA period-end balance coupled with the redemption of its Investment Management Account (IMA) account investments. This was partly offset by the new investments made by First Gen parent on its IMA account.

*Prepayments and other current assets* - higher by ₱1.2 billion or 14% (from ₱8.4 billion to ₱9.6 billion) and accounted for 3% and 2% of total assets for 2020 and 2019, respectively. This was largely on account of First Gen's higher period-end balances of prepaid insurance, rentals, creditable withholding tax certificates, and advances to contractors.

*Property, plant and equipment - net* - lower by ₱6.7 billion or 5% (from ₱135.5 billion to ₱128.8 billion) and accounted for 34% and 36% of total assets for 2020 and 2019, respectively. This was primarily on account of the normal depreciation of the existing assets, partly tempered by the capital expenditures made by the Group during the period.

*Financial assets at fair value through other comprehensive income (FVOCI)* - decreased by ₱2.0 billion or 14% (from ₱14.8 billion to ₱12.8 billion) and accounted for 3% and 4% of total assets for 2020 and 2019, respectively. This was mainly on account of the decline in stock price of the Meralco



shares held by the Group (share price of ₱271.0 per share at September 30 2020 vs. ₱317.0 per share at December 31, 2019).

*Other noncurrent financial assets* – decreased by ₱89 million or 19% (from ₱468 million to ₱379 million) and accounted for less than 1% of total assets for both periods. The decline was mainly due to lower level of long-term receivables of First Gen and Rockwell.

## **Liabilities and equity**

As of September 30, 2020, the Group's consolidated liabilities and equity totaled ₱378.9 billion, higher by ₱6.6 billion or 2% compared to the December 31, 2019 consolidated balance of ₱372.3 billion. Material movements in liabilities and equity accounts are discussed as follows:

*Trade payables and other current liabilities* – lower by ₱10.2 billion or 23% (from ₱45.0 billion to ₱34.8 billion) and accounted for 9% and 12% of total assets for 2020 and 2019, respectively. The decline was primarily caused by the lower level of trade payables of First Gen group mainly resulting from lower payables to gas sellers due to lower fuel prices and dispatch. This was supplemented by the absence of liquid fuel importation carried out in 2019.

*Loans payable* – higher by ₱1.1 billion or 109% (from ₱993 million to ₱2.1 billion) and accounted for 1% and less than 1% of total assets for 2020 and 2019, respectively. The increase was primarily driven by additional loan availments of First Gen and First Balfour during the period.

*Long-term debt, including current portion* – increased by ₱6.7 billion or 5% (from ₱131.3 billion to ₱138.0 billion) and accounted for 35% of total assets for both years. The increase was primarily due to the new loans obtained, particularly by the Parent, First Gen group, Rockwell, FPIP and First Balfour, partly offset by various scheduled principal payments of the Group.

*Income tax payable* – was up by ₱302 million or 55% (from ₱548 million to ₱850 million) and accounted for less than 1% of total assets for both periods. The increase is primarily due to higher period-end balance of the First Gen group.

*Deferred tax liabilities-net* – down by ₱837 million or 19% (from ₱4.5 billion to ₱3.7 billion) and accounted for 1% of total assets for both periods. The decrease is primarily due to the decline in First Gen's and Rockwell's deferred tax liability.

*Asset retirement and preservation obligations* – higher by ₱311 million or 11% (from ₱3.0 billion to ₱3.3 billion) and accounted for 1% of total assets for both periods. The movement was largely caused by the change in EDC's estimate of the related obligations.

*Other noncurrent liabilities* – went up by ₱2.0 billion or 47% (from ₱4.2 billion to ₱6.2 billion) and accounted for 2% and 1% of total assets for 2020 and 2019, respectively. The movement was largely caused by the increase in First Gen group's derivative liabilities- net of current portion mainly due to the unfavorable MTM valuation adjustment of EDC's derivative assets which hedge against possible foreign exchange movements and interest rate risks resulting in a net liability position. Also, Rockwell reported higher balances of lease liability at period-end.

*Equity attributable to equity holders of the Parent* – up by ₱2.5 billion or 2% (from ₱104.6 billion to ₱107.1 billion) and accounted for 28% of total assets for both periods. The following major items brought about the net decrease in the account:

- (1) Accumulated unrealized fair value gains on financial assets at FVOCI decreased by ₱2.1 billion or 34% largely due to the decline in market price of the Meralco shares held by the Group (share price of ₱271.0 per share at September 30, 2020 vs. ₱317.0 per share at December 31, 2019);
- (2) Cumulative translation adjustments (negative amount) increased by ₱2.1 billion or 23% due to movements in period-end foreign currency translation rates; and
- (3) Unappropriated retained earnings increased by ₱6.7 billion or 8% (from ₱81.9 billion to ₱88.6 billion) reflecting the net income attributable to the Parent for the first nine months of 2020 partly reduced by dividends declared during the period.

*Non-controlling interests* – increased by ₱4.6 billion or 6% (from ₱74.5 billion to ₱79.1 billion) and accounted for 21% and 20% of total assets for 2020 and 2019, respectively. Non-controlling interests represent the portion of net assets not held by the Group, particularly in First Gen, EDC, Rockwell, FPIP and AEI. The increase was mainly due to non-controlling interests' net share in the Group's earnings and other comprehensive income, net of dividend declarations.

\* \* \* \* \*

### Item 3. KEY PERFORMANCE INDICATORS

The following are the key performance indicators of the Group:

| Performance Indicator                                     | YTD September 30 |        |
|---|------------------|--------|
|   | 2020             | 2019   |
| Return on Average Shareholders' Equity (%) * - annualized | 8.07             | 11.28  |
| Interest Coverage Ratio                                   | 4.19             | 4.48   |
| Diluted Earnings per Share                                | 14.274           | 18.363 |

Annualized return on average equity decreased from 11.28% in 2019 to 8.07% this year following the decline in annualized earnings by ₱3.1 billion or 24% (from ₱12.8 billion to ₱9.7 billion), coupled with a higher average stockholders' equity attributable to Parent by ₱7.1 billion or 6% (from ₱113.6 billion to ₱120.7 billion).

Interest coverage ratio decreased from 4.48:1 in 2019 to 4.19:1 this year due to lower earnings before interest and tax by ₱5.2 billion or 18% (from ₱28.2 billion to ₱23.0 billion), modulated by the decrease in finance cost amounting to ₱804 million or 13% (from ₱6.3 billion to ₱5.5 billion).

The weighted average number of issued and outstanding shares was lower at period-end due to the treasury shares acquired by the Parent in the 4th quarter 2019 to the first three quarters of 2020. Despite of this, earnings per common share (diluted) decreased from ₱18.363 to ₱14.274 or 22% as the decline in consolidated net income attributable to equity holders of the Parent resulted to lower net earnings available to common shareholders for the current period.

| Performance Indicator        | September 30 | December 31 |
|------------------------------|--------------|-------------|
|                              | 2020         | 2019        |
| Asset to Equity Ratio        | 2.04         | 2.08        |
| Debt to Equity Ratio         | 0.75         | 0.74        |
| Current Ratio                | 1.98         | 1.69        |
| Quick Ratio                  | 1.48         | 1.22        |
| Book Value per Common Share* | ₱239.887     | ₱229.40     |

The ratio of total assets to total equity slightly decreased from 2.08:1 in 2019 to 2.04:1 this year due to the increase in stockholders' equity by ₱7.1 billion, subdued by a ₱6.6 billion increase in total assets (from ₱372.3 billion at December 2019 to ₱378.9 billion at September 2020).

The debt to equity ratio faintly increased from 0.74:1 in 2019 to 0.75:1 this year traceable to the increase in total interest-bearing debt by ₱7.8 billion or 6% (from ₱132.3 billion at December 2019 to

₱140.0 billion at September 2020), and toned down by a higher total stockholders' equity during the period.

Current ratio increased from 1.69:1 in 2019 to 1.98:1 this year due to the combined effect of the increase in current assets by ₱18.1 billion or 15% (from ₱118.5 billion to ₱136.6 billion) and the decrease in the balance of current liabilities by ₱1.5 billion or 2.1% (from ₱70.3 billion in December 2019 to ₱68.8 billion in September 2020), traceable from the decrease in trade payables and other current liabilities by ₱10.2 billion or 23% subdued by the ₱7.3 billion or 31% increase the current portion of long-term debt and the ₱1.1 billion increase in short-term loans.

Quick ratio increased by 22% from 1.22:1 in 2019 to 1.48:1 this year due to the increase in current assets, particularly cash and cash equivalents by ₱17.0 billion and short-term investments by ₱5.3 billion, and supplemented by the decrease in current liabilities as mentioned above.

Book value per common share moderately increased from ₱229.40 in 2019 to ₱239.89 this year. The increase was brought about by the ₱4.5 billion or 4% increase in equity attributable to equity holders of the parent for the current period (from ₱116.8 billion in December 2019 to ₱121.2 billion in September 2020), which mostly reflects the net income generated during the period and partly offset by the acquisition of treasury shares during the period.

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The following are key performance indicators of First Gen group (consolidated):

| <b>Performance Indicator</b>                  | <b>September 30<br/>2020</b> | <b>September 30<br/>2019</b> | <b>December 31<br/>2019</b> |
|---|------------------------------|------------------------------|-----------------------------|
| Current Ratio                                 | 1.78                         | 1.66                         | 1.54                        |
| Asset to Equity Ratio                         | 1.91                         | 2.03                         | 2.01                        |
| Debt to Equity Ratio                          | 0.91                         | 1.03                         | 1.01                        |
| Quick Ratio                                   | 1.30                         | 1.35                         | 1.26                        |
| Return on Assets (%) - annualized             | 6.68                         | 7.97                         | 8.07                        |
| Return on Equity(%) - annualized              | 13.07                        | 16.93                        | 17.04                       |
| Interest-bearing Debt to Equity Ratio (times) | 0.71                         | 0.80                         | 0.75                        |

The following are EDC group's (consolidated) key performance indicators:

| Performance Indicator        | YTD September 30 |       |
|------------------------------|------------------|-------|
|                              | 2020             | 2019  |
| Current Ratio                | 1.61             | 1.51  |
| Debt to Equity Ratio         | 0.96             | 0.94  |
| Net Debt to Equity Ratio     | 0.68             | 0.70  |
| Return on Assets (%)         | 8.09             | 8.72  |
| Return on Equity (%)         | 17.71            | 18.97 |
| Solvency Ratio               | 0.20             | 0.23  |
| Interest Rate Coverage Ratio | 3.94             | 3.93  |
| Asset to Equity Ratio        | 2.20             | 2.18  |

The following are the key performance indicators of the Rockwell:

| Performance Indicator | YTD September 30 |      |
|-----------------------|------------------|------|
|                       | 2020             | 2019 |
| Return on Assets (%)  | 2.7              | 8.0  |
| Return on Equity (%)  | 6.9              | 23.1 |

| Performance Indicator    | September 30 | December 31 |
|--------------------------|--------------|-------------|
|                          | 2020         | 2019        |
| Current Ratio            | 2.65         | 2.47        |
| Debt to Equity Ratio     | 1.00         | 1.06        |
| Net Debt to Equity Ratio | 0.86         | 0.82        |
| Asset to Equity Ratio    | 2.51         | 2.61        |
| Interest coverage Ratio  | 2.52         | 4.17        |

## Key Performance Indicator/ Description

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### ***Annualized Return on Average Shareholders' Equity***

Annualized net income attributable to Parent divided by average shareholders' equity. This ratio reflects how much the firm has earned on the funds invested by the shareholders.

### ***Interest Rate Coverage Ratio***

Earnings before interest and taxes for the period divided by interest expense of the same period. This ratio determines how easily a company can pay interest on outstanding debt.

### ***Earnings Per Share***

Net income attributable to Parent divided by weighted average shares outstanding. This measures the portion of Group's profit allocated to each outstanding share of common stock.

### ***Asset to Equity Ratio***

Total assets divided by total stockholders' equity. This ratio shows the Group's leverage, the amount of debt used to finance the firm.

### ***Debt to Equity Ratio***

Total interest-bearing debts divided by stockholders' equity. This ratio expresses the relationship between capital contributed by the creditors and the owners.

### ***Current Ratio***

Total current assets divided by total current liabilities. This ratio is a rough indication of a company's ability to pay its short-term obligations.

### ***Quick Ratio***

Current assets (excluding inventories and others) divided by current liabilities. This is an indicator of the Group's ability to pay short-term obligations with its most liquid assets (cash and cash equivalents, short-term investments and trade and other receivables).

### ***Book Value Per Share***

Equity attributable to Parent divided by number of shares outstanding at period end. Measure used by owners of common shares in a firm to determine the level of safety associated with each individual share after all debts are paid.

### ***Net Debt to Equity Ratio***

Total interest-bearing debts less cash & cash equivalents divided by stockholders' equity. This ratio measures the company's financial leverage and stability. A negative net debt-to-equity ratio means that the total of cash and cash equivalents exceeds interest-bearing liabilities.

### ***Return on Assets***

Annual net income divided by average total assets. This ratio indicates how profitable a company is relative to its total assets. This also gives an idea as to how efficient management is at using its assets to generate earnings.

***Return on Equity***

Annual net income divided by average total stockholders' equity. This ratio reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the balance sheet.

***Interest Rate Coverage Ratio***

Earnings before interest and taxes of one period divided by interest expense of the same period. This ratio determines how easily a company can pay interest on outstanding debt.

***Asset-to-Equity Ratio***

Total assets divided by total stockholders' equity. This ratio shows a company's leverage, the amount of debt used to finance the firm.

***Solvency Ratio***

Net income excluding depreciation and non-cash provisions divided by total debt obligations. This ratio gauges a company's ability to meet its long-term obligations.

***Interest-bearing Debt to Equity Ratio (times)***

Calculated by dividing total interest-bearing debt over total equity. This ratio measures the percentage of funds provided by the lenders/creditors.

*\* - Equity pertains to equity attributable to equity holders of the parent and excludes cumulative translation adjustments, share in other comprehensive income, effect of equity transaction of subsidiaries and excess of acquisition cost over carrying value of minority interest.*

\* \* \* \* \*

#### **Item 4. Other Financial Information**

- (i) Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

In response to the COVID-19 pandemic, the Philippine government imposed various community quarantine measures starting March 16, 2020. These measures have resulted in serious disruptions to businesses and economic activities. The adverse impact in the financial results of the Group for the period ended June 30, 2020 are discussed in *Item 2. Management's Discussion and Analysis or Plan of Operation*. However, considering the evolving nature of the outbreak, the Company cannot determine at this time the full-year and long term impact of such on its consolidated financial position, performance and cash flows.

- (ii) Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

The registrant's current financing arrangements include standard provisions relating to events of default. Any breach of the loan covenants or material adverse change may result in an event of default. The Company is in compliance with its loan covenants during the reporting period.

- (iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Company did not enter into any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons during the reporting period.

- (iv) Any material commitment for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described.

There are no material commitments for capital expenditures except as otherwise disclosed or discussed herein.

- (v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

Aside from the impact of the COVID-19 pandemic discussed above and except as otherwise disclosed previously or discussed herein, there are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

- (vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

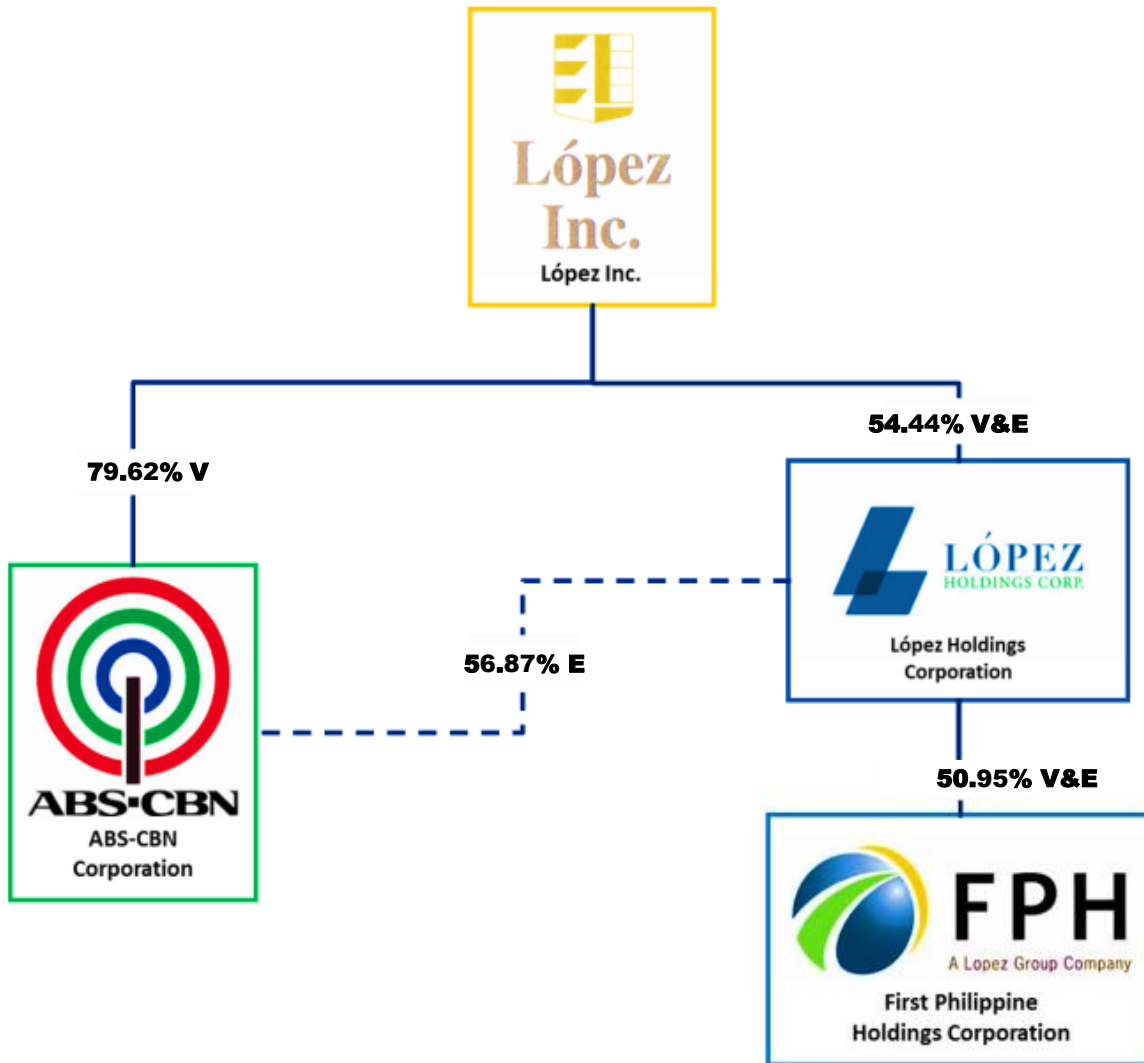
During the period, there are no significant elements of income or loss that did not arise from the registrant's continuing operations.

#### **PART II--OTHER INFORMATION**

The Company has no other information that needs to be disclosed other than disclosures made under SEC Form 17-C or as discussed herein.



**LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES**  
**MAP OF RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP**  
**SEPTEMBER 30, 2020**



# FIRST PHILIPPINE HOLDINGS CORP. AND SUBSIDIARIES

## CORPORATE STRUCTURE

September 30, 2020



**FPH**  
A Lopez Group Company  
POWERED BY GOOD

50.95%

**First Philippine Holdings**

### Power Generation



67.82%  
**First Gen Corporation**

### Property



86.58%  
**ROCKWELL LAND**

100%  
**Rockwell Integrated Property Services, Inc.**

100%  
**Rockwell Primaries Development Corporation**

100%  
Rockwell Primaries South Development Corp.

100%  
**Stonewell Property Development Corporation**

76.23%  
**Primaries Properties Sales Specialists Inc.**

100%  
**Rockwell Leisure Club, Inc.**

100%  
**Rockwell Hotels and Leisure Management Corp.**

100%  
**Retailscapes Inc.**

80%  
**Rockwell-MFA Corp.**  
53.06%

70.00%  
**Rockwell Carmelray Development Corp.**



100%  
**FPIP Property Developers and Management Corporation**

100%  
**FPIP Utilities Incorporated**  
85.00%



100%  
**First Industrial Township, Inc.**  
100%  
**First Industrial Township Water, Inc.**

57.7%  
**First Batangas Hotel Corp.**

### Manufacturing



**First Philec**

100%  
**First Philippine Electric Corporation**  
99.15%  
**Philippine Electric Corporation**



100%  
**First Philec, Inc. (formerly First Electro Dynamics Corp.)**



100%  
**First Philippine Power Systems**



100%  
**First Philec Manufacturing Technologies Corporation**



89.04%  
**First Philec Solar Corporation**



100%  
**Cleantech Energy Holdings PTE, Ltd.**

100%  
**First PV Ventures Corporation**



70.00%  
**First Philec Nexolon Corporation**  
100.00%

**First Philec Energy Solutions, Inc.**



100%  
**First Philec Solar Solutions**

### Power Distribution



30.00%  
**Panay Electric Company**



3.94%  
**Manila Electric Company**

### Other Businesses



100%  
**First Balfour, Inc.**

100%  
**ThermaPrime Drilling Corporation**



100%  
**First Philippine Realty Corporation**



100%  
**First Industrial Science & Technology School, Inc.**



100%  
**Therma One Transport Corporation**

98.00%  
**FPHC Realty and Development Corporation**

100%  
**First Philippine Utilities Corporation**

100%  
**FP Island Energy Corp.**

100%  
**PI Energy Inc.**

100%  
**FGHC International**

100%  
**FPH Pi Ventures**

100.00%  
**First Philippine Industrial Corporation**

100%  
**Securities Transfer Services, Inc.**

100%  
**FPH Capital Resources Inc.**

100%  
**FPH Fund**

100%  
**FPH Ventures**

100%  
**FGHC International**

100%  
**FPH Pi Ventures**

100%  
**First Philippine Properties Corp.**

100%  
**FPH Land Ventures Inc.**

100%  
**First Industrial Township Utilities, Inc.**

100%  
**First Philippine Dev't Corp.**

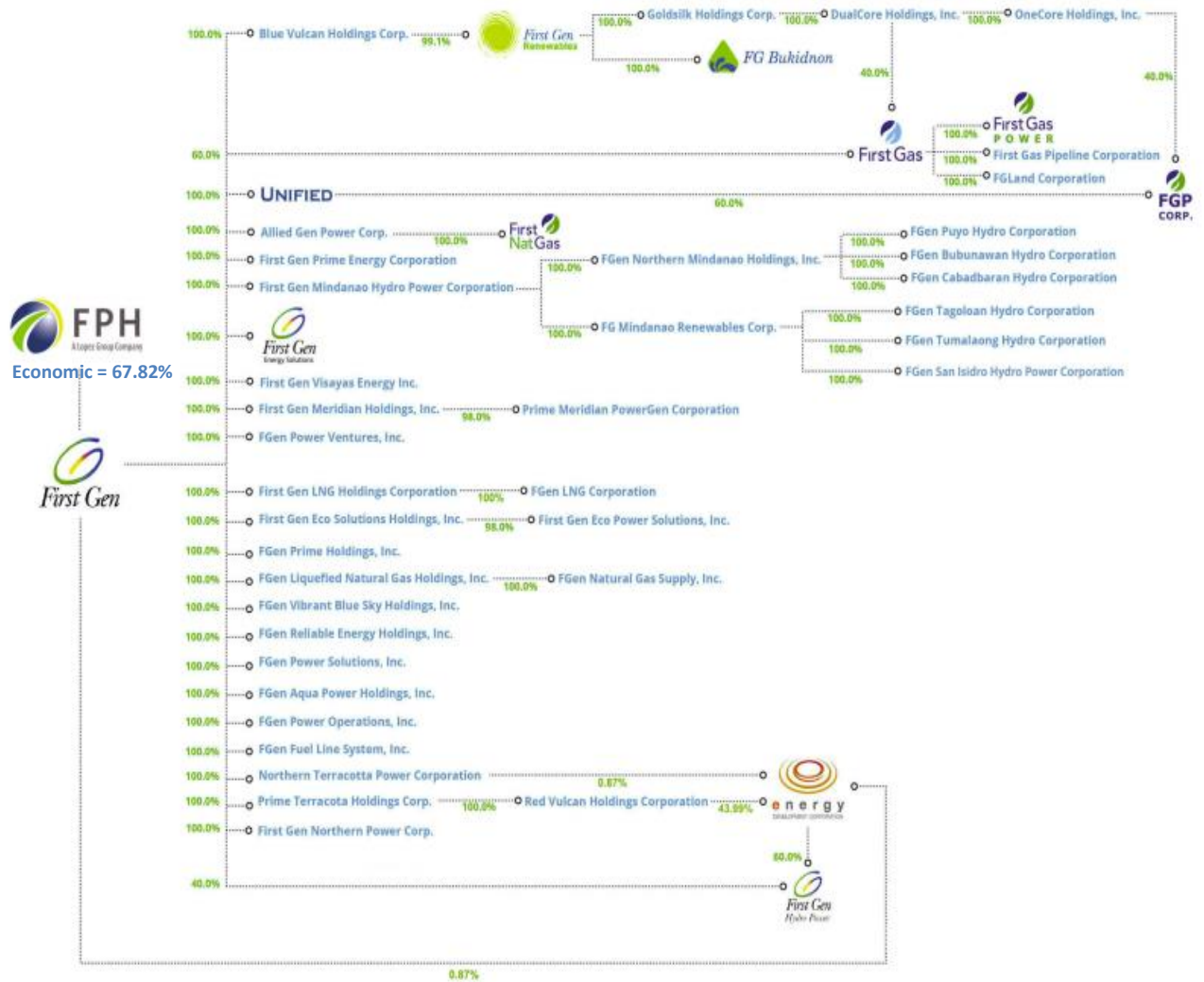
100%  
**FWV Biofields Corp.**

60%  
**First Sumiden Realty, Inc.**

100%  
**Legacy Homes Inc.**

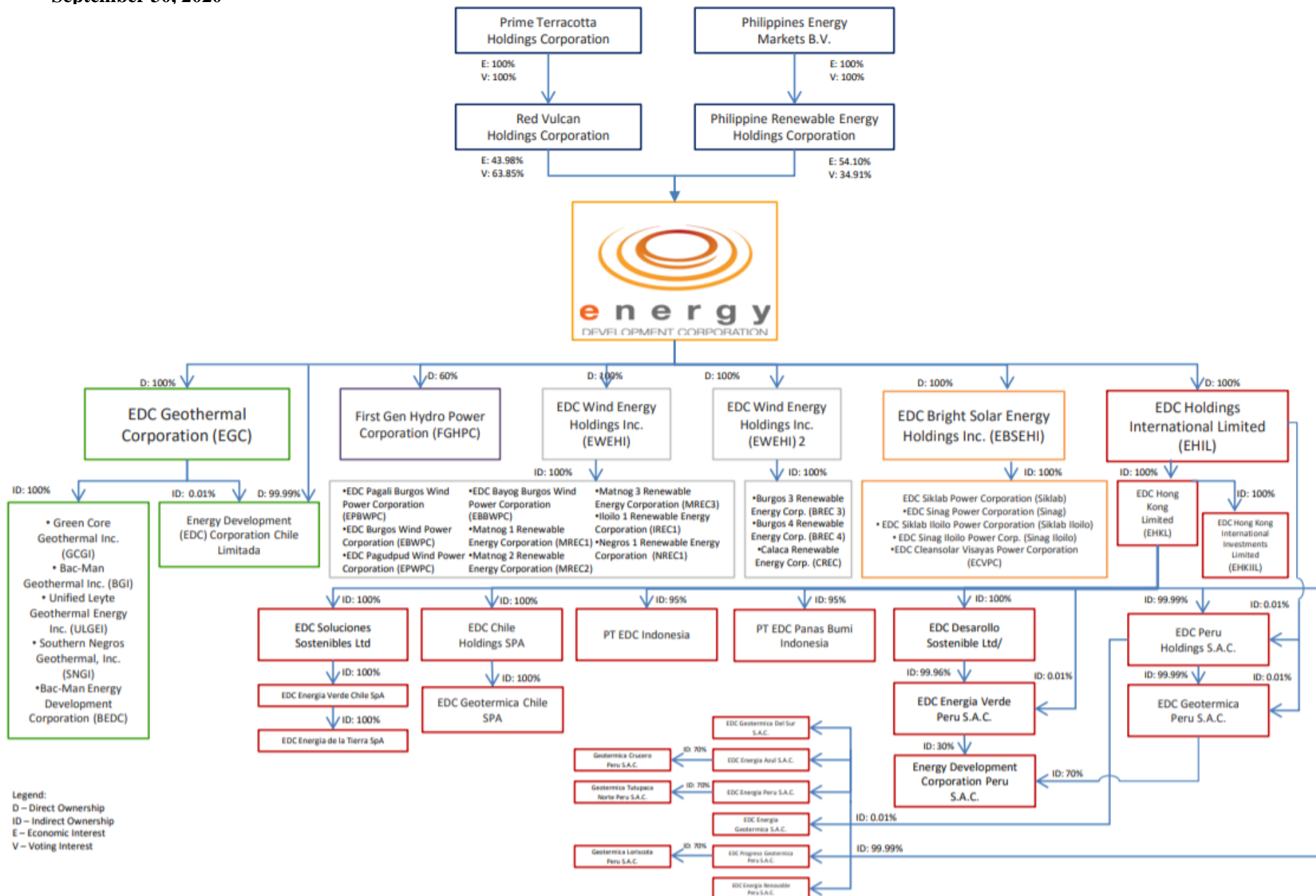
# FIRST GEN CORPORATE STRUCTURE

September 30, 2020



Corporate Structure  
is as of September 30, 2020

# EDC Corporate Structure September 30, 2020




## PART II – OTHER INFORMATION

### SIGNATURE

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer..... **FIRST PHILIPPINE HOLDINGS CORPORATION**



**EMMANUEL ANTONIO P. SINGSON**  
Senior Vice President, Chief Finance Officer  
and Treasurer



**MARIA CARMINA Z. UBAÑA**  
Vice President and Comptroller

Date: November 10, 2020

**COVER SHEET**  
for  
**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

SEC Registration Number

|  |  |  |  |  |  |          |          |          |          |          |
|--|--|--|--|--|--|----------|----------|----------|----------|----------|
|  |  |  |  |  |  | <b>1</b> | <b>9</b> | <b>0</b> | <b>7</b> | <b>3</b> |
|--|--|--|--|--|--|----------|----------|----------|----------|----------|

Company Name

|          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |  |          |          |          |          |          |          |          |          |  |          |          |          |          |
|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--|----------|----------|----------|----------|----------|----------|----------|----------|--|----------|----------|----------|----------|
| <b>F</b> | <b>I</b> | <b>R</b> | <b>S</b> | <b>T</b> |          | <b>P</b> | <b>H</b> | <b>I</b> | <b>L</b> | <b>I</b> | <b>P</b> | <b>P</b> | <b>I</b> | <b>N</b> | <b>E</b> |  | <b>H</b> | <b>O</b> | <b>L</b> | <b>D</b> | <b>I</b> | <b>N</b> | <b>G</b> | <b>S</b> |  | <b>C</b> | <b>O</b> | <b>R</b> | <b>P</b> |
| <b>O</b> | <b>R</b> | <b>A</b> | <b>T</b> | <b>I</b> | <b>O</b> | <b>N</b> |          |          |          |          |          |          |          |          |          |  |          |          |          |          |          |          |          |          |  |          |          |          |          |
|          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |  |          |          |          |          |          |          |          |          |  |          |          |          |          |
|          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |  |          |          |          |          |          |          |          |          |  |          |          |          |          |

Principal Office (No./Street/Barangay/City/Town/Province)

|          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |
|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>6</b> | <b>t</b> | <b>h</b> |          | <b>F</b> | <b>l</b> | <b>o</b> | <b>o</b> | <b>r</b> | <b>,</b> |          | <b>R</b> | <b>o</b> | <b>c</b> | <b>k</b> | <b>w</b> | <b>e</b> | <b>l</b> |          | <b>B</b> | <b>u</b> | <b>s</b> | <b>i</b> | <b>n</b> | <b>e</b> | <b>s</b> | <b>s</b> |          |          |          |
| <b>C</b> | <b>e</b> | <b>n</b> | <b>t</b> | <b>e</b> | <b>r</b> |          |          | <b>T</b> | <b>o</b> | <b>w</b> | <b>e</b> | <b>r</b> | <b>3</b> | <b>,</b> |          | <b>O</b> | <b>r</b> | <b>t</b> | <b>i</b> | <b>g</b> | <b>a</b> | <b>s</b> |          | <b>A</b> | <b>v</b> | <b>e</b> | <b>n</b> | <b>u</b> | <b>e</b> |
| <b>P</b> | <b>a</b> | <b>s</b> | <b>i</b> | <b>g</b> |          | <b>C</b> | <b>i</b> | <b>t</b> | <b>y</b> |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |
|          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |

Form Type

|          |          |          |          |          |          |          |          |          |          |          |          |          |
|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>C</b> | <b>F</b> | <b>S</b> | <b>-</b> | <b>U</b> | <b>N</b> | <b>A</b> | <b>U</b> | <b>D</b> | <b>I</b> | <b>T</b> | <b>E</b> | <b>D</b> |
|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|

Department requiring the report

|  |  |  |  |
|--|--|--|--|
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Secondary License Type, If Applicable

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|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

**COMPANY INFORMATION**

Company's Email Address

|                        |
|------------------------|
| <b>InvRel@fphc.com</b> |
|------------------------|

Company's Telephone Number/s

|                       |
|-----------------------|
| <b>(02) 8631-8024</b> |
|-----------------------|

Mobile Number

|            |
|------------|
| <b>N/A</b> |
|------------|

No. of Stockholders

|  |
|--|
| <b>11,994</b><br><i>As of September 30, 2020</i> |
|--|

Annual Meeting  
Month/Day

|  |
|--|
| <b>Last Monday of May</b><br>(per By-laws)<br><i>ASM was held on July 30, 2020</i> |
|--|

Fiscal Year  
Month/Day

|                    |
|--------------------|
| <b>December 31</b> |
|--------------------|

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

|                               |
|-------------------------------|
| <b>Maria Carmina Z. Ubaña</b> |
|-------------------------------|

Email Address

|                         |
|-------------------------|
| <b>CZUbaña@fphc.com</b> |
|-------------------------|

Telephone Number/s

|                  |
|------------------|
| <b>3449-6253</b> |
|------------------|

Mobile Number

|                    |
|--------------------|
| <b>09173279054</b> |
|--------------------|

Contact Person's Address

|   |
|---|
| <b>6<sup>th</sup> Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City, 1604 Philippines</b> |
|---|

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

# **EXHIBIT “A”**

**First Philippine Holdings Corporation  
and Subsidiaries**

Unaudited Interim Condensed Consolidated Financial Statements  
September 30, 2020 and 2019  
(With Comparative Audited Figures as at December 31, 2019)



**FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**(Amounts in Millions)**

|  | (Unaudited)<br>September 30 | (Audited)<br>December 31 | Increase (Decrease) |      |
|--|-----------------------------|--------------------------|---------------------|------|
|  | 2020                        | 2019                     | Amount              | %    |
| <b>ASSETS</b>  |                             |                          |                     |      |
| <b>Current Assets</b>  |                             |                          |                     |      |
| Cash and cash equivalents (Notes 5, 11 and 12)   | <b>₱55,161</b>              | ₱38,148                  | ₱17,013             | 45%  |
| Short-term investments (Notes 5, 11 and 12)  | <b>10,746</b>               | 5,438                    | 5,308               | 98%  |
| Trade and other receivables - net (Notes 6, 11 and 12)   | <b>24,582</b>               | 28,200                   | (3,618)             | -13% |
| Current portion of contract assets   | <b>11,141</b>               | 13,625                   | (2,484)             | -18% |
| Inventories  | <b>22,675</b>               | 20,917                   | 1,758               | 8%   |
| Other current financial assets (Notes 11 and 12)   | <b>2,644</b>                | 3,776                    | (1,132)             | -30% |
| Prepayments and other current assets   | <b>9,634</b>                | 8,420                    | 1,214               | 14%  |
| Total Current Assets   | <b>136,583</b>              | 118,524                  | 18,059              | 15%  |
| <b>Noncurrent Assets</b>   |                             |                          |                     |      |
| Property, plant and equipment - net  | <b>128,832</b>              | 135,491                  | (6,659)             | -5%  |
| Goodwill and intangible assets   | <b>50,189</b>               | 50,684                   | (495)               | -1%  |
| Investment properties - net  | <b>22,627</b>               | 22,455                   | 172                 | 1%   |
| Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7, 11 and 12) | <b>12,777</b>               | 14,812                   | (2,035)             | -14% |
| Investments in associates and joint ventures   | <b>2,610</b>                | 3,460                    | (850)               | -25% |
| Contract assets - net of current portion   | <b>1,241</b>                | 3,339                    | (2,098)             | -63% |
| Deferred tax assets - net  | <b>2,273</b>                | 2,195                    | 78                  | 4%   |
| Other noncurrent financial assets  | <b>379</b>                  | 468                      | (89)                | -19% |
| Other noncurrent assets - net  | <b>21,423</b>               | 20,902                   | 521                 | 2%   |
| Total Noncurrent Assets  | <b>242,351</b>              | 253,806                  | (11,455)            | -5%  |
| <b>TOTAL ASSETS</b>  | <b>₱378,934</b>             | ₱372,330                 | ₱6,604              | 2%   |

**LIABILITIES AND EQUITY**
**Current Liabilities**

|   |                |         |           |      |
|---|----------------|---------|-----------|------|
| Trade payables and other current liabilities (Notes 8, 11 and 12) | <b>₱34,818</b> | ₱44,977 | ₱(10,159) | -23% |
| Current portion of long-term debts (Notes 9, 11 and 12)           | <b>31,068</b>  | 23,747  | 7,321     | 31%  |
| Loans payable   | <b>2,076</b>   | 993     | 1,083     | 109% |
| Income tax payable  | <b>850</b>     | 548     | 302       | 55%  |
| Total Current Liabilities   | <b>68,812</b>  | 70,265  | (1,453)   | -2%  |

(Forward)

|   | (Unaudited)<br>September 30 | (Audited)<br>December 31 | Increase (Decrease) |           |
|---|-----------------------------|--------------------------|---------------------|-----------|
|   | 2020                        | 2019                     | Amount              | %         |
| <b>Noncurrent Liabilities</b>   |                             |                          |                     |           |
| Long-term debts - net of current portion (Notes 9, 11 and 12)           | ₱106,884                    | ₱107,527                 | (₱643)              | -1%       |
| Retirement and other long-term employee benefits liability              | 3,924                       | 3,759                    | 165                 | 4%        |
| Deferred tax liabilities - net  | 3,677                       | 4,514                    | (837)               | -19%      |
| Asset retirement and preservation obligations                           | 3,264                       | 2,953                    | 311                 | 11%       |
| Other noncurrent liabilities  | 6,215                       | 4,214                    | 2,001               | 47%       |
| Total Noncurrent Liabilities  | 123,964                     | 122,967                  | 997                 | 1%        |
| Total Liabilities   | 192,776                     | 193,232                  | (456)               | 0%        |
| <b>Equity</b>   |                             |                          |                     |           |
| Common stock  | 6,096                       | 6,096                    | -                   | 0%        |
| Preferred stock   | 360                         | 360                      | -                   | 0%        |
| Capital in excess of par value  | 5,506                       | 5,506                    | -                   | 0%        |
| Accumulated unrealized fair value gains on<br>financial assets at FVOCI | 4,069                       | 6,176                    | (2,107)             | -34%      |
| Cumulative translation adjustments                                      | (10,757)                    | (8,722)                  | (2,035)             | 23%       |
| Equity reserve  | (8,459)                     | (8,459)                  | -                   | 0%        |
| Retained earnings   |                             |                          |                     |           |
| Unappropriated  | 88,619                      | 81,882                   | 6,737               | 8%        |
| Appropriated  | 28,700                      | 28,700                   | -                   | 0%        |
| Treasury stock  | (7,080)                     | (6,939)                  | (141)               | 2%        |
| Equity Attributable to Equity Holders of the Parent                     | 107,054                     | 104,600                  | 2,454               | 2%        |
| Non-controlling Interests   | 79,104                      | 74,498                   | 4,606               | 6%        |
| Total Equity  | 186,158                     | 179,098                  | 7,060               | 4%        |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                     | <b>₱378,934</b>             | <b>₱372,330</b>          | <b>₱6,604</b>       | <b>2%</b> |

**FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Millions Except Per Share Data)

|   | Nine Months Ended September 30 |         | Increase (Decrease) |      |
|---|--------------------------------|---------|---------------------|------|
|   | 2020                           | 2019    | Amount              | (%)  |
| <b>REVENUES</b>   |                                |         |                     |      |
| Sale of electricity   | <b>₱68,638</b>                 | ₱84,300 | (₱15,662)           | -19% |
| Sale of real estate   | <b>4,044</b>                   | 7,692   | (3,648)             | -47% |
| Contracts and services  | <b>5,004</b>                   | 6,053   | (1,049)             | -17% |
| Sale of merchandise   | <b>1,337</b>                   | 1,722   | (385)               | -22% |
|   | <b>79,023</b>                  | 99,767  | (20,744)            | -21% |
| <b>COSTS AND EXPENSES</b>   |                                |         |                     |      |
| Costs of sale of electricity  | <b>41,970</b>                  | 54,228  | (12,258)            | -23% |
| Real estate sold  | <b>2,984</b>                   | 4,815   | (1,831)             | -38% |
| Contracts and services  | <b>3,249</b>                   | 3,202   | 47                  | 1%   |
| Merchandise sold  | <b>877</b>                     | 1,126   | (249)               | -22% |
| General and administrative expenses   | <b>10,931</b>                  | 12,344  | (1,413)             | -11% |
|   | <b>60,011</b>                  | 75,715  | (15,704)            | -21% |
| <b>OTHER INCOME (CHARGES)</b>   |                                |         |                     |      |
| Finance costs   | <b>(5,484)</b>                 | (6,288) | 804                 | -13% |
| Finance income  | <b>1,769</b>                   | 2,259   | (490)               | -22% |
| Foreign exchange gains - net  | <b>324</b>                     | 44      | 280                 | 636% |
| Equity in net earnings of associates and joint venture  | <b>297</b>                     | 189     | 108                 | 57%  |
| Dividend income (Note 7)  | <b>682</b>                     | 753     | (71)                | -9%  |
| Others - net  | <b>919</b>                     | 887     | 32                  | 4%   |
|   | <b>(1,493)</b>                 | (2,156) | 663                 | 31%  |
| <b>INCOME BEFORE INCOME TAX</b>   | <b>17,519</b>                  | 21,896  | (4,377)             | -20% |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>  |                                |         |                     |      |
| Current   | <b>3,659</b>                   | 4,174   | (515)               | -12% |
| Deferred  | <b>(614)</b>                   | (345)   | (269)               | -78% |
|   | <b>3,045</b>                   | 3,829   | (784)               | -20% |
| <b>NET INCOME</b>   | <b>₱14,474</b>                 | ₱18,067 | (₱3,593)            | -20% |
| <b>Attributable To</b>  |                                |         |                     |      |
| Equity holders of the Parent  | <b>₱7,295</b>                  | ₱9,610  | (₱2,315)            | -24% |
| Non-controlling Interests   | <b>7,179</b>                   | 8,457   | (1,278)             | -15% |
|   | <b>₱14,474</b>                 | ₱18,067 | (₱3,593)            | -20% |
| <b>Earnings Per Share for Net Income Attributable to the Equity Holders of the Parent (Note 10)</b> |                                |         |                     |      |
| Basic   | <b>₱14.274</b>                 | ₱18.363 | (₱4.089)            | -22% |
| Diluted   | <b>14.274</b>                  | 18.363  | (4.089)             | -22% |

**FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Millions)

|   | Three Months Ended September 30 |         | Increase (Decrease) |             |
|---|---------------------------------|---------|---------------------|-------------|
|   | 2020                            | 2019    | Amount              | Percent (%) |
| <b>REVENUES</b>   |                                 |         |                     |             |
| Sale of electricity   | <b>₱20,930</b>                  | ₱26,157 | (₱5,227)            | -20%        |
| Sale of real estate   | <b>1,839</b>                    | 3,105   | (1,266)             | -41%        |
| Contracts and services  | <b>1,842</b>                    | 1,958   | (116)               | -6%         |
| Sale of merchandise   | <b>532</b>                      | 634     | (102)               | -16%        |
|   | <b>25,143</b>                   | 31,854  | (6,711)             | -21%        |
| <b>COSTS AND EXPENSES</b>   |                                 |         |                     |             |
| Costs of sale of electricity  | <b>12,551</b>                   | 17,282  | (4,731)             | -27%        |
| Real estate sold  | <b>1,441</b>                    | 1,211   | 230                 | 19%         |
| Contracts and services  | <b>1,209</b>                    | 1,019   | 190                 | 19%         |
| Merchandise sold  | <b>347</b>                      | 414     | (67)                | -16%        |
| General and administrative expenses   | <b>3,885</b>                    | 4,593   | (708)               | -15%        |
|   | <b>19,433</b>                   | 24,519  | (5,086)             | -21%        |
| <b>OTHER INCOME (CHARGES)</b>   |                                 |         |                     |             |
| Finance costs   | <b>(1,830)</b>                  | (2,591) | 761                 | -29%        |
| Finance income  | <b>465</b>                      | 713     | (248)               | -35%        |
| Foreign exchange gains - net  | <b>236</b>                      | (35)    | 271                 | 774%        |
| Equity in net earnings of associates and joint venture  | <b>102</b>                      | 82      | 20                  | 24%         |
| Dividend income (Note 7)  | <b>218</b>                      | 262     | (44)                | 100%        |
| Others - net  | <b>561</b>                      | 412     | 149                 | 36%         |
|   | <b>(248)</b>                    | (1,157) | 909                 | 79%         |
| <b>INCOME BEFORE INCOME TAX</b>   | <b>5,462</b>                    | 6,178   | (716)               | -12%        |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>  |                                 |         |                     |             |
| Current   | <b>1,361</b>                    | 1,256   | 105                 | 8%          |
| Deferred  | <b>(510)</b>                    | 194     | (704)               | -363%       |
|   | <b>851</b>                      | 1,450   | (599)               | -41%        |
| <b>NET INCOME</b>   | <b>₱4,611</b>                   | ₱4,728  | (₱117)              | -2%         |
| <b>Attributable To</b>  |                                 |         |                     |             |
| Equity holders of the Parent  | <b>₱2,277</b>                   | ₱2,856  | (₱579)              | -20%        |
| Non-controlling Interests   | <b>2,334</b>                    | 1,872   | 462                 | 25%         |
|   | <b>₱4,611</b>                   | ₱4,728  | (₱117)              | -2%         |
| <b>Earnings Per Share for Net Income Attributable to the Equity Holders of the Parent (Note 10)</b> |                                 |         |                     |             |
| Basic   | <b>₱4.500</b>                   | ₱5.453  | (₱0.953)            | -17%        |
| Diluted   | <b>4.500</b>                    | 5.453   | (0.953)             | -17%        |

**FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES****UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Amounts in Millions)**

|   | (Unaudited)                    |                | Increase/(Decrease) |             |
|---|--------------------------------|----------------|---------------------|-------------|
|   | Nine Months Ended September 30 |                |                     |             |
|   | 2020                           | 2019           | Amount              | Percent (%) |
| <b>NET INCOME</b>   | <b>₱14,474</b>                 | <b>₱18,067</b> | <b>(₱3,593)</b>     | <b>-20%</b> |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>  |                                |                |                     |             |
| Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: |                                |                |                     |             |
| Net losses on cash flow hedge deferred in equity  |                                |                |                     |             |
| - net of tax  | (5)                            | (533)          | 528                 | 99%         |
| Unrealized losses on financial assets at FVOCI  | (2,107)                        | (462)          | (1,645)             | -356%       |
| Exchange losses on foreign currency translation   | (2,465)                        | (142)          | (2,323)             | -1636%      |
|   | (4,577)                        | (1,137)        | (3,440)             | 303%        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>  | <b>₱9,897</b>                  | <b>₱16,930</b> | <b>(₱7,033)</b>     | <b>-42%</b> |
| <b>Attributable To</b>  |                                |                |                     |             |
| Equity holders of the Parent  | ₱3,153                         | ₱8,130         | (4,977)             | -61%        |
| Non-controlling Interests   | 6,744                          | 8,800          | (2,056)             | -23%        |
|   | ₱9,897                         | ₱16,930        | (₱7,033)            | -42%        |

**FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(Amounts in Millions)**

| As of the period ended September 30, 2020 (Unaudited) |  |                 |                                |                |  |                                    |                |                                  |                                |          |                            |              |
|---|--|-----------------|--------------------------------|----------------|--|------------------------------------|----------------|----------------------------------|--------------------------------|----------|----------------------------|--------------|
|   | Attributable to Equity Holders of the Parent |                 |                                |                |  |                                    |                |                                  |                                | Total    | Non- controlling Interests | Total Equity |
|   | Common Stock                                 | Preferred Stock | Capital in Excess of Par Value | Treasury Stock | Accumulated Unrealized Fair Value Gain (Loss) on Financial Assets at FVOCI | Cumulative Translation Adjustments | Equity Reserve | Unappropriated Retained Earnings | Appropriated Retained Earnings |          |                            |              |
| Balance at December 31, 2019                          | ₱6,096                                       | ₱360            | ₱5,506                         | (₱6,939)       | ₱6,176   | (₱8,722)                           | (₱8,459)       | ₱81,882                          | ₱28,700                        | ₱104,600 | ₱74,498                    | ₱179,098     |
| Net income  | -  | -               | -                              | -              | -  | -                                  | -              | 7,295                            | -                              | 7,295    | 7,179                      | 14,474       |
| Other comprehensive income (loss)                     | -  | -               | -                              | -              | (2,107)  | (2,035)                            | -              | -                                | -                              | (4,142)  | (435)                      | (4,577)      |
| Total comprehensive income (loss)                     | -  | -               | -                              | -              | (2,107)  | (2,035)                            | -              | 7,295                            | -                              | 3,153    | 6,744                      | 9,897        |
| Purchase of treasury stocks                           | -  | -               | -                              | (141)          | -  | -                                  | -              | -                                | -                              | (141)    | (334)                      | (475)        |
| Dividends   | -  | -               | -                              | -              | -  | -                                  | -              | (558)                            | -                              | (558)    | (1,804)                    | (2,362)      |
| Balance at September 30, 2020                         | ₱6,096                                       | ₱360            | ₱5,506                         | (₱7,080)       | ₱4,069   | (₱10,757)                          | (₱8,459)       | ₱88,619                          | ₱28,700                        | ₱107,054 | ₱79,104                    | ₱186,158     |
|   | -  | -               | -                              | -              | -  | -                                  | -              | -                                | -                              | -        | -                          | -            |

| As of the year ended December 31, 2019 (Audited)           |  |                 |                                |                |  |                                    |                |                                  |                                |          |                            |              |
|--|--|-----------------|--------------------------------|----------------|--|------------------------------------|----------------|----------------------------------|--------------------------------|----------|----------------------------|--------------|
|  | Attributable to Equity Holders of the Parent |                 |                                |                |  |                                    |                |                                  |                                | Total    | Non- controlling Interests | Total Equity |
|  | Common Stock                                 | Preferred Stock | Capital in Excess of Par Value | Treasury Stock | Accumulated Unrealized Fair Value Gain (Loss) on Financial Assets at FVOCI | Cumulative Translation Adjustments | Equity Reserve | Unappropriated Retained Earnings | Appropriated Retained Earnings |          |                            |              |
| Balance at January 1, 2019                                 | ₱6,096                                       | ₱360            | ₱5,506                         | (₱4,492)       | ₱8,923   | (₱9,524)                           | (₱8,459)       | ₱73,055                          | ₱26,432                        | ₱97,897  | ₱68,362                    | ₱166,259     |
| Net income   | -  | -               | -                              | -              | -  | -                                  | -              | 12,583                           | -                              | 12,583   | 12,036                     | 24,619       |
| Other comprehensive income (loss)                          | -  | -               | -                              | -              | (2,747)  | 802                                | -              | (354)                            | -                              | (2,299)  | (337)                      | (2,636)      |
| Total comprehensive income (loss)                          | -  | -               | -                              | -              | (2,747)  | 802                                | -              | 12,229                           | -                              | 10,284   | 11,699                     | 21,983       |
| Purchase of treasury stocks                                | -  | -               | -                              | (2,447)        | -  | -                                  | -              | -                                | -                              | (2,447)  | (1,564)                    | (4,011)      |
| Cash dividends   | -  | -               | -                              | -              | -  | -                                  | -              | (1,134)                          | -                              | (1,134)  | (6,587)                    | (7,721)      |
| Appropriation of retained earnings                         | -  | -               | -                              | -              | -  | -                                  | -              | (2,268)                          | 2,268                          | -        | -                          | -            |
| Non-controlling interests from incorporation of subsidiary | -  | -               | -                              | -              | -  | -                                  | -              | -                                | -                              | -        | 2,588                      | 2,588        |
| Balance at December 31, 2019                               | ₱6,096                                       | ₱360            | ₱5,506                         | (₱6,939)       | ₱6,176   | (₱8,722)                           | (₱8,459)       | ₱81,882                          | ₱28,700                        | ₱104,600 | ₱74,498                    | ₱179,098     |

**FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(Amounts in Millions)**

|                                   | As of the period ended September 30, 2020 (Unaudited) |                 |                                |                |  |                                    |                |                                  |                                |          |         | Non- controlling Interests | Total Equity |
|-----------------------------------|---|-----------------|--------------------------------|----------------|--|------------------------------------|----------------|----------------------------------|--------------------------------|----------|---------|----------------------------|--------------|
|                                   | Attributable to Equity Holders of the Parent          |                 |                                |                |  |                                    |                |                                  |                                |          |         |                            |              |
|                                   | Common Stock  | Preferred Stock | Capital in Excess of Par Value | Treasury Stock | Accumulated Unrealized Fair Value Gain (Loss) on Financial Assets at FVOCI | Cumulative Translation Adjustments | Equity Reserve | Unappropriated Retained Earnings | Appropriated Retained Earnings | Total    |         |                            |              |
| Balance at December 31, 2019      | ₱6,096  | ₱360            | ₱5,506                         | (₱6,939)       | ₱6,176   | (₱8,722)                           | (₱8,459)       | ₱81,882                          | ₱28,700                        | ₱104,600 | ₱74,498 | ₱179,098                   |              |
| Net income                        | -   | -               | -                              | -              | -  | -                                  | -              | 7,295                            | -                              | 7,295    | 7,179   | 14,474                     |              |
| Other comprehensive income (loss) | -   | -               | -                              | -              | (2,107)  | (2,035)                            | -              | -                                | -                              | (4,142)  | (435)   | (4,577)                    |              |
| Total comprehensive income (loss) | -   | -               | -                              | -              | (2,107)  | (2,035)                            | -              | 7,295                            | -                              | 3,153    | 6,744   | 9,897                      |              |
| Purchase of treasury stocks       | -   | -               | -                              | (141)          | -  | -                                  | -              | -                                | -                              | (141)    | (334)   | (475)                      |              |
| Dividends                         | -   | -               | -                              | -              | -  | -                                  | -              | (558)                            | -                              | (558)    | (1,804) | (2,362)                    |              |
| Balance at September 30, 2020     | ₱6,096  | ₱360            | ₱5,506                         | (₱7,080)       | ₱4,069   | (₱10,757)                          | (₱8,459)       | ₱88,619                          | ₱28,700                        | ₱107,054 | ₱79,104 | ₱186,158                   |              |

|                                   | As of the period ended September 30, 2019 (Unaudited) |                 |                                |                |  |                                    |                |                                  |                                |          |         | Non- controlling Interests | Total Equity |
|-----------------------------------|---|-----------------|--------------------------------|----------------|--|------------------------------------|----------------|----------------------------------|--------------------------------|----------|---------|----------------------------|--------------|
|                                   | Attributable to Equity Holders of the Parent          |                 |                                |                |  |                                    |                |                                  |                                |          |         |                            |              |
|                                   | Common Stock  | Preferred Stock | Capital in Excess of Par Value | Treasury Stock | Accumulated Unrealized Fair Value Gain (Loss) on Financial Assets at FVOCI | Cumulative Translation Adjustments | Equity Reserve | Unappropriated Retained Earnings | Appropriated Retained Earnings | Total    |         |                            |              |
| Balance at December 31, 2018      | ₱6,096  | ₱360            | ₱5,506                         | (₱4,492)       | ₱8,923   | (₱9,524)                           | (₱8,459)       | ₱73,055                          | ₱26,432                        | ₱97,897  | ₱68,362 | ₱166,259                   |              |
| Net income                        | -   | -               | -                              | -              | -  | -                                  | -              | 9,610                            | -                              | 9,610    | 8,457   | 18,067                     |              |
| Other comprehensive income (loss) | -   | -               | -                              | -              | (462)  | (561)                              | 147            | (604)                            | -                              | (1,480)  | 343     | (1,137)                    |              |
| Total comprehensive income (loss) | -   | -               | -                              | -              | (462)  | (561)                              | 147            | 9,006                            | -                              | 8,130    | 8,800   | 16,930                     |              |
| Dividends                         | -   | -               | -                              | -              | -  | -                                  | -              | (576)                            | -                              | (576)    | (2,425) | (3,001)                    |              |
| Purchase of treasury stocks       | -   | -               | -                              | (2,434)        | -  | -                                  | -              | -                                | -                              | (2,434)  | (167)   | (2,601)                    |              |
| Balance at September 30, 2019     | ₱6,096  | ₱360            | ₱5,506                         | (₱6,926)       | ₱8,461   | (₱10,085)                          | (₱8,312)       | ₱81,485                          | ₱26,432                        | ₱103,017 | ₱74,570 | ₱177,587                   |              |

**FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES****UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS****(Amounts in Millions)**

|   | <b>(Unaudited)</b>                    |                |
|---|---------------------------------------|----------------|
|   | <b>Nine Months Ended September 30</b> |                |
|   | <b>2020</b>                           | <b>2019</b>    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                                       |                |
| Income before income tax  | <b>₱17,519</b>                        | <b>₱21,896</b> |
| Adjustments for:  |                                       |                |
| Finance costs   | <b>5,484</b>                          | 6,288          |
| Depreciation and amortization                                       | <b>9,780</b>                          | 9,778          |
| Finance income  | <b>(1,769)</b>                        | (2,259)        |
| Dividend income   | <b>(682)</b>                          | (753)          |
| Retirement benefit expense  | <b>144</b>                            | 190            |
| Equity in net earnings of associates and joint venture              | <b>(297)</b>                          | (189)          |
| Loss on extinguishment of long-term debts                           | -                                     | 115            |
| Loss on direct write-off of Input VAT claims                        | -                                     | 43             |
| Provision for impairment of spare parts and supplies inventory      | <b>93</b>                             | 85             |
| Mark-to-market gains on financial assets at FVPL                    | <b>(10)</b>                           | (76)           |
| Mark-to-market losses (gains) on derivatives                        | <b>75</b>                             | (19)           |
| Gain on sale of property  | -                                     | (57)           |
| Unrealized foreign exchange gains - net                             | <b>(324)</b>                          | (44)           |
| Operating income before working capital changes                     | <b>30,013</b>                         | 34,998         |
| Decrease (increase) in:   |                                       |                |
| Trade and other receivables and current portion of contract assets  | <b>6,102</b>                          | (467)          |
| Inventories   | <b>(1,758)</b>                        | (2,105)        |
| Other current assets  | <b>(157)</b>                          | 910            |
| Increase (decrease) in trade payables and other current liabilities | <b>(6,067)</b>                        | 2,326          |
| Cash generated from operations                                      | <b>28,133</b>                         | 35,662         |
| Interest received   | <b>424</b>                            | 832            |
| Income tax paid   | <b>(3,356)</b>                        | (3,661)        |
| Net cash from operating activities                                  | <b>25,201</b>                         | 32,833         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                                       |                |
| Additions to:   |                                       |                |
| Property, plant and equipment and investment properties             | <b>(5,262)</b>                        | (6,543)        |
| Financial assets at FVPL  | <b>(2,726)</b>                        | (3,074)        |
| Intangibles   | <b>(49)</b>                           | (69)           |
| (Forward)   |                                       |                |



**(Unaudited)**  
**Nine Months Ended September 30**

|  | 2020     | 2019    |
|--|----------|---------|
| Decrease (increase) in:  |          |         |
| Short-term investments   | (P5,308) | P29     |
| Investments in associate and joint venture                         | 1,147    | (207)   |
| Non-current portion of contract assets and other noncurrent assets | 2,264    | 561     |
| Exploration and evaluation assets                                  | (15)     | (39)    |
| Debt service reserve account                                       | 661      | 917     |
| Proceeds from redemption of financial assets at FVPL               | 1,782    | 2,015   |
| Dividends received   | 685      | 712     |
| Proceeds from sale of property and equipment                       | -        | 18      |
| Net cash used in investing activities                              | (6,821)  | (5,680) |

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from:

|  |        |       |
|--|--------|-------|
| Borrowings from banks and other financial institutions | 28,926 | 3,050 |
|--|--------|-------|

Payments of:

|  |          |          |
|--|----------|----------|
| Borrowings from banks and other financial institutions | (22,215) | (17,110) |
| Interest   | (5,252)  | (6,498)  |
| Dividends to non-controlling interests                 | (4,092)  | (2,274)  |
| Cash dividends   | (558)    | (576)    |
| Buyback of preferred stock                             | -        | (5)      |
| Purchase of treasury common stock                      | (141)    | (2,434)  |

|  |         |          |
|--|---------|----------|
| Increase in other noncurrent liabilities | 1,640   | 2,947    |
| Net cash used in financing activities    | (1,692) | (22,900) |

**EFFECT OF EXCHANGE RATE CHANGES**

|                                     |            |            |
|-------------------------------------|------------|------------|
| <b>ON CASH AND CASH EQUIVALENTS</b> | <b>325</b> | <b>643</b> |
|-------------------------------------|------------|------------|

|  |               |              |
|--|---------------|--------------|
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b> | <b>17,013</b> | <b>4,896</b> |
|--|---------------|--------------|

|   |               |               |
|---|---------------|---------------|
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING<br/>OF PERIOD</b> | <b>38,148</b> | <b>36,072</b> |
|---|---------------|---------------|

|   |                |                |
|---|----------------|----------------|
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b> | <b>P55,161</b> | <b>P40,968</b> |
|---|----------------|----------------|

*See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.*

**FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SELECTED NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

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**1. Corporate Information**

First Philippine Holdings Corporation (FPH or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 30, 1961. On June 29, 2007, the Philippine SEC approved the extension of the Parent Company's corporate life for another 50 years from June 30, 2011. FPH and its subsidiaries (collectively referred to as the Group) is engaged primarily in, but not limited to, power generation, real estate development, manufacturing, construction, healthcare and other service industries.

FPH is 50.95% and 50.60% owned by Lopez Holdings Corporation (Lopez Holdings), a publicly-listed Philippine-based entity, as at September 30, 2020 and December 31, 2019, respectively. Majority of Lopez Holdings is owned by Lopez, Inc., a Philippine entity and the ultimate Parent Company.

The registered office address of FPH is at 6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City.

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**2. Summary of Significant Accounting Policies**

Basis of Preparation

The unaudited interim condensed consolidated financial statements of the Group as of September 30, 2020, and for the nine-month periods ended September 30, 2020 and 2019 have been prepared on a historical cost basis, except for certain financial assets and liabilities that are measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, the Parent Company's functional and presentation currency. All values are rounded to the nearest million peso, except when otherwise indicated.

Statement of Compliance

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with PFRS' Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required in the annual consolidated financial statements, and should be read in conjunction with FPH's annual consolidated financial statements as at and for the year ended December 31, 2019.

Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the financial statements of FPH and its subsidiaries.

The Group controls an investee if and only if the Group has:

- Power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support the presumption and when the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- the contractual arrangements with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the unaudited interim consolidated statements of income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of FPH and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized as part of "Equity reserve" account in the equity attributable to the equity holders of the Parent.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any movement retained is recognized at fair value.

#### Significant Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements as at and for the year ended December 31, 2019, except for the adoption of the following amended accounting standards that became effective beginning January 1, 2020.

The nature and the effect of these changes are disclosed below:

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

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments have no impact on the Group's unaudited interim condensed financial statements but will apply on future business combinations of the Group.

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

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

These amendments have no impact on the Group's unaudited interim condensed consolidated financial statements.

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### 3. Operating Segment Information

Operating segments are components of the Group (a) that engage in business activities from which they may earn revenues and incur expenses; (b) with operating results which are regularly reviewed by the Group's chief operating decision-maker (the BOD) to make decisions about how resources are to be allocated to the segment and assess their performances; and (c) for which discrete financial information is available.

The Group's operating businesses are organized and managed separately according to the nature of the products and services, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group conducts majority of its business activities in the following areas:

- Power generation – power generation subsidiaries under First Gen Corporation (First Gen)
- Real estate development – residential and commercial real estate development and leasing of Rockwell Land Corporation (Rockwell) and First Philippine Realty Corporation (FPRC), and

sale of industrial lots and lease of ready-built factories by First Philippine Industrial Park (FPIP) group

- Manufacturing – electrical transformers and other manufacturing subsidiaries under First Philippine Electric Corporation (First Philec), particularly First Philec, Inc. (FPI)
- Construction and other services – investment holdings, oil transporting, construction, geothermal well drilling, healthcare, education and other services. The significant subsidiaries under this segment are First Balfour, Inc. (First Balfour), ThermaPrime Drilling Corporation (TDC) and Asian Eye Institute, Inc. (AEI).

Segment revenue, segment expenses and segment performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar products. Such transfers are eliminated in consolidation.

The operations of these business segments are substantially in the Philippines. First Gen's revenues are substantially generated from sale of electricity to Meralco, the sole customer of First Gas Power Corporation (FGPC), FGP Corp. (FGP), and First NatGas Power Corp. (FNPC); while a significant portion of Energy Development Corporation's (EDC) total revenues are derived from existing long-term Power Purchase Agreement (PPAs) with National Power Corporation (NPC).

Financial information about the business segments follows:

| <i>(Php in Millions)</i>                                  | September 30, 2020  |                            |               |                                       |              | Consolidated |
|---|---------------------|----------------------------|---------------|---------------------------------------|--------------|--------------|
|   | Power<br>Generation | Real Estate<br>Development | Manufacturing | Construction<br>and Other<br>Services | Eliminations |              |
| Revenues:   |                     |                            |               |                                       |              |              |
| External sales  | ₱68,559             | ₱5,485                     | ₱1,341        | ₱3,638                                | ₱-           | ₱79,023      |
| Inter-segment sales                                       |                     |                            |               | 1,487                                 | (1,487)      | -            |
| Total revenues  | 68,559              | 5,485                      | 1,341         | 5,125                                 | (1,487)      | 79,023       |
| Costs and expenses  | (49,467)            | (5,182)                    | (1,035)       | (5,811)                               | 1,484        | (60,011)     |
| Finance income  | 283                 | 1,418                      | 8             | 60                                    | -            | 1,769        |
| Finance costs   | (3,934)             | (1,104)                    | (9)           | (437)                                 | -            | (5,484)      |
| Foreign exchange gain (loss)                              | 384                 | (7)                        | (6)           | (47)                                  | -            | 324          |
| Equity in net earnings of<br>associates and joint venture | -                   | 250                        | -             | 47                                    | -            | 297          |
| Other income (loss)                                       | 390                 | 352                        | 27            | 1,035                                 | (203)        | 1,601        |
| Income (loss) before income tax                           | 16,215              | 1,212                      | 326           | (28)                                  | (206)        | 17,519       |
| Provision for income tax                                  | (2,702)             | (289)                      | (99)          | 13                                    | 32           | (3,045)      |
| Net income  | ₱13,513             | ₱923                       | ₱227          | (₱15)                                 | (₱174)       | ₱14,474      |

| September 30, 2019                                       |            |             |               |                    |              |              |
|--|------------|-------------|---------------|--------------------|--------------|--------------|
| (Php in Millions)  | Power      | Real Estate | Construction  |                    |              | Consolidated |
|  | Generation | Development | Manufacturing | and Other Services | Eliminations |              |
| Revenues:  |            |             |               |                    |              |              |
| External sales   | ₱84,222    | ₱9,882      | ₱1,722        | ₱3,941             | ₱-           | ₱99,767      |
| Inter-segment sales                                      |            |             |               | 1,586              | (1,586)      | -            |
| Total revenues   | 84,222     | 9,882       | 1,722         | 5,527              | (1,586)      | 99,767       |
| Costs and expenses                                       | (62,089)   | (7,691)     | (1,358)       | (6,099)            | 1,522        | (75,715)     |
| Finance income   | 835        | 1,306       | 16            | 332                | (230)        | 2,259        |
| Finance costs  | (4,912)    | (994)       | (8)           | (383)              | 9            | (6,288)      |
| Foreign exchange gain (loss)                             | 90         | -           | (13)          | (33)               | -            | 44           |
| Equity in net earnings of associates and a joint venture | -          | 224         | -             | 65                 | (100)        | 189          |
| Other income (loss)                                      | 352        | 619         | 7             | 911                | (249)        | 1,640        |
| Income (loss) before income tax                          | 18,498     | 3,346       | 366           | 320                | (634)        | 21,896       |
| Provision for income tax                                 | (2,672)    | (965)       | (133)         | (27)               | (32)         | (3,829)      |
| Net income   | ₱15,826    | ₱2,381      | ₱233          | ₱293               | (₱666)       | ₱18,067      |

Following table shows the computation of Recurring Net Income (RNI):

| (In millions)  | Sept. 30,<br>2020 | Sept. 30,<br>2019 |
|--|-------------------|-------------------|
| Net income attributable to equity holders of the Parent                    | ₱7,295            | ₱9,610            |
| Add (deduct) share of equity holders of the Parent in non-recurring items: |                   |                   |
| Expenses related to COVID-19 pandemic                                      | 425               | -                 |
| Movements in deferred income tax   | (197)             | (118)             |
| Unrealized foreign exchange loss (gain)                                    | (135)             | 1                 |
| Proceeds from insurance claims   | (96)              | (127)             |
| MTM loss (gain) on derivatives   | 20                | (33)              |
| ERP/MRP- related costs of EDC  | -                 | 186               |
| Loss on debt extinguishment  | -                 | 35                |
| Other non-recurring losses   | 25                | 74                |
| RNI attributable to equity holders of the Parent                           | ₱7,337            | ₱9,628            |

#### 4. Subsidiaries and Significant Acquisitions

The consolidated financial statements comprise the financial statements of FPH and the following subsidiaries.

| Subsidiaries  | Place of Incorporation<br>and Operation | September 30, 2020 (Unaudited)            |          | December 31, 2019 (Audited) |          |
|---|---|---|----------|-----------------------------|----------|
|   |   | Percentage of ownership held by the Group |          |                             |          |
|   |   | Direct                                    | Indirect | Direct                      | Indirect |
| <b>Power Generation</b>                                     |   |   |          |                             |          |
| First Gen Corporation (First Gen)                           | Philippines                             | 67.82                                     | –        | 67.59                       | –        |
| First Gen Renewables, Inc.                                  | Philippines                             | –   | 100.00   | –                           | 100.00   |
| FG Bukidnon Power Corp. (FG Bukidnon)                       | Philippines                             | –   | 100.00   | –                           | 100.00   |
| Unified Holdings Corporation (Unified)                      | Philippines                             | –   | 100.00   | –                           | 100.00   |
| FGP Corp. (FGP)   | Philippines                             | –   | 100.00   | –                           | 100.00   |
| AlliedGen Power Corporation                                 | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First NatGas Power Corporation (FNPC)                       | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First Gen Luzon Power Corporation                           | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First Gen Visayas Hydro Power Corporation (FG Visayas)      | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First Gen Mindanao Hydro Power Corporation (FG Mindanao)    | Philippines                             | –   | 100.00   | –                           | 100.00   |
| FGen Northern Mindanao Holdings, Inc. (FNMHI)               | Philippines                             | –   | 100.00   | –                           | 100.00   |
| FGen Bubunawan Hydro Corporation (FG Bubunawan)             | Philippines                             | –   | 100.00   | –                           | 100.00   |
| FGen Cabadbaran Hydro Corporation (FG Cabadbaran)           | Philippines                             | –   | 100.00   | –                           | 100.00   |
| FGen Puyo Hydro Corporation (FG Puyo)                       | Philippines                             | –   | 100.00   | –                           | 100.00   |
| FG Mindanao Renewables Corp. (FMRC)                         | Philippines                             | –   | 100.00   | –                           | 100.00   |
| FGen Tagoloan Hydro Corporation (FG Tagoloan)               | Philippines                             | –   | 100.00   | –                           | 100.00   |
| FGen Tumalaong Hydro Corporation (FG Tumalaong)             | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First Gen Ecopower Solutions, Inc.                          | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First Gen Energy Solutions, Inc. (FGES)                     | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First Gen Premier Energy Corporation                        | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First Gen Prime Energy Corporation                          | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First Gen Visayas Energy Corporation                        | Philippines                             | –   | 100.00   | –                           | 100.00   |
| Northern Terracotta Power Corporation (Northern Terracotta) | Philippines                             | –   | 100.00   | –                           | 100.00   |
| Blue Vulcan Holdings Corporation                            | Philippines                             | –   | 100.00   | –                           | 100.00   |
| Prime Meridian Powergen Corporation (PMPC)                  | Philippines                             | –   | 100.00   | –                           | 100.00   |
| Goldsilks Holdings Corporation (Goldsilks)                  | Philippines                             | –   | 100.00   | –                           | 100.00   |
| Dualcore Holdings, Inc. (Dualcore)                          | Philippines                             | –   | 100.00   | –                           | 100.00   |
| Onecore Holdings, Inc. (Onecore)                            | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First Gas Holdings Corporation (FGHC)                       | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First Gas Power Corporation (FGPC)                          | Philippines                             | –   | 100.00   | –                           | 100.00   |
| First Gas Pipeline Corporation                              | Philippines                             | –   | 100.00   | –                           | 100.00   |
| FG Land Corporation   | Philippines                             | –   | 100.00   | –                           | 100.00   |
| FGEN LNG Corporation (FGEN LNG)                             | Philippines                             | –   | 100.00   | –                           | 100.00   |

|  |             |   |        |   |        |
|--|-------------|---|--------|---|--------|
| First Gen LNG Holdings Corporation (LNG Holdings)              | Philippines | — | 100.00 | — | 100.00 |
| First Gen Meridian Holdings, Inc. (FGEN Meridian)              | Philippines | — | 100.00 | — | 100.00 |
| FGen Northern Power Corp. (FGEN Northern Power)                | Philippines | — | 100.00 | — | 100.00 |
| FGen Power Ventures, Inc. (FGEN Power Ventures)                | Philippines | — | 100.00 | — | 100.00 |
| FGen Casecnan Hydro Power Corp. (FGEN Casecnan)                | Philippines | — | 100.00 | — | 100.00 |
| FGen Power Holdings, Inc. (Power Holdings)                     | Philippines | — | 100.00 | — | 100.00 |
| FGen Prime Holdings, Inc. (Prime Holdings)                     | Philippines | — | 100.00 | — | 100.00 |
| FGen Eco Solutions Holdings, Inc. (FGESHI)                     | Philippines | — | 100.00 | — | 100.00 |
| FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings) | Philippines | — | 100.00 | — | 100.00 |
| FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)       | Philippines | — | 100.00 | — | 100.00 |
| FGen Power Solutions, Inc. (FG Power Solutions)                | Philippines | — | 100.00 | — | 100.00 |
| FGen Vibrant Blue Sky Holdings, Inc. (FGVBSSI)                 | Philippines | — | 100.00 | — | 100.00 |
| FGen Aqua Power Holdings, Inc. (Aqua Power)                    | Philippines | — | 100.00 | — | 100.00 |
| First Gen Hydro Power Corporation (FG Hydro)                   | Philippines | — | 100.00 | — | 100.00 |
| FGen Natural Gas Supply, Inc. (FGen NatGas Supply)             | Philippines | — | 100.00 | — | 100.00 |
| FGen Power Operations, Inc. (FPOI)                             | Philippines | — | 100.00 | — | 100.00 |
| FGen Fuel Line Systems, Inc. (FGen Fuel Line)                  | Philippines | — | 100.00 | — | 100.00 |
| Prime Terracota Holdings Corporation (Prime Terracota)         | Philippines | — | 100.00 | — | 100.00 |
| Red Vulcan Holdings Corporation (Red Vulcan)                   | Philippines | — | 100.00 | — | 100.00 |
| Energy Development Corporation (EDC) <sup>1</sup>              | Philippines | — | 64.00  | — | 64.00  |
| EDC Drillco Corporation  | Philippines | — | 100.00 | — | 100.00 |
| EDC Geothermal Corp. (EGC)                                     | Philippines | — | 100.00 | — | 100.00 |
| Green Core Geothermal Inc. (GCGI)                              | Philippines | — | 100.00 | — | 100.00 |
| Bac-Man Geothermal Inc. (BGI)                                  | Philippines | — | 100.00 | — | 100.00 |
| Unified Leyte Geothermal Energy Inc. (ULGEI)                   | Philippines | — | 100.00 | — | 100.00 |
| Southern Negros Geothermal, Inc. (SNGI)                        | Philippines | — | 100.00 | — | 100.00 |
| Bac-Man Energy Development Corporation (BEDC)                  | Philippines | — | 100.00 | — | 100.00 |
| EDC Wind Energy Holdings, Inc. (EWEHI)                         | Philippines | — | 100.00 | — | 100.00 |
| EDC Calaca Renewable Energy Corporation (CREC)                 | Philippines | — | 100.00 | — | 100.00 |
| EDC Burgos 3 Renewable Energy Corporation (BREC3)              | Philippines | — | 100.00 | — | 100.00 |
| EDC Burgos 4 Renewable Energy Corporation (BREC4)              | Philippines | — | 100.00 | — | 100.00 |
| EDC Burgos Wind Power Corporation (EBWPC)                      | Philippines | — | 100.00 | — | 100.00 |
| EDC Pagudpud Wind Power Corporation (EPWPC)                    | Philippines | — | 100.00 | — | 100.00 |
| EDC Bayog Burgos Power Corporation (EBBPC)                     | Philippines | — | 100.00 | — | 100.00 |
| EDC Pagali Burgos Wind Power Corporation (EPBWPC)              | Philippines | — | 100.00 | — | 100.00 |
| Matnog 1 Renewable Energy Corporation                          | Philippines | — | 100.00 | — | 100.00 |
| Matnog 2 Renewable Energy Corporation                          | Philippines | — | 100.00 | — | 100.00 |
| Matnog 3 Renewable Energy Corporation                          | Philippines | — | 100.00 | — | 100.00 |
| Iloilo 1 Renewable Energy Corporation                          | Philippines | — | 100.00 | — | 100.00 |
| Negros 1 Renewable Energy Corporation                          | Philippines | — | 100.00 | — | 100.00 |

<sup>1</sup>First Gen's economic interest in EDC is 45.7% as at September 30, 2020 and December 31, 2019.



|   |                          |        |        |        |        |
|---|--------------------------|--------|--------|--------|--------|
| EDC Corporation Chile Limitada                              | Santiago, Chile          | —      | 100.00 | —      | 100.00 |
| EDC Holdings International Limited (EHIL)                   |                          |        |        |        |        |
| EDC Hong Kong Limited (EDC HKL)                             | British Virgin Islands   | —      | 100.00 | —      | 100.00 |
| EDC Chile Holdings SpA                                      | Santiago, Chile          | —      | 100.00 | —      | 100.00 |
| EDC Geotermica Chile SpA                                    | Santiago, Chile          | —      | 100.00 | —      | 100.00 |
| EDC Peru Holdings S.A.C                                     | Lima, Peru               | —      | 100.00 | —      | 100.00 |
| EDC Geotermica Peru S.A.C                                   | Lima, Peru               | —      | 100.00 | —      | 100.00 |
| EDC Peru S. A. C.   | Lima, Peru               | —      | 100.00 | —      | 100.00 |
| EDC Geotermica Del Sur S.A.C.                               | Lima, Peru               | —      | 100.00 | —      | 100.00 |
| EDC Energia Azul S.A.C.                                     | Lima, Peru               | —      | 100.00 | —      | 100.00 |
| Geothermica Crucero Peru S.A.C.                             | Lima, Peru               | —      | 70.00  | —      | 70.00  |
| EDC Energía Perú S.A.C.                                     | Lima, Peru               | —      | 100.00 | —      | 100.00 |
| Geothermica Tutupaca Norte Peru S.A.C.                      | Lima, Peru               | —      | 100.00 | —      | 100.00 |
| EDC Energía Geotérmica S.A.C.                               | Lima, Peru               | —      | 100.00 | —      | 100.00 |
| EDC Progreso Geotérmico Perú S.A.C.                         | Lima, Peru               | —      | 100.00 | —      | 100.00 |
| Geothermica Loriscota Peru S.A.C.                           | Lima, Peru               | —      | 100.00 | —      | 100.00 |
| EDC Energía Renovable Perú S.A.C.                           | Lima, Peru               | —      | 100.00 | —      | 100.00 |
| EDC Soluciones Sostenibles Ltd                              | Philippines              | —      | 100.00 | —      | 100.00 |
| EDC Energia Verde Chile SpA                                 | Philippines              | —      | 100.00 | —      | 100.00 |
| EDC Energia de la Tierra SpA                                | Philippines              | —      | 100.00 | —      | 100.00 |
| EDC Desarrollo Sostenible Ltd                               | Philippines              | —      | 100.00 | —      | 100.00 |
| EDC Energia Verde Peru SAC                                  | Philippines              | —      | 100.00 | —      | 100.00 |
| PT EDC Indonesia  | Jakarta Pusat, Indonesia | —      | 95.00  | —      | 95.00  |
| PT EDC Panas Bumi Indonesia                                 | Jakarta Pusat, Indonesia | —      | 95.00  | —      | 95.00  |
| EDC Bright Solar Energy Holdings, Inc. (EBSEHI)             | Philippines              | —      | 100.00 | —      | 100.00 |
| EDC Siklab Power Corporation (EDC Siklab)                   | Philippines              | —      | 100.00 | —      | 100.00 |
| EDC Sinag Power Corporation (Sinag)                         | Philippines              | —      | 100.00 | —      | 100.00 |
| EDC Sinag Iloilo Power Corporation (EDC Sinag Iloilo)       | Philippines              | —      | 100.00 | —      | 100.00 |
| EDC Siklab Iloilo Power Corporation (Siklab Iloilo)         | Philippines              | —      | 100.00 | —      | 100.00 |
| EDC Clean Solar Visayas Power Corporation (ECSVPC)          | Philippines              | —      | 100.00 | —      | 100.00 |
| Batangas Cogeneration Corporation (Batangas Cogen)          | Philippines              | 60.00  | —      | 60.00  | —      |
| <b>Manufacturing</b>  |                          |        |        |        |        |
| First Philec  | Philippines              | 100.00 | —      | 100.00 | —      |
| First Philec Inc. (FPI) (formerly FEDCOR)                   | Philippines              | —      | 100.00 | —      | 100.00 |
| First Philippine Power Systems, Inc. (FPPSI)                | Philippines              | —      | 100.00 | —      | 100.00 |
| First Philec Manufacturing Technologies Corporation (FPMTC) | Philippines              | —      | 100.00 | —      | 100.00 |
| First PV Ventures Corporation (First PV)                    | Philippines              | —      | 100.00 | —      | 100.00 |
| First Philec Nexolon Corporation (FPNC)                     | Philippines              | —      | 70.00  | —      | 70.00  |
| First Philec Solar Solutions Corporation                    | Philippines              | —      | 100.00 | —      | 100.00 |
| Philippine Electric Corporation (PHILEC)                    | Philippines              | —      | 99.20  | —      | 99.20  |
| First Philec Solar Corporation                              | Philippines              | —      | 89.04  | —      | 89.04  |
| Cleantech Energy Holdings PTE, Ltd.                         | Philippines              | —      | 100.00 | —      | 100.00 |

|   |                |        |        |        |        |
|---|----------------|--------|--------|--------|--------|
| First Philec Energy Solutions, Inc.   | Philippines    | —      | 100.00 | —      | 100.00 |
| <b>Real Estate Development</b>  |                |        |        |        |        |
| First Philippine Realty Development Corporation (FPRDC)                                     | Philippines    | 100.00 | —      | 100.00 | —      |
| First Philippine Realty Corporation (FPRC)  | Philippines    | 100.00 | —      | 100.00 | —      |
| First Philippine Properties Corporation (FPPC)  | Philippines    | 100.00 | —      | 100.00 | —      |
| FPH Land Venture, Inc. (FLVI)   | Philippines    | —      | 100.00 | —      | 100.00 |
| Terraprine, Inc. (Terraprine)   | Philippines    | —      | 66.67  | —      | 66.67  |
| First Industrial Township Utilities, Inc. (FITUI)   | Philippines    | —      | 100.00 | —      | 100.00 |
| First Philippine Development Corp. (FPDC)   | Philippines    | —      | 100.00 | —      | 100.00 |
| FWV Biofields Corp. (FWVB)  | Philippines    | —      | 100.00 | —      | 100.00 |
| First Sumiden Realty, Inc. (FSRI)   | Philippines    | —      | 60.00  | —      | 60.00  |
| Legacy Homes Inc.   | Philippines    | —      | 100.00 | —      | 100.00 |
| FPHC Realty and Development Corporation (FPHC Realty)                                       | Philippines    | 98.00  | —      | 98.00  | —      |
| Rockwell Land Corporation (Rockwell Land)   | Philippines    | 86.58  | —      | 86.58  | —      |
| Rockwell Integrated Property Services, Inc.   | Philippines    | —      | 100.00 | —      | 100.00 |
| Rockwell Primaries Development Corporation  | Philippines    | —      | 100.00 | —      | 100.00 |
| Rockwell Hotels & Leisure Management Corporation  | Philippines    | —      | 100.00 | —      | 100.00 |
| Stonewell Property Development Corporation  | Philippines    | —      | 100.00 | —      | 100.00 |
| Primaries Properties Sales Specialist Inc.  | Philippines    | —      | 100.00 | —      | 100.00 |
| Rockwell Leisure Club, Inc. (Rockwell Club)   | Philippines    | —      | 76.23  | —      | 76.40  |
| Rockwell Primaries South Development Corporation  | Philippines    | —      | 100.00 | —      | 60.00  |
| Rockwell MFA Corp. (Rock MFA)   | Philippines    | —      | 80.00  | —      | 100.00 |
| Retailscapes, Inc.  | Philippines    | —      | 100.00 | —      | 100.00 |
| Rockwell Carmelray Development Corporation (RCDC)   | Philippines    | —      | 53.06  | —      | 52.30  |
| First Philippine Industrial Park, Inc. (FPIP)   | Philippines    | 70.00  | —      | 70.00  | —      |
| FPIP Property Developers and Management Corporation   | Philippines    | —      | 100.00 | —      | 100.00 |
| FPIP Utilities, Inc.  | Philippines    | —      | 100.00 | —      | 100.00 |
| Grand Batangas Resort Development, Inc.   | Philippines    | —      | 85.00  | —      | 85.00  |
| First Industrial Township, Inc. (FITI)  | Philippines    | —      | 100.00 | —      | 100.00 |
| First Industrial Township Water, Inc. (FITWI)   | Philippines    | —      | 100.00 | —      | 100.00 |
| First Batangas Hotel Corporation (FBHC)   | Philippines    | 57.70  | —      | —      | —      |
| <b>Construction</b>   |                |        |        |        |        |
| First Balfour, Inc. (First Balfour)   | Philippines    | 100.00 | —      | 100.00 | —      |
| Therma Prime Drilling Corporation (Therma Prime)  | Philippines    | —      | 100.00 | —      | 100.00 |
| Therma One Transport Corp.  | Philippines    | —      | 100.00 | —      | 100.00 |
| Torreverde Corp.  | Philippines    | —      | 100.00 | —      | 100.00 |
| First Balfour Management Technical Services, Inc.   | Philippines    | —      | 100.00 | —      | 100.00 |
| <b>Others</b>   |                |        |        |        |        |
| First Philippine Utilities Corporation (FPUC, formerly First Philippine Union Fenosa, Inc.) | Philippines    | 100.00 | —      | 100.00 | —      |
| Securities Transfer Services, Inc.  | Philippines    | 100.00 | —      | 100.00 | —      |
| FPH Capital Resources, Inc. (FCRI, formerly First Philippine Lending Corporation)           | Philippines    | 100.00 | —      | 100.00 | —      |
| FGHC International  | Cayman Islands | 100.00 | —      | 100.00 | —      |

|  |                |               |               |        |        |
|--|----------------|---------------|---------------|--------|--------|
| FPH Fund   | Cayman Islands | <b>100.00</b> | —             | 100.00 | —      |
| FPH Ventures   | Cayman Islands | —             | <b>100.00</b> | —      | 100.00 |
| FP Island Energy Corporation (FP Island)                           | Philippines    | <b>100.00</b> | —             | 100.00 | —      |
| First Industrial Science and Technology School Inc. (First School) | Philippines    | <b>100.00</b> | —             | 100.00 | —      |
| First Philippine Industrial Corporation (FPIC)                     | Philippines    | <b>100.00</b> | —             | 100.00 | —      |
| Asian Eye Institute  | Philippines    | <b>69.34</b>  | —             | 68.30  | —      |
| Pi Health Inc.   | Philippines    | <b>100.00</b> | —             | 100.00 | —      |
| Pi Energy Inc.   | Philippines    | <b>100.00</b> | —             | 100.00 | —      |
| FPH Pi Ventures, Inc.  | Philippines    | <b>100.00</b> | —             | 100.00 | —      |

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## 5. Cash and cash equivalents and short-term investments

|                           | September 30,<br>2020<br>(Unaudited) | December 31,<br>2019<br>(Audited) |
|---------------------------|--------------------------------------|-----------------------------------|
|                           | <i>(In Millions)</i>                 |                                   |
| Cash and cash equivalents | <b>₱55,161</b>                       | ₱38,148                           |
| Short-term investments    | <b>10,746</b>                        | 5,438                             |
|                           | <b>₱65,907</b>                       | <b>₱43,586</b>                    |

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents consist of short-term placements, which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term placement rates. Short-term investments are cash deposits with maturities of more than three months but less than one year.

Interest earned on cash and cash equivalents and short-term investments is recorded under “Finance income” account in the unaudited interim consolidated statements of income.

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## 6. Trade and other receivables

|  | September 30,<br>2020<br>(Unaudited) | December 31,<br>2019<br>(Audited) |
|--|--------------------------------------|-----------------------------------|
|  | <i>(In Millions)</i>                 |                                   |
| Trade receivables from:  |                                      |                                   |
| Sale of electricity  | <b>₱14,928</b>                       | ₱21,153                           |
| Real estate  | <b>8,100</b>                         | 4,249                             |
| Contracts and services   | <b>1,665</b>                         | 1,362                             |
| Sale of merchandise  | <b>529</b>                           | 631                               |
| Others   | <b>178</b>                           | 68                                |
| Due from related parties and advances to<br>officers and employees | <b>137</b>                           | 116                               |
| Others   | <b>528</b>                           | 2,077                             |
|  | <b>26,065</b>                        | 29,656                            |
| Less allowance for ECL   | <b>1,483</b>                         | 1,456                             |
|  | <b>₱24,582</b>                       | <b>₱28,200</b>                    |

## Aging of Trade and other receivables:

| September 30, 2020 (Unaudited) |          |                           |       |       |        |        |                |        |         |
|--------------------------------|----------|---------------------------|-------|-------|--------|--------|----------------|--------|---------|
|                                | Neither  | Past Due but not Impaired |       |       |        |        | Total Impaired | Total  |         |
|                                | Past Due | < 30                      | 30–60 | 61–90 | 91–120 | > 120  |                |        |         |
|                                | nor      |                           |       |       |        |        |                |        |         |
| Impaired                       | Days     | Days                      | Days  | Days  | Days   |        |                |        |         |
| (In Millions)                  |          |                           |       |       |        |        |                |        |         |
| Trade and other receivables    | ₱19,519  | ₱908                      | ₱6    | ₱16   | ₱1,347 | ₱2,786 | ₱5,063         | ₱1,483 | ₱26,065 |

| December 31, 2019 (Audited) |          |                           |       |       |        |        |        |          |         |
|-----------------------------|----------|---------------------------|-------|-------|--------|--------|--------|----------|---------|
|                             | Neither  | Past Due but not Impaired |       |       |        |        | Total  | Impaired | Total   |
|                             | Past Due |                           |       |       |        |        |        |          |         |
|                             | nor      | < 30                      | 30–60 | 61–90 | 91–120 | > 120  |        |          |         |
| Impaired                    | Days     | Days                      | Days  | Days  | Days   |        |        |          |         |
| (In Millions)               |          |                           |       |       |        |        |        |          |         |
| Trade and other receivables | ₱22,208  | ₱1,033                    | ₱7    | ₱18   | ₱1,532 | ₱3,402 | ₱5,992 | ₱1,456   | ₱29,656 |

## 7. Financial Assets at FVOCI

The Group's remaining interest in Meralco shares is 3.95% as at September 30, 2020 and December 31, 2019, which is classified as financial assets at fair value through other comprehensive income (FVOCI) in accordance to PFRS 9, *Financial Instruments*. Accordingly, the investment in Meralco is measured at fair value in the unaudited interim consolidated statements of financial position and any fair value changes are recognized directly in equity.

As at September 30, 2020 and December 31, 2019, the carrying amounts of the Group's investment in Meralco amounted to ₱12,053 million (valued at ₱271 per share) and ₱14,099 million (valued at ₱317 per share), respectively.

Dividend income from Meralco amounted to ₱671 million and ₱714 million for the nine months ended September 30, 2020 and 2019, respectively.

## 8. Trade Payables and Other Current Liabilities

|                | September 30,<br>2020<br>(Unaudited) | December 31,<br>2019<br>(Audited) |
|----------------|--------------------------------------|-----------------------------------|
| (In Millions)  |                                      |                                   |
| Trade payables | ₱16,344                              | ₱19,995                           |
| Accruals       | 7,095                                | 7,473                             |
| Output VAT     | 5,525                                | 5,308                             |

|   |                |                |
|---|----------------|----------------|
| Advanced payment from customers and members | 801            | 935            |
| Shortfall generation liability              | 742            | 1,679          |
| Current portion of customer's deposit       | 681            | 666            |
| Contract liabilities                        | 653            | 3,362          |
| Dividends payable                           | 357            | 2,890          |
| Lease liabilities                           | 270            | 747            |
| Current portion of retention payable        | 196            | 132            |
| Retirement liability                        | 146            | 125            |
| Due to related parties                      | 121            | 284            |
| Derivative liabilities                      | 74             | 22             |
| Others                                      | 1,813          | 1,359          |
|   | <b>₱34,818</b> | <b>₱44,977</b> |

## 9. Long-term Debts

|                                 | September 30, 2020<br>(Unaudited) |                 | December 31, 2019<br>(Audited) |                 |
|---------------------------------|-----------------------------------|-----------------|--------------------------------|-----------------|
|                                 | Current                           | Long-term       | Current                        | Long-term       |
|                                 | <i>(In Millions)</i>              |                 |                                |                 |
| Power Generation                | <b>₱21,174</b>                    | <b>₱76,054</b>  | ₱15,196                        | ₱82,128         |
| Real Estate Development         | <b>6,436</b>                      | <b>19,558</b>   | 5,878                          | 21,031          |
| FPH Parent                      | <b>3,298</b>                      | <b>9,998</b>    | 2,312                          | 3,553           |
| Construction and Other Services | <b>119</b>                        | <b>1,260</b>    | 306                            | 774             |
| Manufacturing                   | <b>41</b>                         | <b>14</b>       | 55                             | 41              |
|                                 | <b>₱31,068</b>                    | <b>₱106,884</b> | <b>₱23,747</b>                 | <b>₱107,527</b> |

## 10. Earnings Per Share Computation

The following table presents information necessary to compute earnings per share for the periods ended September 30, 2020 and 2019 :

|  | 2020<br>(Unaudited) | 2019<br>(Unaudited) |
|--|---------------------|---------------------|
| <i>(In Millions, Except Number of Shares and Per Share Data)</i> |                     |                     |
| Net income attributable to equity holders of the Parent          | <b>₱7,295</b>       | ₱9,610              |
| Less dividends on preferred shares                               | <b>50</b>           | 74                  |
| (a) Net income available to common shares                        | <b>₱7,245</b>       | ₱9,536              |

Number of shares:

|  |                    |              |
|--|--------------------|--------------|
| Common shares outstanding at beginning of period | <b>508,962,804</b> | 539,098,374  |
| Effect of common share buyback during the period | <b>(1,361,081)</b> | (19,793,022) |
| (b) Adjusted weighted average number of common   | <b>507,601,723</b> | 519,305,352  |

|  |                |                |
|--|----------------|----------------|
| shares outstanding - basic             |                |                |
| Basic/Diluted Earnings Per Share (a/b) | <b>₱14.274</b> | <b>₱18.363</b> |

## 11. Financial Risk Management Objectives and Policies

The Group has various financial instruments such as cash and cash equivalents, short-term investments, trade and other receivables, investments in equity securities, trade payables and other current liabilities which arise directly from its operations. The Group's principal financial liabilities consist of loans payable and long-term debts. The main purpose of these financial liabilities is to raise financing for the Group's growth and operations. The Group also enters into derivative and hedging transactions, primarily interest rate swaps, cross-currency swap and foreign currency forwards, as needed, for the sole purpose of managing the relevant financial risks that are associated with the Group's borrowing activities and as required by the lenders in certain cases.

The Group has an Enterprise-wide Risk Management Program which aims to identify risks based on the likelihood of occurrence and impact to the business, formulate risk management strategies, assess risk management capabilities and continuously monitor the risk management efforts. The main financial risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk, credit concentration risk, merchant risk, and equity price risk.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debts with floating interest rates. The Group policy is to manage interest cost through a mix of fixed and variable rate debt. On a regular basis, the finance team of the Group monitors the interest rate exposure and presents it to management by way of a compliance report. To manage the exposure to floating interest rates in a cost-efficient manner, the Group may consider prepayment, refinancing, or entering into derivative instruments as deemed necessary and feasible.

### Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

*Foreign Currency Risk with Respect to U.S. Dollar:* The Group, except First Gen group (excluding EDC and subsidiaries), FSRI, FPSC, First PV, FPNC, FGHC International, FPH Fund and Pi Ventures Inc., is exposed to foreign currency risk through cash and cash equivalents and short-term investments denominated in U.S. dollar. Any depreciation of the Philippine peso against the U.S. dollar posts foreign exchange gains relating to cash and cash equivalents and short-term investments.

To better manage the foreign exchange risk, stabilize cash flows, and further improve the investment and cash flow planning, the Group may consider derivative contracts and other hedging products as necessary. The U.S.dollar denominated monetary assets are translated to Philippine peso using the exchange rate of ₱48.50 to US\$1.00 and ₱50.64 to US\$1.00 as at September 30, 2020 and December 31, 2019, respectively.

#### Credit Risk

Credit risk is the risk that the Group will incur losses from customers, clients or counterparties that fail to discharge their contracted obligations. The Group manages credit risk by setting limits on the amount of risk the Group is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

*Credit Risk Exposure.* The table below shows the gross maximum exposure to credit risk of the Group as at:

|   | September 30,<br>2020<br>(Unaudited) | December 31,<br>2019<br>(Audited) |
|---|--------------------------------------|-----------------------------------|
|   | <i>(In Millions)</i>                 |                                   |
| <b>Accounted for as cash flow hedge</b> |                                      |                                   |
| Derivative assets                       | <b>₱4</b>                            | <b>₱49</b>                        |
| <b>Financial assets at FVPL</b>         |                                      |                                   |
| Designated as at FVPL                   | <b>2,519</b>                         | 1,562                             |
| <b>At amortized cost under PFRS 9</b>   |                                      |                                   |
| Cash and cash equivalents*              | <b>55,151</b>                        | 38,142                            |
| Short-term investments                  | <b>10,746</b>                        | 5,438                             |
| Trade and other receivables:            |                                      |                                   |
| Trade                                   | <b>23,917</b>                        | 26,007                            |
| Others                                  | <b>665</b>                           | 2,193                             |
| DSRA                                    | —                                    | 2,086                             |
| Long-term receivables                   | <b>204</b>                           | 215                               |
| Special deposits and funds              | <b>175</b>                           | 210                               |
| Refundable deposits                     | <b>106</b>                           | 107                               |
| Restricted cash                         | <b>15</b>                            | 15                                |
| <b>Financial assets at FVOCI</b>        |                                      |                                   |
| Quoted equity securities                | <b>12,062</b>                        | 14,185                            |
| Unquoted equity securities              | <b>386</b>                           | 327                               |
| Proprietary membership                  | <b>159</b>                           | 143                               |
| Quoted government debt securities       | <b>170</b>                           | 157                               |
| <b>Total credit exposure</b>            | <b>₱106,279</b>                      | <b>₱90,836</b>                    |

\* Excluding the Group's cash on hand amounting to ₱10 million and ₱6 million as at September 30, 2020 and December 31, 2019, respectively. The Group's deposit accounts in certain banks are covered by the Philippine Deposit Insurance Corporation insurance coverage.

The Group holds no significant collateral as security and there are no significant credit enhancements in respect of the above assets.



*Aging Analysis of Financial Assets.* The following tables show the Group's aging analysis of past due but not impaired financial assets as at September 30, 2020 and December 31, 2019:

| September 30, 2020 (Unaudited)                                 |  |                           |               |               |                |               |        |          |          |
|--|--|---------------------------|---------------|---------------|----------------|---------------|--------|----------|----------|
|  | Neither<br>Past Due<br>nor<br>Impaired | Past Due but not Impaired |               |               |                |               | Total  | Impaired | Total    |
|  |  | < 30<br>Days              | 30–60<br>Days | 61–90<br>Days | 91–120<br>Days | > 120<br>Days |        |          |          |
| (In Millions)  |  |                           |               |               |                |               |        |          |          |
| <b>Financial assets at<br/>amortized cost:</b>                 |  |                           |               |               |                |               |        |          |          |
| Cash and cash equivalents                                      | ₱55,161                                | ₱–                        | ₱–            | ₱–            | ₱–             | ₱–            | ₱–     | ₱–       | ₱55,161  |
| Short-term investments   | 10,746                                 | –                         | –             | –             | –              | –             | –      | –        | 10,746   |
| Trade and other<br>receivables                                 | 19,519                                 | 908                       | 6             | 16            | 1,347          | 2,786         | 5,063  | 1,483    | 26,065   |
| DSRA   | –                                      | –                         | –             | –             | –              | –             | –      | –        | –        |
| Special deposits and funds                                     | 175                                    | –                         | –             | –             | –              | –             | –      | –        | 175      |
| Long-term receivables  | 204                                    | –                         | –             | –             | –              | –             | –      | –        | 204      |
| Refundable deposits  | 106                                    | –                         | –             | –             | –              | –             | –      | –        | 106      |
| Restricted cash  | 15                                     | –                         | –             | –             | –              | –             | –      | –        | 15       |
| <b>Financial Assets at FVOCI</b>                               |  |                           |               |               |                |               |        |          |          |
| Quoted equity securities                                       | 12,062                                 | –                         | –             | –             | –              | –             | –      | –        | 12,062   |
| Unquoted equity securities                                     | 386                                    | –                         | –             | –             | –              | –             | –      | –        | 386      |
| Proprietary membership   | 159                                    | –                         | –             | –             | –              | –             | –      | –        | 159      |
| Quoted government debt<br>securities                           | 170                                    | –                         | –             | –             | –              | –             | –      | –        | 170      |
| <b>Financial assets at FVPL -</b>                              |  |                           |               |               |                |               |        |          |          |
| FVPL investments   | 2,519                                  | –                         | –             | –             | –              | –             | –      | –        | 2,519    |
| <b>Financial assets accounted<br/>for as cash flow hedge -</b> |  |                           |               |               |                |               |        |          |          |
| Derivative assets  | 4                                      | –                         | –             | –             | –              | –             | –      | –        | 4        |
|  | ₱101,226                               | ₱908                      | ₱6            | ₱16           | ₱1,347         | ₱2,786        | ₱5,063 | ₱1,483   | ₱107,772 |

| December 31, 2019 (Audited)                                    |  |                           |               |               |                |               |        |          |         |
|--|--|---------------------------|---------------|---------------|----------------|---------------|--------|----------|---------|
|  | Neither<br>Past Due<br>nor<br>Impaired | Past Due but not Impaired |               |               |                |               | Total  | Impaired | Total   |
|  |  | < 30<br>Days              | 30–60<br>Days | 61–90<br>Days | 91–120<br>Days | > 120<br>Days |        |          |         |
| (In Millions)  |  |                           |               |               |                |               |        |          |         |
| <b>Financial assets at<br/>amortized cost:</b>                 |  |                           |               |               |                |               |        |          |         |
| Cash and cash equivalents                                      | ₱38,148                                | ₱–                        | ₱–            | ₱–            | ₱–             | ₱–            | ₱–     | ₱–       | ₱38,148 |
| Short-term investments   | 5,438                                  | –                         | –             | –             | –              | –             | –      | –        | 5,438   |
| Trade and other<br>receivables                                 | 22,208                                 | 1,033                     | 7             | 18            | 1,532          | 3,402         | 5,992  | 1,456    | 29,656  |
| DSRA   | 2,086                                  | –                         | –             | –             | –              | –             | –      | –        | 2,086   |
| Special deposits and funds                                     | 210                                    | –                         | –             | –             | –              | –             | –      | –        | 210     |
| Long-term receivables  | 207                                    | –                         | –             | –             | –              | –             | –      | –        | 207     |
| Refundable deposits  | 107                                    | –                         | –             | –             | –              | –             | –      | –        | 107     |
| Restricted cash  | 15                                     |                           |               |               |                |               |        |          | 15      |
| <b>Financial Assets at FVOCI</b>                               |  |                           |               |               |                |               |        |          |         |
| Quoted equity securities                                       | 14,185                                 | –                         | –             | –             | –              | –             | –      | –        | 14,185  |
| Unquoted equity securities                                     | 327                                    | –                         | –             | –             | –              | –             | –      | –        | 327     |
| Quoted government debt<br>securities                           | 157                                    | –                         | –             | –             | –              | –             | –      | –        | 157     |
| Proprietary membership   | 143                                    | –                         | –             | –             | –              | –             | –      | –        | 143     |
| <b>Financial assets at FVPL -</b>                              |  |                           |               |               |                |               |        |          |         |
| FVPL investments   | 1,562                                  | –                         | –             | –             | –              | –             | –      | –        | 1,562   |
| <b>Financial assets accounted<br/>for as cash flow hedge -</b> |  |                           |               |               |                |               |        |          |         |
| Derivative assets  | 49                                     | –                         | –             | –             | –              | –             | –      | –        | 49      |
|  | ₱84,842                                | ₱1,033                    | ₱7            | ₱18           | ₱1,532         | ₱3,402        | ₱5,992 | ₱1,456   | ₱92,290 |

*Credit Quality of Neither Past Due Nor Impaired Financial Assets.* The payment history of the counterparties and their ability to settle their obligations are considered in evaluating credit quality. Financial assets are classified as “high grade” if the counterparties are not expected to default in settling their obligations, thus, credit exposure is minimal. These counterparties normally include banks, related parties and customers who pay on or before the due date. Financial assets are classified as “standard grade” if the counterparties settle their obligations to the Group with tolerable delays. Low grade accounts are accounts which have probability of impairment based on historical trends. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms.

As at September 30, 2020 and December 31, 2019, the financial assets categorized as neither past due nor impaired are viewed by management as high grade. Meanwhile, past due but not impaired financial assets are classified as standard grade.

#### Concentration of Credit Risk

The Group, through First Gen’s operating subsidiaries namely, FGP, FGPC and FNPC, earns a substantial portion of its revenues from Meralco. Meralco is committed to pay for the capacity and energy generated by the San Lorenzo and Santa Rita power plants under the existing long-term PPAs which are due to expire in September 2027 and August 2025, respectively. While the PPAs provide for the mechanisms by which certain costs and obligations including fuel costs, among others, are passed-through to Meralco or are otherwise recoverable from Meralco, it is the intention of First Gen, FGP and FGPC to ensure that the pass-through mechanisms, as provided for in their respective PPAs, are followed.

On June 26, 2018, the San Gabriel plant started delivering power to Meralco following the grant of an Interim Relief by the ERC for the implementation of the PSA between FNPC and Meralco. The PSA will expire on February 23, 2024 and can be extended upon mutual agreement of the parties.

EDC’s geothermal and power generation businesses trade with two major customers, namely NPC and National Transmission Corporation (TransCo). Any failure on the part of NPC and TransCo to pay its obligations to EDC would significantly affect EDC’s business operations.

The Group’s exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of the receivables from Meralco, in the case of FGP, FGPC and FNPC, and the receivables from NPC and TransCo, in the case of EDC.

The table below shows the risk exposure in respect to credit concentration of the Group as at September 30, 2020 and December 31, 2019 (amounts in millions).

|                                   | September 30,<br>2020<br>(Unaudited) | December 31,<br>2019<br>(Audited) |
|-----------------------------------|--------------------------------------|-----------------------------------|
|                                   | <i>(In Millions)</i>                 |                                   |
| Trade receivables from Meralco    | <b>₱5,882</b>                        | ₱9,793                            |
| Trade receivables from NPC        | <b>1,102</b>                         | 3,375                             |
| Total credit concentration risk   | <b>6,984</b>                         | 13,168                            |
| Total trade and other receivables | <b>₱24,582</b>                       | ₱28,200                           |
| Credit concentration percentage   | <b>28.4%</b>                         | 46.7%                             |

### Liquidity Risk

The Group's exposure to liquidity risk refers to lack of funding needed to finance its growth and capital expenditures, service its maturing loan obligations in a timely fashion, and meet its working capital requirements. To manage this exposure, the Group maintains internally generated funds and prudently manages the proceeds obtained from fundraising in the debt and equity markets. On a regular basis, the Group's Treasury Department monitors the available cash balances. The Group maintains a level of cash and cash equivalents deemed sufficient to finance the operations.

In addition, the Group has short-term investments and has available credit lines with certain banking institutions. Certain operating subsidiaries of First Gen maintain a DSRA to sustain the debt service requirements for the next payment period and had also secured an Standby Letter of Credit (SBLC) from investment grade SBLC providers in 2018 to fully fund their obligations under their respective financing agreements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses the financial market conditions for opportunities to pursue fund raising activities.

As at September 30, 2020 and December 31, 2019, 39% of the Group's debts, respectively, will mature in less than one year, based on the carrying value of borrowings reflected in the unaudited interim condensed consolidated financial statements.

The tables summarize the maturity profile of the Group's financial assets used for liquidity management and liabilities as at September 30, 2020 and December 31, 2019 based on contractual undiscounted receipts and payments.

|   | September 30, 2020 (Unaudited) |                       |                   |                   |                      |                |
|---|--------------------------------|-----------------------|-------------------|-------------------|----------------------|----------------|
|   | On<br>Demand                   | Less than<br>3 Months | 3 to 12<br>Months | > 1 to<br>5 Years | More than<br>5 Years | Total          |
|   | <i>(In Millions)</i>           |                       |                   |                   |                      |                |
| <b>Financial Assets at Amortized Cost</b> |                                |                       |                   |                   |                      |                |
| Cash and cash equivalents                 | <b>₱55,161</b>                 | <b>₱–</b>             | <b>₱–</b>         | <b>₱–</b>         | <b>₱–</b>            | <b>₱55,161</b> |
| Short-term investments                    | –                              | –                     | 10,746            | –                 | –                    | 10,746         |
| Trade receivables                         | 19,519                         | 908                   | 1,369             | 2,786             | –                    | 24,582         |
| Special deposits and funds                | –                              | –                     | –                 | 175               | –                    | 175            |
| Other current financial assets            | 2,644                          | –                     | –                 | –                 | –                    | 2,644          |
| Other noncurrent financial assets         | –                              | –                     | 379               | –                 | –                    | 379            |
|   | <b>77,324</b>                  | <b>908</b>            | <b>12,494</b>     | <b>2,961</b>      | <b>–</b>             | <b>93,687</b>  |
| <b>Financial assets at FVOCI</b>          |                                |                       |                   |                   |                      |                |
| Quoted equity securities                  | <b>₱12,062</b>                 | <b>₱–</b>             | <b>₱–</b>         | <b>₱–</b>         | <b>₱–</b>            | <b>₱12,062</b> |
| Unquoted equity securities                | 386                            | –                     | –                 | –                 | –                    | 386            |
| Proprietary membership                    | 159                            | –                     | –                 | –                 | –                    | 159            |

|                                   |               |   |   |   |   |               |
|-----------------------------------|---------------|---|---|---|---|---------------|
| Quoted government debt securities | 170           | – | – | – | – | 170           |
| <b>Financial assets at FVPL</b>   |               |   |   |   |   |               |
| FVPL investments                  | 2,519         | – | – | – | – | 2,519         |
|                                   | <b>15,296</b> | – | – | – | – | <b>15,296</b> |

**Financial Liabilities Carried  
at Amortized Cost**

|  |                |                |                |                |                |                 |
|--|----------------|----------------|----------------|----------------|----------------|-----------------|
| Loans payable                                | P–             | P–             | P2,076         | P–             | P–             | P2,076          |
| Trade payables and other current liabilities | 20,093         | 12,981         | 1,744          | –              | –              | 34,818          |
| Long-term debts, including current portion   | –              | 3,743          | 27,325         | 80,894         | 25,990         | 137,952         |
|  | <b>P20,093</b> | <b>P16,724</b> | <b>P31,145</b> | <b>P80,894</b> | <b>P25,990</b> | <b>P174,846</b> |

| December 31, 2019 (Audited)               |           |                    |                |                |                   |         |
|---|-----------|--------------------|----------------|----------------|-------------------|---------|
|   | On Demand | Less than 3 Months | 3 to 12 Months | > 1 to 5 Years | More than 5 Years | Total   |
| <i>(In Millions)</i>                      |           |                    |                |                |                   |         |
| <b>Financial Assets at Amortized Cost</b> |           |                    |                |                |                   |         |
| Cash and cash equivalents                 | P38,148   | P–                 | P–             | P–             | P–                | P38,148 |
| Short-term investments                    | –         | –                  | 5,438          | –              | –                 | 5,438   |
| Trade receivables                         | 22,208    | 1,033              | 1,557          | 3,402          | –                 | 28,200  |
| Special deposits and funds                | –         | –                  | –              | 210            | –                 | 210     |
| Other current financial assets            | 3,776     | –                  | –              | –              | –                 | 3,776   |
| Other noncurrent financial assets         | –         | –                  | 468            | –              | –                 | 468     |
|   | 64,132    | 1,033              | 7,463          | 3,612          | –                 | 76,240  |
| <b>Financial assets at FVOCI</b>          |           |                    |                |                |                   |         |
| Quoted equity securities                  | 14,185    | –                  | –              | –              | –                 | 14,185  |
| Unquoted equity securities                | 327       | –                  | –              | –              | –                 | 327     |
| Quoted government debt securities         | 157       | –                  | –              | –              | –                 | 157     |
| Proprietary membership                    | 143       | –                  | –              | –              | –                 | 143     |
| <b>Financial assets at FVPL</b>           |           |                    |                |                |                   |         |
| FVPL investments                          | 1,562     | –                  | –              | –              | –                 | 1,562   |
|   | 16,374    | –                  | –              | –              | –                 | 16,374  |

**Financial Liabilities Carried  
at Amortized Cost**

|  |                |                |                |                |                |                 |
|--|----------------|----------------|----------------|----------------|----------------|-----------------|
| Loans payable                                | P–             | P–             | P993           | P–             | P–             | P993            |
| Trade payables and other current liabilities | 19,453         | 25,524         | –              | –              | –              | 44,977          |
| Long-term debts, including current portion   | –              | 2,499          | 21,248         | 83,422         | 24,105         | 131,274         |
|  | <b>P19,453</b> | <b>P28,023</b> | <b>P22,241</b> | <b>P83,422</b> | <b>P24,105</b> | <b>P177,244</b> |

Merchant Risk

The Group, through First Gen, has a fully-merchant natural gas power plant, Avion, which is exposed to the volatility of spot prices because of supply and demand changes, which are mostly driven by factors that are outside of the First Gen group's control. These factors include (but are not limited to) unexpected outages, weather conditions, transmission constraints, and changes in fuel prices. These have caused and are expected to cause instability in the operating results of the Avion plant.

The Group plans to mitigate these risks by having a balanced portfolio of contracted and spot capacities. As of September 30, 2020 and December 31, 2019, the First Gen group is 95% and 90.0% contracted in terms of installed capacity, respectively.

Equity Price Risk

The Group's quoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment in equity securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Group's BOD reviews and approves material equity investment decisions.

The following table demonstrates the sensitivity to a reasonably possible change in share price, with all other variables held constant:

|                                 | Change in<br>Equity Price* | Effect on<br>Equity             |
|---------------------------------|----------------------------|---------------------------------|
| Investment in equity securities |                            |                                 |
| <b>September 30, 2020</b>       | <b>19%</b><br><b>(19%)</b> | <b>₱2,290</b><br><b>(2,290)</b> |
| December 31, 2019               | 19%<br>(19%)               | ₱2,673<br>(2,673)               |

\* The sensitivity analysis includes the Group's quoted equity securities with amounts adjusted by the specific beta for these investments as of reporting date.

### Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in business and 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, 2020 and December 31, 2019.

The Group monitors capital using a debt-to-equity ratio, which is total debt divided by total equity. The Group's practice is to keep the debt-to-equity ratio not more than 2.50:1.

|   | <b>September 30,<br/>2020<br/>(Unaudited)</b> | December 31,<br>2019<br>(Audited) |
|---|---|-----------------------------------|
|   | <i>(In Php Millions)</i>                      |                                   |
| Long-term debts (current and noncurrent portions)   | <b>₱137,952</b>                               | ₱131,274                          |
| Equity attributable to equity holders of the Parent | <b>107,054</b>                                | 104,600                           |
| Non-controlling interests                           | <b>79,104</b>                                 | 74,498                            |
| Total equity  | <b>₱186,158</b>                               | ₱179,098                          |
| Debt-to-equity ratio                                | <b>0.74:1</b>                                 | 0.73:1                            |

The Parent and certain subsidiaries are obligated to perform certain covenants with respect to maintaining specified debt-to-equity and minimum debt-service-coverage ratios, as set forth in their respective agreements with the creditors. As of September 30, 2020 and December 31, 2019, the Group is in compliance with those covenants.

## 12. Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments in the unaudited interim condensed consolidated financial statements as at September 30, 2020 and December 31, 2019.

|  | September 30, 2020 (Unaudited) |                 | December 31, 2019 (Audited) |                 |
|--|--------------------------------|-----------------|-----------------------------|-----------------|
|  | Carrying Value                 | Fair Value      | Carrying Value              | Fair Value      |
|  | <i>(In Millions)</i>           |                 |                             |                 |
| <b>Financial Assets</b>                                  |                                |                 |                             |                 |
| Derivative assets accounted for as cash flow hedges      | <b>P4</b>                      | <b>P4</b>       | <b>P49</b>                  | <b>P49</b>      |
| Designated at FVPL                                       | <b>2,519</b>                   | <b>2,519</b>    | 1,562                       | 1,562           |
|  | <b>2,523</b>                   | <b>2,523</b>    | 1,611                       | 1,611           |
| Financial assets at amortized cost:                      |                                |                 |                             |                 |
| Cash and cash equivalents                                | <b>55,161</b>                  | <b>55,161</b>   | 38,148                      | 38,148          |
| Short-term investments                                   | <b>10,746</b>                  | <b>10,746</b>   | 5,438                       | 5,438           |
| Trade and other receivables                              | <b>24,582</b>                  | <b>24,582</b>   | 28,200                      | 28,200          |
| DSRA   | —                              | —               | 2,086                       | 2,086           |
| Special deposits and funds                               | <b>175</b>                     | <b>175</b>      | 210                         | 210             |
| Long-term receivables                                    | <b>204</b>                     | <b>200</b>      | 215                         | 207             |
| Refundable deposits                                      | <b>106</b>                     | <b>106</b>      | 107                         | 107             |
| Restricted cash  | <b>15</b>                      | <b>15</b>       | 15                          | 15              |
| Total financial assets at amortized cost                 | <b>90,989</b>                  | <b>90,985</b>   | 74,419                      | 74,411          |
| Financial assets at FVOCI:                               |                                |                 |                             |                 |
| Equity securities  | <b>12,448</b>                  | <b>12,448</b>   | 14,512                      | 14,512          |
| Proprietary membership                                   | <b>159</b>                     | <b>159</b>      | 143                         | 143             |
| Debt securities  | <b>170</b>                     | <b>170</b>      | 157                         | 157             |
|  | <b>12,777</b>                  | <b>12,777</b>   | 14,812                      | 14,812          |
| <b>Total Financial Assets</b>                            | <b>P106,289</b>                | <b>P106,285</b> | <b>P90,842</b>              | <b>P90,834</b>  |
| <b>Financial Liabilities</b>                             |                                |                 |                             |                 |
| Financial liabilities carried at amortized cost:         |                                |                 |                             |                 |
| Loans payable  | <b>P2,076</b>                  | <b>P2,076</b>   | <b>P993</b>                 | <b>P993</b>     |
| Long-term debts, including current portion               | <b>137,952</b>                 | <b>137,952</b>  | 131,274                     | 131,274         |
| Retention payable  | <b>1,489</b>                   | <b>1,489</b>    | 1,223                       | 1,223           |
| Derivative liabilities accounted for as cash flow hedges | <b>765</b>                     | <b>765</b>      | 282                         | 282             |
| <b>Total Financial Liabilities</b>                       | <b>P142,282</b>                | <b>P142,282</b> | <b>P133,772</b>             | <b>P133,772</b> |

### Fair Value and Categories of Financial Instruments

The fair values of cash and cash equivalents, short-term investments, trade and other receivables, DSRA, restricted cash deposits, loans payable, trade payables, and other current liabilities approximate the carrying amounts at financial reporting date due to the short-term nature of the accounts.

### *Long-term Receivables*

The fair value of long-term receivables was computed by discounting the expected cash flow using the applicable rates of 2.06% and 3.58% as of September 30, 2020 and December 31, 2019, respectively.

### *Financial assets at FVOCI and FVPL*

Fair values of investment in equity securities and FVPL financial assets are based on quoted market prices as at financial reporting date. For equity instruments that are not quoted, the investments are carried at cost less allowance for impairment losses, if any, due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

### *Long Term Debts*

The fair values of long-term debts were computed by discounting the instruments expected future cash flows using the following prevailing rates as at September 30, 2020 and December 31, 2019:

|  |  | September 30,<br>2020<br>(Unaudited) | December 31,<br>2019<br>(Audited) |
|--|--|--------------------------------------|-----------------------------------|
| Long term Debt                             | Basis                                      |                                      |                                   |
| FGP and FGPC                               | Credit adjusted U.S. dollar interest rates | 0.24% to 0.28%                       | 1.46% to 1.77%                    |
| First Gen and FNPC                         | Credit adjusted U.S. dollar interest rates | 0.13% to 0.54%                       | 1.58% to 1.93%                    |
| EDC  | Applicable rates                           | 1.75% to 2.88%                       | 1.75% to 3.07%                    |
| Interest bearing loans<br>of Rockwell Land | BVAL interest rates                        | 0.98% to 3.88%                       | 3.10% to 5.20%                    |
| Installment payable<br>of Rockwell Land    | BVAL interest rates                        | 0.98% to 3.88%                       | 3.10% to 5.20%                    |

### Fair Value Hierarchy of Financial Assets and Liabilities

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: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

|   | September 30, 2020 (Unaudited) |                |                 | Fair Value       |
|---|--------------------------------|----------------|-----------------|------------------|
|   | Level 1                        | Level 2        | Level 3         |                  |
| Financial assets at amortized cost:   |                                |                |                 |                  |
| Long-term receivables   | P–                             | P–             | P200            | P200             |
| Financial assets at FVOCI:  |                                |                |                 |                  |
| Debt instruments  | 170                            | –              | –               | 170              |
| Equity instruments  | –                              | 12,448         | –               | 12,448           |
| Financial assets accounted for as cash flow<br>hedges - Derivative assets           | –                              | 4              | –               | 4                |
| Financial assets designated at FVPL   | 973                            | 1,546          | –               | 2,519            |
| <b>Total Financial Assets</b>   | <b>P1,143</b>                  | <b>P13,998</b> | <b>P200</b>     | <b>P15,341</b>   |
| Long-term debts   | P–                             | P–             | P137,952        | P137,952         |
| Financial liabilities accounted for as cash flow hedges -<br>Derivative liabilities | –                              | 776            | –               | 776              |
| <b>Total Financial Liabilities</b>  | <b>P–</b>                      | <b>P776</b>    | <b>P137,952</b> | <b>P 138,728</b> |

|  | December 31, 2019 (Audited) |                |                 |                 |
|--|-----------------------------|----------------|-----------------|-----------------|
|  | Level 1                     | Level 2        | Level 3         | Fair Value      |
| Financial assets at amortized cost:  |                             |                |                 |                 |
| Long-term receivables  | P–                          | P–             | P207            | P207            |
| Financial assets at FVOCI:   |                             |                |                 |                 |
| Debt instruments   | 157                         | –              | –               | 157             |
| Equity instruments   | –                           | 14,512         | –               | 14,512          |
| Financial assets accounted for as cash flow hedges - Derivative assets           | –                           | 49             | –               | 49              |
| Financial assets designated at FVPL  | 1,357                       | 205            | –               | 1,562           |
| <b>Total Financial Assets</b>  | <b>P1,514</b>               | <b>P14,766</b> | <b>P207</b>     | <b>P16,487</b>  |
| Long-term debts  | P–                          | P–             | P131,274        | P131,274        |
| Financial liabilities accounted for as cash flow hedges - Derivative liabilities | –                           | 282            | –               | 282             |
| <b>Total Financial Liabilities</b>   | <b>P–</b>                   | <b>P282</b>    | <b>P131,274</b> | <b>P131,556</b> |

As at September 30, 2020 and December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements and there were no transfers into and out of Level 3 fair value measurements.

#### Derivative Financial Instruments

The Group, through First Gen group, enters into derivative transactions such as interest rate swaps to hedge its interest rate risks arising from its floating rate borrowings, cross currency swap and foreign currency forwards to hedge the foreign exchange risk arising from its loans and payables. These derivatives (including embedded derivatives) are accounted for either as Derivatives not designated as accounting hedges or Derivatives designated as accounting hedges.

The table below shows the fair value of the Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as at September 30, 2020 and December 31, 2019 (amounts in millions). The notional amount is the basis upon which changes in the value of derivatives are measured.

|  | September 30, 2020 (Unaudited) |                        |                 | December 31, 2019 (Audited) |                        |                 |
|--|--------------------------------|------------------------|-----------------|-----------------------------|------------------------|-----------------|
|  | Derivative Assets              | Derivative Liabilities | Notional Amount | Derivative Assets           | Derivative Liabilities | Notional Amount |
| <b>Derivatives Designated as Accounting Hedges</b> |                                |                        |                 |                             |                        |                 |
| Freestanding derivatives:                          |                                |                        |                 |                             |                        |                 |
| Interest rate swaps                                | P–                             | P683                   | \$142           | P6                          | P260                   | \$191           |
| Forward contracts                                  | –                              | 2                      | €11             | –                           | –                      | –               |
| Call spread swaps                                  | 4                              | 80                     | \$115           | 43                          | 22                     | \$60            |
|  | 4                              | 765                    |                 | P49                         | P282                   |                 |
| Presented as:                                      |                                |                        |                 |                             |                        |                 |
| Current  | P4                             | P74                    |                 | P6                          | P22                    |                 |
| Noncurrent   | –                              | 691                    |                 | 43                          | 260                    |                 |
| <b>Total derivatives</b>                           | <b>P4</b>                      | <b>P765</b>            |                 | <b>P49</b>                  | <b>P282</b>            |                 |

#### Derivatives Designated as Accounting Hedges

The Group, through First Gen group, has interest rate swaps accounted for as cash flow hedges for its floating rate loans and cross-currency swaps accounted for as cash flow hedges of its Philippine peso and U.S. dollar denominated borrowings and Euro denominated payables, respectively. Under a cash flow hedge, the effective portion of changes in fair value of the



hedging instrument is recognized as cumulative translation adjustments in other comprehensive income (loss) until the hedged item affects earnings.

*Interest Rate Swaps (IRS) – FGP*

In April 2013, FGP entered into two IRS agreements with ING Bank and Standard Chartered Bank to hedge its floating rate exposure on \$80.0 million of its \$420.0 million term loan facility. Under the IRS agreements, FGP pays a fixed rate of 1.425% and receives a floating rate of U.S. LIBOR, on a semi-annual basis, simultaneous with the interest payments every June and December on the hedged loan.

In May 2013, FGP entered into another interest rate swap agreement with RCBC to hedge its floating rate exposure on another \$20.0 million of the \$420.0 million term loan facility. Under the interest rate swap agreement, FGP pays a fixed rate of 1.28% and receives a floating rate of U.S. LIBOR, on a semi-annual basis, simultaneous with the interest payment every June and December on the hedged loan. The notional amounts of interest rate swap is amortizing based on the repayment schedule of the hedged loan. The interest rate swaps were designated as cash flow hedges and matured on June 10, 2020.

On June 10, 2013, FGP designated the IRS as hedging instruments to hedge the variability in the cash flows from the Term Loan Facility, attributable to the movements of six-month U.S. LIBOR. The hedges are accounted for as cash flow hedges.

As at September 30, 2020 and December 31, 2019, the positive fair values of the interest rate swaps that were deferred to “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position amounted to nil and ₱34.0 million, net of related deferred income tax effect of ₱15.0 million, respectively.

There was no ineffective portion recognized in the unaudited interim consolidated statements of income for the periods ended September 30, 2020 and 2019.

The outstanding aggregate notional amount and the related cumulative mark-to-market gains of the interest rate swaps designated as cash flow hedges as of September 30, 2020 and December 31, 2019 are as follows:

|                                 | <b>September 30,<br/>2020<br/>(Unaudited)</b> | <b>December 31,<br/>2019<br/>(Audited)</b> |
|---------------------------------|---|--|
| Notional amount                 | \$—   | \$50,122                                   |
| Cumulative mark-to-market gains | —   | 115  |

The net movements in the fair value of interest rate swaps of FGP are as follows:

|  | <b>September 30,<br/>2020<br/>(Unaudited)</b> | <b>December 31,<br/>2019<br/>(Audited)</b> |
|--|---|--|
| Fair value at beginning of period                      | <b>₱6</b>                                     | <b>₱59</b>                                 |
| Fair value changes taken into equity during the period | —   | (17)                                       |

|   |           |           |
|---|-----------|-----------|
| Fair value changes realized during the period | (6)       | (36)      |
| Foreign exchange differences                  | —         | —         |
| Fair value at end of period                   | —         | 6         |
| Deferred tax effect on cash flow hedges       | —         | (2)       |
| Fair value deferred into equity               | <b>₱—</b> | <b>₱4</b> |

Fair value changes during the period, net of deferred income tax, are recorded in the unaudited interim consolidated statements of comprehensive income and under the “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position. The fair value changes realized during the period were taken into “Finance costs” account in the unaudited interim consolidated statements of income. This pertains to the net difference between the fixed interest paid/accrued and the floating interest received/accrued on the interest rate swap agreements as at financial reporting date.

For the nine months ended September 30, 2020 and 2019, fair value changes taken to the unaudited interim consolidated statements of income amounted to ₱4.9 million and ₱5.3 million, respectively.

#### *Foreign Currency Forwards - FGPC, FGP and FNPC*

On August 10, 2020, FGPC, FGP and FNPC entered into several currency forwards with ING Bank N.V. Manila Branch (ING) to purchase European Euro at fixed Euro to U.S. dollar exchange rates. FGPC, FGP and FNPC designated these derivatives as effective hedging instruments that will address the risk on variability of cash flows due to foreign exchange fluctuations in Euro to U.S. dollar exchange rates related to its Euro denominated liabilities arising from the monthly operations and maintenance fees to Siemens Power Operations, Inc. (SPOI).

Under the agreements, FGPC, FGP, FNPC are obligated to buy Euro from ING amounting to €7.4 million, €3.8 million and €2.1 million, respectively, based on the agreed strike exchange rates. The settlement of each of the forward contract was from September 2, 2020 up to February 2, 2021 which coincides with the settlement of the outstanding and forecasted monthly payables to SPOI.

As of September 30, 2020, the outstanding notional amount of the foreign currency forward contracts designated as cash flow hedges amounted to €11.0 million. As of September 30, 2020, the aggregate negative fair value of the foreign currency forward contracts that was deferred to “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position amounted to ₱1.94 million.

#### *Interest Rate Swap Contracts – EBWPC*

In the last quarter of 2014, EBWPC entered into four (4) IRS with an aggregate notional amount of \$150.0 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt Facility (Foreign Facility) that is benchmarked against U.S. LIBOR and with a flexible interest reset feature that allows EBWPC to select what interest reset frequency to apply. Under the IRS agreement, EBWPC will receive semi-annual interest of 6-month U.S. LIBOR and will pay fixed interest. EBWPC designated the IRS as hedging instruments in cash flow hedge against the interest rate risks arising from the Foreign Facility. In the first quarter of 2016, EBWPC entered into three (3) additional IRS with aggregate notional amount of \$30.0 million.

As of September 30, 2020 and December 31, 2019, the outstanding aggregate notional amount of EBWPC's IRS amounted to \$142.3 million. The aggregate negative fair value changes on these IRS amounted to ₱829.3 million and ₱447.0 million were recognized under "Cumulative translation adjustments" account in the unaudited interim consolidated statements of financial position as of September 30, 2020 and December 31, 2019, respectively,

#### *Call Spread Swap (CSS) - EDC*

In January 2018, EDC entered into two (2) additional CSS with an aggregate notional amount of \$10.0 million and another two (2) CSS in August 2018 with an aggregate notional amount of \$20.0 million. An additional two (2) CSS were entered by EDC in November 2018 with an aggregate amount of \$10.0 million. These derivative contracts are designated to hedge the possible foreign exchange loss of its \$181.0 million Notes.

In April 2020, EDC entered into five (5) derivative contracts with Barclays and ING with an aggregate notional amount of US\$50.0 million. These derivative contracts are designed to fully hedge possible foreign exchange loss of its newly acquired US\$50.0 million dollar loan with Mizuho Bank.

The aggregate fair value changes on these CSS contracts amounted to ₱48.5 million and ₱46.0 million as of September 30, 2020 and December 31, 2019, respectively.

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### **13. Events After the Financial Reporting Period**

#### FPH

##### *Dividend Declaration*

On November 5, 2020, the Parent Company's BOD approved the declaration of the following dividends:

- a. ₱13.75 per share cash dividend to all Series C Preferred shareholders of record as of November 20, 2020, payable on or before December 2, 2020, and
- b. ₱1 per share cash dividend to all common shareholders of record as of November 20, 2020, payable on or before December 15, 2020.

##### *Buyback Transaction*

On October 27, 2020, the FPH purchased 880,000 shares from the open market at ₱60.50 per share. As of October 27, 2020, a total of 105,103,645 shares have been bought under the program for a total cost of ₱7.01 billion.

##### *Election of Director*

On October 1, 2020, the FPH BOD has elected Mr. Miguel Ernesto L. Lopez as a Director of the Corporation and as a member of the following: the Compensation and Remuneration Committee and the Finance and Investment Committee.

### First Gen group

#### *FGEN Batangas LNG Terminal Project*

On October 6, 2020, the Parent Company and Tokyo Gas signed a Joint Cooperation Agreement (JCA) which represents the next phase of their joint development of FGEN LNG's Interim Offshore LNG Terminal (IOT Project). With the JCA, the parties transitioned from the development phase under the JDA which initially governed the parties relationship since December 5, 2018. The JCA is a preliminary agreement between the parties to jointly pursue the design, development, testing, commissioning, construction, ownership and operations and maintenance of the IOT Project. Upon reaching FID under the JCA, the parties will enter into a Definitive Agreement in respect of the IOT Project.

On the same date, FGEN LNG selected McConnell Dowell Philippines as the Preferred Tenderer in respect of the engineering, procurement and construction (EPC) of its IOT Project.

### Rockwell group

On October 29, 2020, the Philippine Competition Commission approved the joint venture to be funded by Rockwell Land Corporation and TGN Realty Corporation to develop a 3.6 hectare mixed-used community in Angeles, Pampanga.


**First Philippine Holdings Corporation**

QUARTERLY INTERIM REPORT

SEPTEMBER 30, 2020

**To Our Shareholders:**

For the period ended September 30 2020, First Philippine Holdings Corporation (FPH) posted an attributable Recurring Net Income (RNI) of ₱7.3 billion, a decline of ₱2.3 billion or 24% from last year's ₱9.6 billion due to the decline in operating income from all of FPH's business sectors, reflecting the financial impact of the community quarantine measures implemented in response to the COVID-19 pandemic. Net Income attributable to FPH also registered a decrease of ₱2.3 billion or 24%, from ₱9.6 billion to ₱7.3 billion, on account of the drop in RNI coupled with higher net non-recurring expenses that largely pertain to the Group's pandemic-related charges, offset by favorable foreign exchange and deferred income tax movements during the period.

**Financial Highlights**

|  | September 30 (Unaudited) |        |        |
|--|--------------------------|--------|--------|
| Results of Operations  | 2020                     | 2019   | Change |
| <i>(Php in Millions, except per share data)</i>                                    |                          |        |        |
| Revenues   | 79,023                   | 99,767 | -21%   |
| Consolidated Net Income  | 14,474                   | 18,067 | -20%   |
| Net Income Attributable to Equity  |                          |        |        |
| Holders of the Parent  | 7,295                    | 9,610  | -24%   |
| RNI Attributable to Equity Holders   |                          |        |        |
| of the Parent  | 7,337                    | 9,628  | -24%   |
| Earnings Per Share for Net Income Attributable to the Equity Holders of the Parent |                          |        |        |
| <i>Basic and Diluted</i>   | 14.274                   | 18.363 | -22%   |

|                               | 2020     | 2019    |        |
|-------------------------------|----------|---------|--------|
| Financial Position            | Sept. 30 | Dec. 31 | Change |
| <i>(Php in Millions)</i>      |          |         |        |
| Current Assets                | 136,583  | 118,524 | 15%    |
| Noncurrent Assets             | 242,351  | 253,806 | -5%    |
| Total Assets                  | 378,934  | 372,330 | 2%     |
| Current Liabilities           | 68,812   | 70,265  | -2%    |
| Noncurrent Liabilities        | 123,964  | 122,967 | 1%     |
| Equity Attributable to Equity |          |         |        |
| Holders of the Parent         | 107,054  | 104,600 | 2%     |
| Non-Controlling Interests     | 79,104   | 74,498  | 6%     |

Performance of significant subsidiaries:

First Gen's attributable RNI fell by ₱1.7 billion (US\$27 million) or 12% from last year's ₱11.3 billion (US\$217 million) to this year's ₱9.6 billion (US\$190 million) mainly due to lower recurring earnings contributions from the Pantabangan-Masiway (FG Hydro) and Avion plants caused by the drop in WESM prices following lower demand during the community quarantine period. These were further aggravated by the decline in income contribution from the San Gabriel gas plant caused by the decrease in capacity charges following its scheduled maintenance outage in January 2020, lower capacity fees during the enhanced community quarantine (ECQ) period and the expiration of its income tax holiday incentive beginning April 2020. The corresponding net income attributable to First Gen also decreased by ₱1.6 billion (US\$24 million) or 11% from last year's ₱11.5 billion (US\$220 million) to this year's ₱9.9 billion (US\$196 million) mainly resulting from the lower electricity sales partly tempered by higher non-recurring gains from favorable foreign exchange movements and receipt of insurance proceeds, partially reduced by one-off COVID-19 related expenses incurred this year.

Rockwell Land posted an attributable RNI of ₱807 million, down by ₱1.4 billion or 64% from last year's ₱2.2 billion. This mainly reflects the business interruptions brought about by the community quarantine, particularly from March to August, that caused (1) decline in sales bookings and construction completion of residential projects, (2) temporary closure and partial operations of hotel and mall operations, and (3) rental concessions given to tenants of commercial establishments. Rockwell Land also incurred higher finance costs arising from the new loans availed in the last quarter of 2019.

First Philippine Industrial Park registered an RNI of ₱101 million, lower by ₱40 million or 28%, from

last year's ₱141 million, mainly reflecting the absence of land sale this year coupled with the decline in revenues from water services and hotel operations, particularly during the ECQ period. These were further aggravated by higher finance charges incurred from recent loans.

First Balfour and Thermaprime reported a combined recurring net income of ₱63 million, down by ₱158 million or 71% from last year's ₱221 million due to lower margins following the suspension and slowdown of construction and geothermal well drilling works during the community quarantine period.

First Philec, Inc.'s recurring earnings for the period was also down by ₱73 million or 23%, from ₱324 million last year to ₱251 million this year, mainly resulting from the decline in transformer sales following the plant shutdown from mid-March to May, and partial operations in June, in compliance with the operating capacity restrictions implemented during the community quarantine period.

Declaration of Cash Dividends

On November 5, 2020, The Board of Directors approved the declarations of the following cash dividends:

(a) Cash dividends of ₱13.75 per preferred share in favor of Series "C" preferred stockholders of record as of November 20, 2020, payable on or before December 2, 2020, and;

(b) Cash dividends of ₱1.00 per common share in favor of common stockholders of record as of November 20, 2020, payable on or before December 15, 2020.

DocuSigned by:

FEDERICO R. LOPEZ

Chairman and Chief Executive Officer