



ANGELES ELECTRIC CORPORATION

(A corporation duly organized and existing
under and by virtue of the laws of the Philippines)

The Registration of Two Hundred One Million Six Hundred Eighty Thousand Six
Hundred Thirty-Two (201,680,632) Preferred Shares
with a Par Value of One Peso (₱1.00) per share; and

The Registration of One Billion One Hundred Seventy-Eight Million Four Hundred Forty-
Eight Thousand Four Hundred (1,178,448,400) Common Shares
with a Par Value of One Peso (₱1.00) per share; with

A Public Offering of Two Hundred Seven Million Twenty Thousand
(207,020,000) Primary Common Shares
at an Offer Price of Three Pesos and Forty-Two Centavos (₱3.42) per share

The Offer Shares shall NOT be listed on any Exchange
and may only be traded over-the-counter.

Sole Underwriter / Selling Agent / Receiving Agent



Financial Advisor to the Issuer



The date of this Prospectus is 23 October 2023.

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

Angeles Electric Corporation

Don Juan D. Nepomuceno Avenue cor.
Teresa Avenue, Nepo Mart Complex,
Angeles City, Pampanga, Philippines

This Prospectus pertains to (a) the registration of the Two Hundred One Million Six Hundred Eighty Thousand Six Hundred Thirty-Two (201,680,632) issued and outstanding **preferred** shares of Angeles Electric Corporation (“AEC” or the “Company”), with a par value of One Peso (₱1.00) per share; and (b) the registration of One Billion One Hundred Seventy-Eight Million Four Hundred Forty-Eight Thousand Four Hundred (1,178,448,400) **common** shares of AEC with a par value of One Peso (₱1.00) per share, of which:

- (a) A Public Offering is being made for Two Hundred Seven Million Twenty Thousand (207,020,000) Primary Common Shares (the “Offer Shares”) at an Offer Price of Three Pesos and Forty-Two Centavos (₱3.42) per share (the “Offer Price”); and
- (b) Nine Hundred Seventy-One Million Four Hundred Twenty-Eight Thousand Four Hundred (971,428,400) are the issued and outstanding common shares.

Upon conclusion of the Offer, the Company shall have a total outstanding capital stock comprised of Two Hundred One Million Six Hundred Eighty Thousand Six Hundred Thirty-Two (201,680,632) preferred shares and One Billion One Hundred Seventy-Eight Million Four Hundred Forty-Eight Thousand Four Hundred (1,178,448,400) common shares, duly registered with the Securities and Exchange Commission (“SEC”).

The aforementioned registration and public offering are being made in compliance with the public offering requirement under Section 43(t) of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (“EPIRA”), that "distribution utilities which are not publicly listed shall offer and sell to the public a portion not less than fifteen percent (15%) of their common shares of stock".

The entire Offer Shares shall be issued out of the unissued portion of the Company’s authorized common capital stock and, upon conclusion of the Offer, shall represent seventeen and six tenths percent (17.6%) of the Company's issued and outstanding common shares and fifteen percent (15%) of its total issued and outstanding capital stock.

The public offering of Two Hundred Seven Million Twenty Thousand (207,020,000) common shares shall be made through any of the modes of public offering enumerated in Section 3.1.17 of the Securities Regulation Code Implementing Rules and Regulations (“SRC-IRR”), pursuant to the Energy Regulatory Commission’s (“ERC”) Resolution No. 04, Series of 2019.

The Offer Shares shall **not** be listed on the Philippine Stock Exchange (“PSE”) or in any Exchange, and may only be traded over-the-counter.

The Offer Price of Three Pesos and Forty-Two Centavos (₱3.42) per share was determined through a fixed-price method wherein the Offer Price was recommended by the Financial Advisor, confirmed by the Sole Underwriter, and approved by the Company.

The Company expects to raise **gross** offer proceeds of Seven Hundred Eight Million Eight Thousand Four Hundred Pesos (₱708,008,400.00) and **estimated net** offer proceeds of Six Hundred Sixty-Nine Million Six Hundred Thirty-Five Thousand Seven Hundred Seventeen Pesos and Seventy-Six Centavos (₱669,635,717.76), which the Company has earmarked entirely to fund a portion of its capital expenditure projects over the next two (2) years to enable AEC to provide continuous and reliable service to its customers, especially in light of its forecasted growth. For a more detailed discussion on the use of proceeds from the Offer, see the “*Use of Proceeds*” of this Prospectus.

The Offer Shares shall be offered to the public through the Company’s Corporate Secretary (in his capacity as the Official Registrar of Stockholders) or the Sole Underwriter / Selling Agent. The Sole Underwriter has committed to fully underwrite the Offer on a firm basis. The Sole Underwriter and the Financial Advisor shall receive a total fee equivalent to 3% of the total gross offer proceeds or Twenty-One Million Two Hundred Forty Thousand Two Hundred Fifty-Two Pesos (₱21,240,252.00) subject to applicable taxes and exclusive of out-of-pocket expenses. For a more detailed discussion on the role of the Underwriter, the involvement of the Financial Advisor and the fees to be received by them, see “*Plan of Distribution*” of this Prospectus.

The entire amount of the Offer Shares shall be available for subscription and purchase by any Eligible Investor, *i.e.*, any natural person of legal age and a Philippine national or any domestic corporation, association, or partnership. In the case of domestic corporations and associations, 60% of its total voting shares and total outstanding capital stock must be owned and held by Filipinos.

All of the shares to be issued and sold pursuant to the Offer shall have identical rights and privileges.

The Company’s Board of Directors is authorized to declare cash or stock dividends. In the case of the latter, the approval of the stockholders representing 2/3 of the outstanding capital stock of AEC shall be required. The Company has adopted a dividend policy pursuant to which the stockholders of AEC may be entitled to receive, upon declaration by the Board of Directors, dividends equivalent to approximately 15%-25% of the prior year’s net income after tax, subject to the availability of unrestricted retained earnings.

The Company cannot provide assurance that it will pay any dividends in the future. In making a decision to declare dividends, the Board may consider various factors including the Company's cash, return on equity, retained earnings, and the Company's overall financial condition at the end of the year, and such other factors as the Board may deem appropriate. The Company's Board may, at any time, modify such dividend policy depending on the results of operations and future projects and plans of the Company. For a more detailed discussion of the Company's dividend policy, see "*Dividend Policy*" of this Prospectus.

Before making an investment decision, investors are advised to carefully consider the risks associated with an investment in the Offer Shares. These risks include (i) risks related to the Company and industry such as franchise risk, operational risk, and limitations of a distribution utility; regulatory risk; risk of exposure to the volatile price of electricity; risk to power purchase contracting; risk on subtransmission lines; leases risk; risk on information technology systems; risk of human resources and skills stagnation; capitalization requirements; collection risk; retail competition and open access (ii) risks related to the Philippines such as fluctuations in the Philippine economy and the easing restrictions against foreign nationals, and (iii) risks related to the shares such as risks relating to the share price and future sales of Offer shares. For a more detailed discussion of the risks involved in an investment in the Offer Shares, see "*Risk Factors*" of this Prospectus.

Unless otherwise stated, all information contained in this Prospectus has been supplied by the Company. The Company, through its Board of Directors, having made reasonable inquiries and care in the preparation of this Prospectus, accepts full responsibility for all information contained herein and confirms that: (i) this Prospectus contains all material information with regard to the Company, its business and operations, and the Offer Shares; (ii) to the best of its knowledge and belief, the information contained in this Prospectus are true and correct and are not misleading in any material respect; (iii) the opinions and intentions expressed herein are true and honest; (iv) there are no other facts, the omission of which makes this Prospectus, in whole or in part, misleading in any material respect.

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

The Sole Underwriter warrants that it has, to the best of its ability, exercised the level of due diligence required under existing regulations in ascertaining that all material information contained in this Prospectus is true and correct and that no material information was omitted that was necessary in order to make the statements contained herein not misleading. Except for its failure to exercise the required due diligence, the Sole Underwriter assumes no responsibility for any information supplied by the Company in relation to this Prospectus.

The Offer Shares are offered solely on the basis of the information and representations made in this Prospectus. No dealer, salesman, or other person has been authorized by the Company or the Sole Underwriter to issue any advertisement, give any information, or make any representation in connection with the Offer other than those contained in this Prospectus and, if issued, given, or made, such advertisement, information, or representation must not be relied upon as having been authorized by the Company or the Sole Underwriter.

The contents of this Prospectus do not constitute investment, legal, or tax advice. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of the Company and the terms of the Offer, including, but not limited to, the merits and risks involved, the prospective investor's own determination of the suitability of any such investment with particular reference to his or its own investment objectives and experience, and any other factors which may be relevant to the decision to invest in the Offer Shares. Prospective investors should be aware that they may be required to bear the financial risks of any participation in the Offering. They should also consult their own independent counsel, accountant, and other advisors as to the legal, tax, business, financial, and other related aspects of a purchase of the Offer Shares, among others.

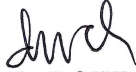
This Prospectus includes forward-looking statements based largely on the Company's current expectations and projections about future events and financial trends affecting its business. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Actual results could substantially differ from those anticipated in the Company's forward-looking statements.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE THEREBY, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION OF AN OFFER TO BUY.

The Company is organized under and by virtue of the laws of the Republic of the Philippines, with principal office address at Don Juan D. Nepomuceno Avenue cor. Teresa Avenue, Nepo Mart Complex, Angeles City, Pampanga, Philippines, with telephone no. (045) 888-2888 and e-mail address at otp_angeles@angeleselectric.com.ph. Any inquiries regarding this Prospectus should

be addressed to Ms. Cristina Arboleda at her e-mail address at cristie.arboleda@angeleselectric.com.ph.

By:



ANGELES ELECTRIC CORPORATION

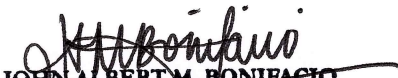
Represented by:

Maria Rita Josefina V. Chua

President

SUBSCRIBED AND SWORN to before me this 23 day of OCT 2023 in PASIG CITY City, Philippines, affiant exhibiting to me her Philippine Passport with Number P2394517B valid until June 30, 2029.

Doc. No. 417 ;
Page No. 8 ;
Book No. 7 ;
Series of 2023.



JOHN ALBERT M. BONIFACIO
NOTARY PUBLIC
FOR AND IN THE CITY OF PASIG AND SAN JUAN
AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2023
PTR NO. 0173108; 01/06/2023; PASIG CITY
IBP NO. 260961; 01/05/2023; RIZAL (RSM)
MCLE COMPLIANCE NO. VII-0018257; 4/14/2025
ROLL NO. 73150/APPOINTMENT NO. 80 (2022-2023)
21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.
1605 Ortigas Center, Pasig City

TABLE OF CONTENTS

GLOSSARY OF TERMS.....	2
EXECUTIVE SUMMARY	5
SUMMARY OF THE OFFER	8
SUMMARY OF FINANCIAL INFORMATION	14
RISK FACTORS	17
USE OF PROCEEDS.....	26
PLAN OF DISTRIBUTION	29
DIVIDENDS AND DIVIDEND POLICY.....	35
DETERMINATION OF OFFER PRICE	38
CAPITALIZATION AND INDEBTEDNESS.....	39
DILUTION	40
SELECTED HISTORICAL	42
FINANCIAL AND OPERATING INFORMATION.....	42
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS	46
THE BUSINESS.....	77
THE INDUSTRY.....	116
REGULATORY FRAMEWORK.....	123
BOARD OF DIRECTORS AND EXECUTIVE OFFICERS	133
SIGNIFICANT EMPLOYEES	146
FAMILY RELATIONSHIP	149
EXECUTIVE COMPENSATION.....	150
PRINCIPAL STOCKHOLDERS.....	153
RELATED PARTY TRANSACTIONS.....	155
DESCRIPTION OF THE SHARES.....	156
PHILIPPINE TAXATION	166
LEGAL MATTERS.....	169
INDEPENDENT AUDITORS.....	170

GLOSSARY OF TERMS

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

Application	An Application to Purchase a specified number of the Offer Shares which, when accepted and approved by the Company shall constitute a valid purchase agreement between the Applicant and the Company for the subscription for or purchase of such number of Offer Shares as approved and at the time, in the manner, and subject to the terms and conditions set forth in the Application and in this Prospectus
Applicant	means any person, natural or juridical, that duly accomplishes and submits an Application, together with all the requirements set forth therein
Company or Corporation	Angeles Electric Corporation (“AEC”)
Common Shares	refers to the common shares of the Corporation with complete voting rights and a par value of One Peso (₱1.00) per share
DOE	Department of Energy
Distribution Utility	An electric cooperative, private corporation, government-owned utility or existing local government unit, that has an exclusive franchise to operate a Distribution System in accordance with the EPIRA
EPIRA	Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act
ERC	Energy Regulatory Commission
Financial Advisor to the Issuer	IGC Securities Inc. (“IGC”)
Issuer	AEC
kV	Kilovolt equal to 1,000 volts
kW	Kilowatt is equivalent to 1,000 watts and is commonly used in the power business when describing generation or load consumption.

kWh	Kilowatt-hour is the energy delivered by 1 kilowatt of power for 1 hour.
MW	Megawatt is equivalent to 1,000,000 watts and is commonly used in the power business when describing generation or load consumption.
MVA	Megavolt-Amperes is the unit used to measure the apparent power in a circuit. It is a product of the voltage and current in a circuit. In simple terms, it is the amount of power that a transformer can handle.
MWh	Megawatt hour is equal to 1,000 kilowatts of electricity generated per hour.
NGCP	<p>The National Grid Corporation of the Philippines is the transmission service provider in charge of operating, maintaining, and developing the country's state-owned power grid, controlling the supply and demand of power by determining the power mix through the selection of power plants to put online (i.e., to signal power plants to produce power, as power plants will only produce power or feed their power to the transmission grid when directed by NGCP), and updates the daily power situation outlook for Luzon, Visayas, and Mindanao power grids.</p> <p>It must provide non-discriminatory access to its transmission system. It is subject to the standards set by the Philippine Grid Code and the Transmission.</p>
Offer Shares	Two Hundred Seven Million Twenty Thousand (207,020,000) primary common shares of AEC
Offer Price	Three Pesos and Forty-Two centavos (₱3.42) per share
Offer Period	Unless the Registration Statement is approved by the SEC sooner than forty-five (45) days from the filing thereof, shall be from 08 January 2024, 9 a.m. to 12 January 2024 at 12 noon.
Official Registrar of the Company	shall be the Corporate Secretary of AEC

Peso or ₱	Philippine Currency
Performance Based Rate Setting Methodology (“PBR”)	The methodology used in setting the maximum distribution rates that may be charged by the private distribution utilities.
Power Sector Assets and Liabilities Management Corporation (“PSALM”)	A wholly-owned and controlled government entity tasked to manage the orderly sale and privatization of all existing generation assets of the National Power Corp. (“NPC”), as mandated by the EPIRA.
Power Supply Agreement (“PSA”)	A bilateral agreement between a generation company and a distribution utility for the purchase and supply of power.
Prospectus	means the offering circular or memorandum dated 23 October 2023 filed by the Company with the SEC and circulated in connection with the public offering of the Offer Shares, as amended and supplemented (if applicable)
Receiving Agent for and on behalf of the Issuer	Penta Capital & Investment Corporation
SEC	Securities and Exchange Commission
Selling Agent	Penta Capital and Investment Corporation
Sole Underwriter	Penta Capital and Investment Corporation
AEC	Angeles Electric Corporation
Underwriting Agreement	pertains to the draft Underwriting Agreement between Angeles Electric Corporation and Penta Capital & Investment Corporation to be executed upon the effectivity of the Registration Statement, pursuant to the Mandate Letter dated 19 September 2023 signed in counterparts by the parties
Wholesale Electricity Spot Market (“WESM”)	Is a centralized venue for buyers and sellers to trade electricity as a commodity, where prices are determined based on actual demand and availability of supply

EXECUTIVE SUMMARY

The following summary is subject to more detailed information presented in this Prospectus. It does not contain all the information that a prospective investor should consider before investing in the Company's securities. We encourage prospective investors to read this Prospectus in its entirety, paying particular attention to the "Risk Factors" of investing as well as the Company's audited financial statements.

COMPANY BACKGROUND

Angeles Electric Corporation ("AEC") is a domestic corporation duly organized under and by virtue of the laws of the Republic of the Philippines. AEC received its franchise to operate as a private electric distribution utility to serve the electric power requirements of Angeles City for a period of twenty-five (25) years under Republic Act No. 2341 on 20 June 1959, which was later amended by Republic Act No. 4079 on 18 June 1964, extending the franchise period to fifty (50) years until 2009. Currently, AEC is operating under Republic Act No. 9381 which extended AEC's franchise period for another twenty-five (25) years.

PRODUCTS AND MARKETS

AEC emerged from a crippling pandemic and celebrated its 100th anniversary showing its resilience amidst the challenges of running a power distribution utility while facing head-on the changes in the Philippine power industry.

Initially, the Company's market was mostly residential. Through the years, as its franchise area developed from a town to a city, its market was likewise transformed into a mix of residential, commercial, and industrial consumers.

As of June 2023, AEC distributes electricity to one hundred thirty-three thousand eight hundred forty-one (133,841) customers from five (5) different customer classes namely: Residential, Commercial, Industrial, Streetlights and Contestable. AEC's energy sales for the period ending 30 June 2023 is 346,937 MWh.

COMPETITIVE STRENGTHS

- Captured Market
- Constant Increase in Energy Load and Demand
- Highly Capable Management Team and Workforce
- Reliable and Efficient System Capacity
- Maintaining System Loss Within the Regulated Cap
- Strategically Located Substation and Subtransmission Facilities

KEY STRATEGIES OF THE BUSINESS

- Align Structure and Staffing and Enhance Workforce Competencies
- Reinforce Organizational Values and Develop a Results and Performance-based Culture
- Improve Customer Account Management and Provide a Satisfying Customer Experience
- Enhance Business Processes through Technology-based Solutions
- Maintain an Adaptive Business Approach
- Ensure Financial Viability and Maintain Profitability

FUTURE PLANS AND PROJECTS

- Construction of 69 KV Subtransmission lines to connect NGCP Porac Substation to AEC's Pampang and Nepo Center Substations
- Construction of Pulung Cacadud 50 MVA Substation
- Removal, relocation and reconfiguration of AEC facilities affected by the proposed DOTR Malolos – Clark Railway Project (“MCRP”)

RISKS OF INVESTING AND OTHER STRATEGIC ISSUES

- **Risks Related to the Company and Industry**
 - Franchise Risk, Operational Risk and Limitations of a Distribution Utility
 - Regulatory Risk
 - Risk of Exposure to Volatile Price of Electricity
 - Risk to Power Purchase Contracting
 - Risk on Subtransmission Lines
 - Leases Risk
 - Risk on Information Technology Systems
 - Risk of Human Resources and Skills Stagnation
 - Capitalization Requirements
 - Collection Risk
 - Retail Competition and Open Access
- **Risks Related to the Philippines**
 - Fluctuations in the Philippine Economy
 - Easing Restrictions Against Foreign Nationals
- **Risks Related to the Offer Shares**
 - Risks Relating to AEC Share Price
 - Future Sales of AEC Offer Shares

COMPANY INFORMATION

The Company's principal office is located at Don Juan D. Nepomuceno Avenue cor. Teresa Avenue, Nepo Mart Complex, Angeles City, Pampanga, Philippines, with telephone no. (045) 888-2888 and e-mail address at otp_angeles@angeleselectric.com.ph.

INVESTOR RELATIONS OFFICE

The Company's Investor Relations Office ("IRO") shall be tasked with the dissemination of accurate, timely, and comprehensive economic information to enable investors to make investment recommendations and decisions. The IRO shall also be responsible for receiving and responding to investors' and shareholders' queries.

The Company's IRO is Atty. Russel S. Alabado who can be reached at (02) 8636-6491 or through electronic mail at rsa@angeleselectric.com.ph

SUMMARY OF THE OFFER	
Issuer	Angeles Electric Corporation
Sole Underwriter	Penta Capital & Investment Corporation
Financial Advisor to the Issuer	IGC Securities Inc.
Selling Agent	Penta Capital & Investment Corporation
Other Distribution	AEC's Corporate Secretary (in his capacity as Official Registrar of Stockholders)
Receiving Agent for and on behalf of the Issuer	Penta Capital & Investment Corporation
Independent Auditor	P&A Grant Thornton
Legal Counsel to Issuer	Villanueva Gabionza & Dy Law Offices
Legal Counsel to the Sole Underwriter	Atty. R. John Christopher Jimenez Salom
The Offer	Two Hundred Seven Million Twenty Thousand (207,020,000) primary common shares of AEC or seventeen and six-tenths percent (17.6%) of the Corporation's post-offer issued and outstanding common shares.
Offer Price	Three Pesos and Forty-Two Centavos (₱3.42) per share
Offer Period	Unless the Registration Statement is approved by the SEC sooner than forty-five (45) days from the filing thereof, the Offer Period shall commence on 08 January 2024 at 9 a.m. and end on 12 January 2024 at 12 noon.
Plan of Distribution	The Offer Shares shall be offered to the public through the Company's Corporate Secretary (in his capacity as the Official Registrar of Stockholders) or the Sole Underwriter/ Selling Agent.

	<p>The Sole Underwriter has committed to fully underwrite the Offer on a firm basis.</p> <p>For a more detailed discussion, see “<i>Plan of Distribution</i>” of this Prospectus.</p>
<p>Eligible Investors and Restrictions on Foreign Ownership</p>	<p>The entire Offer Shares shall be available for subscription and purchase by any Eligible Investor, <i>i.e.</i>, any natural person of legal age and a Philippine national or any domestic corporation, association, or partnership. In the case of domestic corporations and associations, 60% of its total voting shares and total outstanding capital stock must be owned and held by Filipinos.</p> <p>The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in nationalized or partly nationalized activities, including land ownership.</p> <p>As a public utility company and a corporation that owns land, the Company is required by law to limit foreign ownership in the Company to a maximum of 40% of its outstanding capital stock.</p>
<p>Use of Proceeds</p>	<p>The estimated net offer proceeds of Six Hundred Sixty-Nine Million Six Hundred Thirty-Five Thousand Seven Hundred Seventeen Pesos and Seventy-Six Centavos (₱669,635,717.76) shall be used entirely to fund a portion of the Company’s capital expenditure projects over the next two (2) years.</p> <p>See “<i>Use of Proceeds</i>” of this Prospectus for additional details on how the total net proceeds shall be applied.</p>
<p>Minimum and Maximum Subscription</p>	<p>The minimum subscription shall be Thirty Thousand (30,000) shares for</p>

	<p>individuals and Fifteen Million (15,000,000.00) shares for corporations, associations, and partnerships.</p> <p>The maximum subscription shall be Three Million (3,000,000) shares for individuals and Fifty Million (50,000,000) shares for corporations, associations, and partnerships.</p> <p>For a more detailed discussion, see “<i>Plan of Distribution</i>” of this Prospectus.</p>
Tax Considerations	<p>See “<i>Philippine Taxation</i>” of this Prospectus for more information on the Philippine tax consequences of the purchase, ownership, and disposal of the Offer Shares.</p>
Lock-Up Period and Selling or Transfer Restrictions	<p>Shareholders who own an equivalent of at least 10% of the issued and outstanding common shares of the Company as of the Issue Date cannot sell, assign or in any manner dispose of their shares for a period of one hundred eighty (180) days after the Issue Date.</p>
Registration	<p>The Company filed an application with the SEC for: (a) the registration of Two Hundred One Million Six Hundred Eighty Thousand Six Hundred Thirty-Two (201,680,632) issued and outstanding <u>preferred</u> shares of AEC, with a par value of One Peso (₱1.00) per share and (b) the registration of One Billion One Hundred Seventy-Eight Million Four Hundred Forty-Eight Thousand Four Hundred (1,178,448,400) <u>common</u> shares of AEC with a par value of One Peso (₱1.00) per share on 23 October 2023.</p>

<p>Dividends</p>	<p>The Company has adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company's Board of Directors, dividends equivalent to approximately 15%-25% of the prior year's net income after tax based on the Company's audited financial statements, subject to the availability of unrestricted retained earnings and except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserves for probable contingencies.</p> <p>For a more detailed discussion, see "<i>Dividends and Dividend Policy</i>" of this Prospectus.</p>
<p>Subscription Procedures and Right to Accept, Reject/Scale Down Applications</p>	<p>All Applications to purchase or subscribe to the Offer Shares must be evidenced by a completed application form accomplished by the Applicant or his/her duly authorized representative.</p> <p>The actual number of Offer Shares that an Applicant will be allowed to purchase shall be subject to the confirmation of the Company.</p> <p>The Company, by itself or through the Sole Underwriter, shall have the unrestricted and unqualified right to accept or reject, in whole or in part, any application to subscribe for or purchase any specified number of Offer Shares,</p>

	<p>or to scale down the number of Offer Shares for which such application is made.</p> <p>An Application, once expressly accepted and approved by the Company shall constitute a valid purchase agreement between the Applicant and the Company for the subscription for or purchase of such number of Offer Shares as approved and at the time, in the manner, and subject to the terms and conditions set forth in the Application and in this Prospectus.</p> <p>For a more detailed discussion, see "<i>Plan of Distribution</i>" of this Prospectus</p>
Payment Terms for the Offer	<p>Payments for the Offer Shares shall be payable in full in Philippine currency by local personal or corporate check, a manager's check, or a cashier's check drawn against a bank authorized by the Bangko Sentral ng Pilipinas, and all such checks must be made payable to the order of "ANGELES ELECTRIC CORPORATION" and crossed for deposit to "Payee's Account Only" and dated as of the date of the Application.</p> <p>Any payment received pursuant to the Application should not be construed as an approval or acceptance by the Company of the Application.</p>
Lodgement and Issuance of Stock Certificates	<p>All of the Offer Shares shall be lodged with the Corporate Secretary as the Official Registrar of Stockholders of the Company.</p> <p>Stock certificates for the Offer Shares covered by the fully or partially accepted applications shall be issued by the Corporate Secretary of the Company.</p>
Refunds	In case of refunds, the Company shall

	<p>make the refund checks available for pickup at the Sole Underwriter's office or Corporate Secretary's office five (5) banking days after the end of the Offer Period.</p> <p>Refund checks that remain unclaimed after 60 days from the date such checks are made available for pickup shall be mailed at the Applicant's risk to the address specified by the applicant in the Application.</p>	
<p>Expected Timetable of AEC Public Offering</p>	<p>Filing of AEC Registration Statement with SEC</p>	<p>23 October 2023</p>
	<p>Issuance of the Order of Effectivity of the Registration Statement by the SEC</p>	
	<p>Start of the Offer Period</p>	<p>08 January 2024, 9 a.m.</p>
	<p>End of the Offer Period</p>	<p>12 January 2024, 12 noon.</p>
	<p>Filing of the Written Notice of Completion of the Offering to the SEC</p>	
	<p>Issue Date</p>	

SUMMARY OF FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from the Company's Audited Financial Statements for the six (6) months ended 30 June 2023, and for the years ended 31 December 2022, 2021 and 2020, and should be read in conjunction with the financial statements and notes thereto, as well as the Section entitled "*Management's Discussion and Analysis of Financial Conditions*" of this Prospectus.

The aforementioned financial statements of the Company were all audited by P&A Grant Thornton in accordance with the Philippine Financial Reporting Standards.

The amounts stated hereunder shall be understood to be in Philippine Pesos. The differences in decimal numbers are due to rounding off.

STATEMENTS OF FINANCIAL POSITION				
	As of 30 June	As of December 31		
	2023	2022	2021	2020
ASSETS				
Non-Current Assets				
Property, Plant and Equipment – Net	1,712,363,144	1,669,076,101	1,634,585,179	1,588,152,571
Right-of-use Assets – Net	33,305,122	37,041,810	36,968,197	44,467,816
Deferred Tax Assets - Net	133,879,495	129,675,371	100,605,015	128,118,864
Retirement Benefit Asset - Net	10,318,189	2,647,837	6,391,314	-
Trade receivables	-	-	-	110,687,488
Other Non-Current Assets	16,660,685	8,310,421	84,023,806	60,549,868
Total Non-Current Assets	1,906,526,635	1,846,751,540	1,862,573,511	1,931,976,607
Current Assets				
Cash and Cash Equivalents	1,513,721,003	1,704,845,900	906,973,046	1,028,237,141
Short-term investments	-	-	360,149,619	-
Trade and Other Receivables – Net	935,072,648	1,049,041,221	879,911,664	862,914,294
Prepayments and other current assets	321,090,288	253,686,946	249,061,016	244,490,051
Total Current Assets	2,769,883,939	3,007,574,067	2,396,095,345	2,135,641,486
TOTAL ASSETS	<u>4,676,410,574</u>	<u>4,854,325,607</u>	<u>4,258,668,856</u>	<u>4,067,618,093</u>
LIABILITIES				
Non-Current Liabilities				
Refundable Deposits	918,764,722	884,664,496	797,354,099	741,487,929
Lease Liabilities	39,938,921	43,457,640	42,326,072	49,214,069
Trade Payables	-	-	-	110,687,488
Retirement Benefit Obligation - Net	-	-	-	5,883,003
Total Non-Current Liabilities	958,703,643	928,122,136	839,680,171	907,272,489

	As of 30 June	As of December 31		
	2023	2022	2021	2020
Current Liabilities				
Trade and Other Payables	932,902,192	934,748,257	918,912,559	760,168,374
Provisions	408,987,241	387,931,132	279,340,775	296,340,775
Lease Liabilities	7,167,758	7,295,397	7,974,247	7,394,453
Income and Other Tax Liabilities	191,375,501	109,170,824	51,822,029	75,408,647
Total Current Liabilities	1,540,432,692	1,439,145,610	1,258,049,610	1,139,312,249
TOTAL LIABILITIES	2,499,136,335	2,367,267,746	2,097,729,781	2,046,584,738
EQUITY				
Capital Stock	1,201,680,432	999,999,800	999,999,800	999,999,800
Treasury Shares	(62,857,080)	(62,857,080)	(62,857,080)	-
Revaluation Reserves	(12,005,937)	(15,108,008)	(7,237,555)	(11,361,704)
Retained Earnings	1,050,456,824	1,565,023,149	1,231,033,910	1,032,395,259
TOTAL EQUITY	2,177,274,239	2,487,057,861	2,160,939,075	2,021,033,355
TOTAL LIABILITIES AND EQUITY	4,676,410,574	4,854,325,607	4,258,668,856	4,067,618,093

STATEMENTS OF COMPREHENSIVE INCOME					
	For the six (6) months ended 30 June		For the years ended December 31		
	2023	2022	2022	2021	2020
Sale of Electricity	4,155,437,007	3,649,007,785	8,184,930,772	5,591,657,347	4,647,104,867
Cost of Power Distributed	3,431,526,269	3,140,389,521	7,020,219,665	4,704,208,715	3,594,963,482
Gross Profit	723,910,738	508,618,264	1,164,711,107	887,448,632	1,052,141,385
General and Administrative Expenses	(308,412,649)	(268,801,566)	(578,280,087)	(559,729,124)	(458,407,086)
Impairment Losses	(8,411,779)	(4,062,093)	(4,256,980)	(13,142,706)	(93,755,573)
Other Operating Income	12,076,693	12,931,565	32,015,726	30,354,034	44,043,566
Operating Profit	419,163,003	248,686,170	614,189,766	344,930,836	544,022,292
Other Income (Charges) - Net					
Provisions	(21,056,109)	(72,714,988)	(108,590,357)	-	(126,947,358)
Finance Income	10,482,997	4,823,320	10,783,585	12,417,516	21,153,074
Finance Costs	(1,970,650)	(4,098,165)	(6,934,249)	(12,694,387)	(18,108,257)
Fair Value Gain (Loss) on Financial Assets at Fair Value Through Profit or Loss	869,123	(2,711,647)	(1,521,456)	1,078,079	(450,813)
Gain (Loss) on sale of assets	936,569	722,309	1,117,541	(3,073,238)	-
	(10,738,070)	(73,979,171)	(105,144,936)	(2,272,030)	(124,353,354)
Profit Before Tax	408,424,933	174,706,999	509,044,830	342,658,806	419,668,938
Tax Expense	(101,369,854)	(44,224,086)	(127,261,314)	(95,757,307)	(122,423,275)
Net Profit	307,055,079	130,482,913	381,783,516	246,901,499	297,245,663

STATEMENTS OF COMPREHENSIVE INCOME (continued)					
	For the six (6) months ended 30 June		For the years ended December 31		
	2023	2022	2022	2021	2020
Net Profit (brought forward)	307,055,079	130,482,913	381,783,516	246,901,499	297,245,663
Add					
Other Comprehensive Income (Loss)					
Remeasurements of post-employment defined benefit plan	4,136,095	(4,779,077)	(10,493,937)	6,580,932	(5,281,190)
Tax Income (Expense) during the year and tax expense from change in tax rates on retirement benefit obligation	(1,034,024)	1,194,769	2,623,484	(3,106,026)	1,584,357
Tax Income from change in Tax Rates on Revaluation Reserves on Property, Plant and Equipment	-	-	-	649,243	-
	3,102,071	(3,584,308)	(7,870,453)	4,124,149	(3,696,833)
Total Comprehensive Income	310,157,150	126,898,605	373,913,063	251,025,648	293,548,830

RISK FACTORS

Prospective investors should carefully consider and study the risks described below in addition to the other information contained in this Prospectus, particularly, the Company's financial statements and notes relating thereto, before making any investment decision relative to the Offer Shares. Investment in the Offer Shares involves a number of risks. This section does not purport to disclose all the risks and significant aspects of investing in the Offer Shares.

The occurrence of any of the events discussed hereunder and any other additional risks not presently known to the Company may have material adverse effects on the Company's business, and operations.

An investor deals in a range of investments, each of which may carry a different level of risk and it must be noted that past performance is not indicative of its future performance. Since this risk disclosure does not purport to disclose all the risks and other significant aspects of investing in the Offer Shares, prospective investors should undertake his or her own research and study on said securities before commencing any trading activity.

The Offer Shares shall not be listed on any Exchange and may only be traded over-the-counter. A prospective investor must undertake his or her own study on the buying and selling of securities before undertaking any investment activity. He or she should seek professional advice if he or she is uncertain of or has not understood any aspect of the Offer Shares or the nature of risks involved in the buying or selling of securities, especially high risk securities. Every investor must consult with his or her own counsel and financial advisors as to the legal, tax, business, and financial aspects of investing in the Offer Shares. The prospective investor may request for information on the Offer Shares and the Issuer from the SEC which are made available to the public. This section seeks to discuss the major risks relating to the Offer Shares as determined by the Company, as well as the means by which it intends to address the said risks.

The following risks related to the Company are listed in the order of priority within each sub-category.

RISKS RELATED TO THE COMPANY AND ITS INDUSTRY

The Company emerged from a crippling pandemic and celebrated its 100th anniversary showing its resilience amidst the challenges of running a power distribution utility while facing head-on the changes in the Philippine power industry.

Franchise Risk, Operational Risk, and Limitations of a Distribution Utility

The Company exists by virtue of its legislative franchise, the latest of which is Republic Act No. 9381 of the 13th Congress of the Philippines which extended the Company's corporate existence for another twenty-five (25) years. The Company's franchise is both

a monopoly and a limitation to operate a power distribution system in the City of Angeles, Pampanga. Consequently, the Company's operations follow the economic tides of Angeles City and the upheavals in the Philippine power industry. As recently experienced, world events in the past three (3) years also affected the Company's operations.

Subject to the renewal of its franchise life, the Company strives to deliver the best customer service to its franchise area with the least cost of energy from reliable and sustainable sources. Moreover, as a recognized institution in the City of Angeles, the Company supports the projects of parish churches, hospitals, and other institutions as part of its social responsibility.

Any interruption to the Company's operation is an operational risk. To mitigate the risk, the Company is continually devising strategies to ensure uninterrupted operations to minimize cost and remain competitive in its business. Moreover, the Company operates 24/7 with highly competent and technical personnel ready to respond to any emergency.

Whatever operational risk that the Company may encounter, the robust growth of Angeles City and the ever-increasing and expanding residential, commercial, and industrial sectors guarantee the Company's sustainable growth in its capacity and energy sales in the next 100 years.

Regulatory Risk

As a distribution utility, the Company is highly regulated by the ERC. It is subject to the Performance-Based Rate-Setting ("PBR") Methodology in setting and regulating the Company's distribution rates. Thus, the Company's rates are determined and approved by the ERC up to the last centavo. In setting up the Company's reasonable return on its operations, the benefit to the public is paramount. Wastage and unnecessary expenditure are avoided as much as possible.

For its regulatory compliances, the Company employs highly competent and trained personnel and professionals. The Company maintains a clockwork precision for its regulatory compliances and monitors all issuances of government agencies affecting its operations.

Aside from its regulatory compliances, the Company is also at the mercy of the ERC's voluminous applications/petitions from other industry players waiting for final approval. Pending final approval from the ERC are the following applications of the Company:

1. Relocation and upgrading of 2-layer, 13.8 KV primary lines
2. 69 KV NGCP Porac Substation connection
3. Milenyo Substation relocation
4. Various reconductoring of feeder lines
5. Provision of SCADA Backup Control Center
6. Purchase of Distribution Transformers

7. Purchase of Poles, Towers and Fixtures
8. Purchase of Meters and Metering Instruments
9. Purchase of IT Equipment and Software
10. Purchase of testing equipment.
11. Power Purchase Agreement with SPNEC.

To address this risk, the Company has engaged highly competent external counsels to monitor and expedite its ERC filings. However, delays in getting the ERC's final approval on the foregoing projects has likewise resulted in delays in the updating of the Company's distribution rates to reflect its current operational costs and expenses. This, however, does not deter the Company from implementing operational upgrades and cost-saving measures resulting in improvements in its operations, management, and robust financial results.

At present, the Company's distribution rates are set at its last ERC-approved rate translation for the Regulatory Year 2015. Due to the suspension of the PBR Methodology by the ERC, the Company's distribution rates have not changed since 2015. Last year, the ERC issued an order directing all private distribution utilities to file a True-Up Application of the Actual Weighted Average Tariff ("AWAT" or the actual amount billed to customers) versus the Maximum Average Price ("MAP" or the ERC allowed distribution rate) using the ERC-approved over or under recovery formula rules. This process aims to resolve and close with finality all issues relating to the lapsed regulatory periods when the ERC suspended the PBR reset process. Due to the changing customer demand mix, the AWAT versus MAP application of AEC resulted to over recoveries. Once approved by the ERC, the over recoveries will be refunded to the customers. To address this risk, the Company provides for the computed refunds monthly in the books, which refunds are applied to the customers' bills upon approval by the ERC.

For the pass-through charges such as the generation, transmission and system loss charges, the ERC has issued the prescribed formula for computing the monthly rates applicable to these charges and the process of determining any over or under recoveries to ensure that these costs are revenue-neutral to the Company. At least 65% of a distribution utility customer's bill is composed of pass-through charges. Over recoveries, along with under recoveries, are natural occurrences caused by the difference or time gap in the billing schedules and rates. This year, the ERC issued revisions to the prescribed formula and the period of implementation of the resulting over or under recoveries if it breaches the threshold. From the previous three (3)-year implementation period, the ERC directed distribution utilities to implement a one-time refund for over recoveries or a six (6)-month spread for under recoveries. For AEC, the revised formula resulted to over recoveries and the Company has already implemented the one-time refund to its customers. To address the impact of the ERC's revised formula on AEC's financials, the Company together with other distribution utilities filed to the ERC a position paper to amend the rules and formula.

Risk of Exposure to Volatile Price of Electricity

As a distribution utility, the Company's baseload requirements are being supplied by coal power plants, which means that the Company's electricity rate is significantly tied-up to world coal prices. Coal prices started to climb in January 2021 after reaching their lowest levels in 2020. The unusual spikes in prices were also experienced in other sources of fuel, such as LNG and diesel. The situation was greatly exacerbated when Russia started its invasion of Ukraine on 24 February 2022. With many countries cutting their importation of coal from Russia, the demand for coal in the world vis-à-vis the limited supply from China and Indonesia has seen prices of coal at an unprecedented level.

In the last two (2) to three (3) years, the dormant risk of exposure to high electricity prices started to impact the Company and ultimately, its customers. Although the net effect of the high electricity rates does not affect the Company directly since it is a pass-through cost, such occurrence would, as experienced, give rise to direct risks to the Company which include but are not limited to the following: (1) unfavorable opinion from customers, local government and other stakeholders; (2) increase in customers that opted to use own solar panels; (3) cash flow problems because of the inability of customers to pay high electricity bills; and, (4) increase in further manpower and other costs to continuously have the customers informed properly.

In addition to this, when baseload suppliers are on shut down, the Company's exposure to higher prices is shifted to the Wholesale Electricity Spot Market ("WESM") where prices are dictated by demand and supply. It should also be noted that the Company's energy imbalances requirements, or those not covered by the foregoing bilateral contracts, are sourced from the spot market.

Currently, the Company's contracts with its power suppliers are only until the maturity of the power supply agreements. The Company can only minimize its generation rates by effectively balancing the mix of supply from contracted suppliers and the electricity market. In 2022, the Company awarded a 13MW renewable energy power supply to Solar Philippines New Energy Corp. through a competitive selection process. The contract is expected to improve generation rates due to its lower cost. The power supply agreement is yet to be approved by the ERC. Moving forward, the Company will study any possible mitigating approach to minimize said risk.

Risk to Power Purchase Contracting

To operate as a distribution utility, the Company's primary concern is its power source. On the other hand, the inherent risk in contracting power supply is the power's availability, price, and reliability. Moreover, the ERC will now impose limitations on the Company's freedom to enter into power purchase agreements with the objective of ensuring the least power cost for the consumers.

Under the new ERC Draft Guidelines for Competitive Selection Process and Power Purchase Agreement (2023-006 RM), the Company's capacity to enter into a bilateral contract for its power supply is limited and restricted as follows:

- The Company's power requirements shall be procured through a Competitive Selection Process ("CSP") under sets of procedures prescribed by the ERC.
- In conducting a CSP, the Company shall form a bids and awards committee with qualifications prescribed by the ERC. The committee shall conduct the CSP based on the guidelines and procedures prescribed by the ERC.
- Direct negotiations for a power supply shall only be allowed after at least two (2) failed CSPs.
- Within thirty (30) days from the execution of the Power Supply Agreement ("PSA") from direct negotiation, the PSA must be filed for approval with the ERC. Otherwise, the distribution utility shall undergo the same processes again.
- For the PSA, the distribution utility must specify in its terms of reference whether the PSA to be procured is a Financial PSA or a Physical PSA. At this point, however, the distribution utility is not yet certain if there will be qualified bidders for a Financial or a Physical PSA. Thus, the distribution utility may be conducting a futile CSP if there are no bidders for the type of PSA desired.
- The minimum terms and conditions of the PSA must adhere to the ERC PSA template. There are separate templates for a Physical and Financial PSA.
- The maximum term of a PSA shall only be for ten (10) years. Thus, considering the time it takes to conduct a CSP, to have a winning bidder and an executed PSA, to go through the ERC PSA approval process, to wait for the ERC to give its final approval or provisional authority, the distribution utility may have to conduct another CSP after 5 years from the implementation of a new PSA.

All of the above regulatory requirements expose the Company to the risk of not being able to contract a new PSA for its expiring bilateral contract due to the unavailability of qualified bidders, the time it takes to complete the power procurement process, and the delay on the part of the ERC to give its final approval to the PSA application. To mitigate this risk, the Company will prepare in advance its CSP bidding activities to secure its subsequent power contracts.

Risk on Subtransmission Lines

The power plants of the Company's baseload suppliers are located in Mariveles, Bataan and Mabalacat, Pampanga. Power passes through the NGCP grid and enters through the Mexico – Petersville Subtransmission Line. It is the only entry point of power to the Company's distribution system. This current system contributes risk of total black-out within the City of Angeles when problems affect the subtransmission line. Any occurrence would affect the lives, businesses, education and livelihood of the customers. Furthermore, this will significantly impact several metrics imposed by the

ERC (i.e., System Average Interruption Frequency Index ["SAIFI"] and System Average Interruption Duration Index ["SAIDI"]) as indicators of the Company's reliability. Lastly, with respect to investor concerns, any occurrence of problems within the sole entry point of power would affect the Company's distribution revenues and profitability.

In response to this concern, the Company is currently in coordination with NGCP to set up a new connection from a proposed NGCP Substation in Porac, Pampanga.

Leases Risks

The Company has leases for certain land, including its main office, and equipment as reflected in its financial statements. The Company's main office is located in a very attractive and fast developing commercial area of Angeles City. Proof of this is the new Rockwell Land Development beside it. To mitigate the risk of having to vacate its main office in the future, the Company has put in place various termination options in its lease agreement to give it flexibility to terminate its lease before the intended expiration date. In the meantime, the Company is actively looking for other suitable locations to relocate its main office.

Risks on Information Technology ("IT") Systems

The Company significantly relies on its IT systems for its day-to-day operations (i.e., billing, accounting, collections, accounts processing, inventory and supply, line asset database). The systems contribute to efficiency of work and rendering of service. Although such systems continue to serve their purpose, due to time and the continuous improvement in technology, risks of downtime, processing problems and obsolescence may be present. To address these risks, data backup on all systems is done daily. Furthermore, the IT Department continues to either innovate existing systems or formulate new ones to more effectively and efficiently address identified concerns and problems from the end-users.

On the other hand, the Company also uses the systems to process a significant number of personal data each day. This exposes the Company to hacking and data breaches, which may be considered to be a significant risk considering the related penalties and probable liabilities. In the last two (2) years, the Company's thrust to improve the protection of its systems through the use of firewalls and Virtual Private Networks. Furthermore, the Company engaged an external service provider that will assist in the update and review of Information Security Policies as well as performing gap analysis between existing IT infrastructure and IT policies. The results of this endeavor will be incorporated into the Company processes.

In securing the personal information of customers and employees, the Company engaged the services of KPMG in 2017 to conduct a full and extensive study of the company's data privacy compliances and implement measures to improve the same. The Company's Data Protection Officer constantly monitors the company's data privacy

compliances, conducts regular privacy impact assessments, and mandates strict compliance with the Company's data privacy policies and procedures.

Risk of Human Resources and Skills Stagnation

A company that has existed for a hundred years may be exposed to the risk of complacency in relying on traditional methods of running the business and reliance on the same set of skills of its personnel. To mitigate this risk, the Company maintains a competent and dynamic team of executives, managers, and professionals who are regularly trained in the industry's best practices, while constantly improving and acquiring new skill sets. Recently, the Company hired the services of a human resources consultant to update the minimum job requirements of all of its personnel, promote highly competent staff, and reorganize the entire corporate structure.

Capitalization Requirements

The Company relies on its customer collections for its working capital requirements and to finance its projects, subject to ERC approval. On the Company's return on its operation, the ERC monitors and sets reasonable rates and approves all capital expenditures. It is in this regard that the Company intends to use the proceeds of the Offer to fund capital expenditures.

Collection Risk

The Company is able to maintain a high collection rate of 98%-99% despite the challenges brought about by the pandemic and typhoons that visits the country every year.

During the pandemic, due to the financial difficulties of its consumers, the Company extended its collection period up to two (2) months by not implementing the disconnection of electricity during that period. Moreover, to further assist its consumers who are in dire need of financial relief, the Company offered installment terms for unpaid electric bills.

The pandemic also showed a shift in electricity consumption among residential and commercial consumers. In 2020 and 2021, sales per customer class leaned heavily toward residential customers and displaced commercial customers as the primary electricity consumer class. However, commercial customers resumed operations and ramped up in the latter part of 2021, which improved in 2022 as business confidence returned.

Meanwhile, 2022 energy sales breached the 2019 figures, which had the highest-grossing sales previously. However, the sharp increase in the average retail rate dampened this positive development. After remaining low during the pandemic, coal prices suddenly took an upward turn in the middle of 2021 until they breached Four Hundred US Dollars (US\$400) per metric ton in 2022. This occurrence resulted in

escalating rates charged by generation companies as they struggled with rising coal inventory prices that were passed on to distribution utilities such as the Company.

Despite the increase in retail rates, the Company's collection efficiency proceeded smoothly. Collection efficiency improved to 99.62% for bills 2021 and older, while 2022 efficiency was at a comfortable 94.73% at the end of the year and this further improved in 2023.

To further enhance collections, AEC has designed strategies to ensure that its offices and business centers are available to cater to its consumers even in cases of future lockdowns. It also increased its accessibility through its service partners and the online payment facilities of its partner banks.

Retail Competition and Open Access ("RCOA")

The RCOA allows a contestable market or electricity end-users with a demand of 1MW and above to choose a supplier of electricity. As of 30 June 2022, the Company has four (4) customers who have switched to the contestable market. Furthermore, the threshold for the contestable market will gradually be lowered to the household level as mandated under Section 31 of the EPIRA and this may result in more contestable market choosing their energy supplier aside from the Company.

The Company, however, is confident that it will maintain, and even increase, its captive market due to the expected economic growth of Angeles City. In the meantime, the Company continues to source cheap and reliable energy to sustain its captive market.

RISKS RELATED TO THE PHILIPPINES

Fluctuations in the Philippine Economy

The Company derives its operating income and profits from the Philippines, particularly the province of Angeles City, and as such, it is highly dependent on the state of the Philippines economy.

Factors that may adversely affect the Philippine economy include (1) changes in demand in the areas of import or export; (2) foreign exchange rate fluctuations; (3) inflation or increase in interest rates; (4) natural disasters; and (5) other regulatory, social, political, or economic developments in or affecting the Philippines.

Despite changes in one or more of the foregoing factors, the Philippines has received and maintained positive credit ratings from foreign credit rating agencies such as Standard and Poor, Fitch, and Moody's, with a stable economic outlook.

Easing Restrictions Against Foreign Nationals

The 1987 Constitution limits the operation of public utilities to citizens of the Philippines or corporations at least 60% of whose capital is owned by Filipino citizens. Should there be an amendment to the Constitution easing foreign restrictions on the operation of public utilities, there may also be a corresponding risk of increased competition in the power distribution industry.

The high barriers to entry of the business may not be equally applicable to parry foreign competition with both the financial resources and technological expertise to enter the power distribution business.

To mitigate this risk, the Company will strive to maintain efficient company operations while maximizing the resources available to it. It will also work towards continuous improvement of its processes so that if or when foreign competitors come in, the Company will have a competitive advantage in terms of business operations and customer relationships.

RISKS RELATED TO THE OFFER SHARES

Risks Relating to AEC Share Price

The Offer Price was determined by the Company in consultation with its Financial Advisor and Sole Underwriter. However, the price at which the Offer Shares may be sold after the public offer may vary significantly from the Offer Price. The selling price may be influenced by, among other things: (1) variations in the Company's operating results; (2) success or failure of the Company's management team in implementing business and growth strategies; (3) changes in conditions affecting the industry such as new laws and regulations; (4) additions or departures of key personnel; (5) the Company's involvement in litigation; and (6) tradability of the shares, as it will not be listed in the PSE.

Future Sales of AEC Offer Shares

As the shares will not be traded and sold through the PSE, investors who seek to dispose of or sell their shares in the Company may face the risk of difficulty in finding another buyer of the said shares.

USE OF PROCEEDS

The Offer is being made in compliance with the public offering requirement under Section 43(t) of the EPIRA to offer and sell at least 15% of the Company's common shares of stock.

The Company expects to raise gross proceeds of Seven Hundred Eight Million Eight Thousand Four Hundred Pesos (₱708,008,400.00) from the Primary Offer of Two Hundred Seven Million Twenty Thousand (207,020,000) common shares at an Offer Price of Three Pesos and Forty-Two Centavos (₱3.42) per share.

The net proceeds from the Offer, after deducting the underwriting and financial advisory fees, legal fees, audit fees, taxes, and all other related expenses to the Offer are estimated to be at Six Hundred Sixty-Nine Million Six Hundred Thirty-Five Thousand Seven Hundred Seventeen Pesos and Seventy-Six Centavos (₱669,635,717.76) broken down as follows:

Computation of AEC's Net Offer Proceeds		
Gross Offer Proceeds		₱708,008,400.00
Less: Estimated Offer-Related Expenses		38,372,682.24
Underwriting and Financial Advisory Fees	21,240,252.00	
Legal Fees	8,000,000.00	
Audit Fees	2,070,000.00	
Value-Added Taxes*	3,757,230.24	
Documentary Stamp Tax	2,070,200.00	
SEC Registration Fee	1,100,000.00	
Publication Costs	100,000.00	
Printing Costs	35,000.00	
Estimated Net Offer Proceeds		₱669,635,717.76

**Value-Added Taxes of 12% on Underwriting and Financial Advisory Fees, Legal Fees and Audit Fees*

There are no other substantial expenses that need to be made in relation to the public offer of AEC's shares in addition to the foregoing. If the Company expects to incur other material and substantial expenses, the Company undertakes to forthwith disclose the same to the SEC and/or amend its Registration Statement if necessary.

Of the estimated net proceeds, Two Hundred Seven Million Twenty Thousand Pesos (₱207,020,000.00) shall be booked as capital stock in the books of the Company. The remainder shall be booked as additional paid-in capital.

CAPITAL EXPENDITURE PROJECTS

The Company intends to use approximately 100% of the net proceeds to fund a portion of its capital expenditure projects over the next two (2) years to enable AEC to provide continuous and reliable service to its customers, especially in light of its forecasted growth. The Company has already begun implementing some projects listed hereunder using its internally generated funds.

The Company's capital expenditure projects to be funded using the net proceeds of the Offer have been listed in order of priority below. The amounts stated hereunder shall be understood to be in Philippine Pesos.

	Project Name and Location	Project Description	Estimated Total Project Cost and Estimated Date of Completion	% of Completion as of 31 Dec. 2023	Amount Allocated
1	Construction of 69 KV Subtransmission lines to connect to NGCP Porac Substation <i>Location: Brgy. Babo Pangulo, Porac, Pampanga</i>	With the relocation of NGCP's 230 KV Substation, AEC dispensed with the Manuali Switching Station. Instead, two 69 KV subtransmission lines will be installed connecting AEC's Pampang and Nepo Center Substations to NGCP's Porac Substation. These lines will be 14.7 km long for the Pampang Substation and 11.5 km long for the Nepo Center Substation.	370,000,000.00 <i>Estimated Date of Completion: June 2024</i>	20%	370,000,000.00
2	Construction of Pulung Cacutud 50 MVA Substation <i>Location: Brgy. Pulung Cacutud, Angeles City</i>	The Pulung Cacutud Substation shall serve spot load for the ComClark VSAT Hub Data Center located at Brgy. Pulung Maragul and will also cater to the load growth for Brgys. Cutud, Maisac, Pulung Cacutud and Sapalibutad.	150,000,000.00 <i>Estimated Date of Completion: December 2025</i>	0%	150,000,000.00
3	Relocation of AEC facilities affected by the proposed Department of Transportation's ("DOTR") Malolos-Clark Railway Project ("MCRP")	The Malolos-Clark Railway project (MCRP) is a proposed 53.1 km long elevated railway line being constructed to connect Malolos to Clark International Airport. This project will traverse and cross the AEC franchise area thus affecting overhead facilities within the 30-meter MCRP Platform Right-of-Way. AEC will remove, relocate and reconfigure the affected existing 69 KV subtransmission lines and 13.8 KV feeder lines traversing the 30-meter DOTR MCRP railway project.	530,000,000.00 <i>Estimated Date of Completion: December 2025</i>	0%	149,635,717.76
	Grand Total		1,050,000,000.00		669,635,717.76

No portion of the net proceeds will be used to discharge any portion of the Company's debt to a bank or any other non-bank financial institution, third-party, or related party of AEC.

No portion of the net proceeds shall be used to reimburse any officer, director, employee, or stockholder for service rendered, assets previously transferred, money loaned or advanced or otherwise. No portion of the proceeds shall be used to acquire assets or other businesses, other than the capital expenditure projects listed above, some of which have been previously applied to the ERC.

In the event that the net proceeds of the Offer are less than the amounts needed to cover the foregoing projects and expenses, the shortfall, to the extent possible, shall be funded by the Company from internal sources such as cash flows generated from operations and/or from external sources by availing loans from its available credit facilities with local banks, namely, China Banking Corporation, Rizal Commercial Banking Corp. ("RCBC"), and Bank of the Philippine Islands.

Moreover, the proposed use of proceeds delineated above represents the best estimate of the use of such proceeds based on the most recent available information about the Company and its current plans. The timing and the actual use of the net proceeds may vary from the foregoing discussion and the Company's Board of Directors may find it necessary to reallocate within the purpose described above or alter its plans on the use of the net proceeds taking into consideration the changes in market conditions, availability of acquisition opportunities, and such other future events or developments.

In the event of any substantial deviation or adjustment in the planned use of proceeds, the Company undertakes to inform its stockholders thereof, seek the SEC's approval before its implementation pursuant to the SEC *en banc's* Resolution dated 03 June 2009, and amend its Registration Statement or Prospectus, if necessary.

The amounts which shall not immediately be used according to the timetable above shall be deposited in any of the Company's bank accounts in order to earn interest at the current legal interest rate imposed by the Bangko Sentral ng Pilipinas.

PLAN OF DISTRIBUTION

*The Offer Shares shall be offered to the public through the Company's Corporate Secretary (in his capacity as the Official Registrar of Stockholders) or the Sole Underwriter or Selling Agent. The Offer Shares shall **not** be listed on any Exchange and may only be traded over-the-counter.*

THE ROLE OF THE UNDERWRITER

To facilitate the Offer, the Company has appointed Penta Capital & Investment Corporation (the "Sole Underwriter" or "PentaCapital"), as the Sole Underwriter and Selling Agent pursuant to the Mandate Letter dated 19 September 2023, with the authority to offer for subscription and purchase the Offer Shares to any number of Eligible Investors in the Philippines and with a commitment to fully underwrite the entire issue on a firm basis.

PentaCapital shall also act as the Receiving Agent who shall receive and collate all applications submitted by the Sole Underwriter and Selling Agent and the Corporate Secretary of the Company, for and on behalf of the applicants for the Offering.

The Company will not be appointing a syndicate or sub underwriters in relation to the Offer.

PentaCapital is a leading independent investment house in the Philippines known for its unique expertise in project development & financing, especially for real estate, leisure, renewable energy, and infrastructure projects. It was organized in late 1993 by a group of investment bankers and businessmen to engage in investment banking services with an initial paid-up capital of One Hundred Fifty Million Pesos (₱150,000,000.00).

PentaCapital has acquired a niche in the investment banking and financial services sectors, specifically: money market operations, consumer financing (through its subsidiary, PentaCapital Finance Corporation), debt and equity underwritings, financial advisory and project development financing, especially for build-operate-transfer, build-lease-transfer, and build-own-operate projects.

PentaCapital's consolidated net worth as of 30 June 2023 is at Seven Hundred Fifty Million Pesos (₱750,000,000.00).

PentaCapital has no past or existing relationship with the Issuer.

The Sole Underwriter does not have any right to designate or nominate any member to the Board of the Company

UNDERWRITING OBLIGATION

As the Sole Underwriter, PentaCapital has committed to fully underwrite on a firm basis the entire primary offer of Two Hundred Seven Million Twenty Thousand (207,020,000) common shares at Three Pesos and Forty-Two Centavos (₱3.42) per share, amounting to Seven Hundred Eight Million Eight Thousand Four Hundred Pesos (₱708,008,400.00).

OTHER DISTRIBUTION

Other than through the Sole Underwriter and Selling Agent, the Offer Shares shall also be distributed by the Company through its Corporate Secretary in his capacity as the Official Registrar of the Stockholders, who shall facilitate the application process in Angeles City.

Any applications submitted to or received by the Corporate Secretary shall be turned over to the Receiving Agent.

The Corporate Secretary shall not receive any compensation from the Offer and issuance of shares as the Official Registrar of the Stockholders.

INVOLVEMENT OF THE FINANCIAL ADVISOR

The Company has engaged IGC Securities, Inc. as Financial Advisor primarily to structure a public offer and sale of at least 15% of the Company's outstanding common shares, render advice on valuation, recommend the terms of the Offer, map out a plan of distribution, and recommend the appointment of an Underwriter, among others.

UNDERWRITING AND FINANCIAL ADVISORY FEES

The Sole Underwriter and Financial Advisor shall receive a total fee equivalent to 3% of the total gross proceeds or Twenty-One Million Two Hundred Forty Thousand Two Hundred Fifty-Two Pesos (₱21,240,252.00), subject to applicable taxes and exclusive of out-of-pocket expenses.

There are no other direct or indirect commissions to be paid to PentaCapital in addition to the foregoing.

Pursuant to the Company and Underwriter's agreement, PentaCapital has no right to designate or nominate a member of the Board of Directors of AEC.

The Sole Underwriter has no contract or other arrangement with the Company by which the underwriter may put back to the Company any unsold securities of the offering.

ELIGIBLE INVESTORS AND ALLOCATION OF OFFER SHARES

The entire amount of the Offer Shares shall be available for subscription and purchase by any Eligible Investor, *i.e.*, any natural person of legal age and a Philippine national or any domestic corporation, association, or partnership. In the case of domestic corporations and associations, 60% of its total voting shares and total outstanding capital stock must be owned and held by Filipinos.

No part of the Offer Shares is designated to be sold to specified persons.

Neither shall any part of the Offer Shares be sold or distributed through brokers, dealers, and finders.

Since the Offer Shares may only be traded over-the-counter, no portion of the Offer Shares shall be allocated to an Exchange or to any of its member firms.

MINIMUM AND MAXIMUM SUBSCRIPTIONS

The minimum subscriptions shall be thirty thousand (30,000) shares for individuals and fifteen million (15,000,000.00) shares for corporations, associations, and partnerships.

The maximum subscriptions shall be three million (3,000,000) shares for individuals and fifty million (50,000,000) shares for corporations, associations, and partnerships.

SUBSCRIPTION PROCEDURES

All Applications to purchase or subscribe to the Offer Shares must be evidenced by a completed application form accomplished by the Applicant or his/her duly authorized representative.

The Application to Purchase (“ATP”) forms may be secured from the office of the Sole Underwriter at 10th Floor, ACT Tower, 135 Sen. Gil Puyat Avenue, Salcedo Village, Makati City, or the Company’s Corporate Secretary as the Official Registrar with address at Don Juan D. Nepomuceno Avenue corner Teresa Avenue, Nepo Mart Complex, Angeles City, Pampanga.

An ATP shall not be deemed as duly accomplished and completed unless submitted with all required relevant information and applicable supporting documents, namely:

For Individual Applicants:

1. Two (2) duly completed and executed specimen signature cards;
2. Photocopy of two (2) valid and current government-issued IDs.

For Corporate Applicants:

1. Two (2) duly completed and executed specimen signature cards of the authorized signatory(ies), duly authenticated by the Applicant's Corporate Secretary (or the equivalent corporate officer);
2. Copies of the Applicant's Articles of Incorporation and By-laws, or other constitutive documents, each as amended to date, and duly certified by its Corporate Secretary;
3. A copy of the Applicant's SEC Certificate of Registration, duly certified by its Corporate Secretary;
4. Duly notarized certificate of the Corporate Secretary of the Applicant attesting to the resolution of the Applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the Application and identifying the designated signatories authorized for the purpose, including his or her specimen signature;
5. Duly notarized certificate of the Corporate Secretary of the Applicant certifying to the percentage of the Applicant's capital or capital stock held by Philippine nationals; and
6. A photocopy of two (2) valid and current government-issued IDs of (a) the authorized signatory(ies), duly certified as a true copy by the Corporate Secretary and (b) the Corporate Secretary, duly certified as true copy by an authorized officer of the corporation.

Application forms with accompanying payments must be submitted to either of the following, no later than the end of the Offer Period:

1. Corporate Secretary of the Company, in his capacity as the Official Registrar of Stockholders, at Don Juan Nepomuceno Avenue corner Teresa Avenue, Nepo Mart Complex, Angeles City, Pampanga; or
2. PentaCapital office at the 10th Floor, ACT Tower, 135 Sen. Gil Puyat Avenue, Salcedo Village, Makati City, Metro Manila, in its capacity as the Sole Underwriter and Selling Agent.

PAYMENT TERMS

The Offer Shares applied for shall be payable in full in Philippine currency upon the submission of the duly executed application form and all other required accompanying documents.

Payments for the Offer Shares shall be by local personal or corporate check, a manager's check, or a cashier's check drawn against a bank authorized by the Bangko Sentral ng Pilipinas, and all such checks must be made payable to the order of "ANGELES ELECTRIC CORPORATION" and crossed for deposit to "Payee's Account Only" and dated as of the date of the Application.

Any payment received pursuant to the Application should not be construed as an approval or acceptance by the Company of the Application.

RIGHT TO ACCEPT/REJECT/SCALE DOWN APPLICATIONS

The actual number of Offer Shares that an Applicant will be allowed to purchase shall be subject to the confirmation of the Company and the Sole Underwriter.

The Company, by itself or through the Sole Underwriter, shall have the unrestricted and unqualified right to accept or reject, in whole or in part, any application to subscribe for or purchase any specified number of Offer Shares, or to scale down the number of Offer Shares for which such application is made.

An Application, once expressly accepted and approved by the Company shall constitute a valid purchase agreement between the Applicant and the Company for the subscription for or purchase of such number of Offer Shares as approved and at the time, in the manner, and subject to the terms and conditions set forth in the Application and in this Prospectus.

Notwithstanding the acceptance by the Company of any Application, the actual subscription for or purchase by the Investor or Applicant of the Offer Shares shall become effective only upon the obligation of the Underwriter, under this Agreement, becoming unconditional and not being suspended, terminated, or cancelled.

REFUNDS

In case of refunds, the Company shall make the refund checks available for pickup at the Underwriter's office or Corporate Secretary's office five (5) banking days after the end of the Offer Period.

Refund checks that remain unclaimed after 60 days from the date such checks are made available for pickup shall be mailed at the Applicant's risk to the address specified by the Applicant in the Application.

LODGEMENT AND ISSUANCE OF STOCK CERTIFICATES

All of the Offer Shares shall be lodged with the Corporate Secretary as the Official Registrar Stockholders of the Company.

Stock certificates for the Offer Shares covered by the fully or partially accepted applications shall be issued by the Corporate Secretary of the Company.

LOCK-UP PERIOD AND SELLING/TRANSFER RESTRICTIONS

Shareholders who own an equivalent of at least 10% of the issued and outstanding common shares of the Company as of the Issue Date cannot sell, assign or in any manner dispose of their shares for a period of one hundred eighty (180) days after the Issue Date.

DIVIDENDS AND DIVIDEND POLICY

OVERVIEW

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them. "Unrestricted Retained Earnings" refer to "the undistributed earnings of a corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends." The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC.

The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than 2/3 of the outstanding capital stock at a regular or special meeting duly called for the purpose.

LIMITATIONS AND RESTRICTIONS

Section 42 of Republic Act No. 11232, otherwise known as the Revised Corporation Code, prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except (i) when justified by definite corporate expansion projects or programs approved by the Board of Directors; (ii) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or (iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation such as when there is a need for special reserve for probable contingencies.

Section 29 of Republic Act No. 8424, otherwise known as the National Internal Revenue Code ("NIRC"), as amended, previously imposed for each taxable year an improperly accumulated earnings tax ("IAET") of 10% of the improperly accumulated taxable income of corporations formed or availed of for the purpose of avoiding the income tax with respect to its stockholders or the stockholders of any other corporation, by permitting the earnings and profits of the corporation to accumulate instead of dividing them among or distributing them to the shareholders. The imposition of IAET was later repealed upon the effectivity of Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE Act").

DIVIDEND POLICY

On 11 October 2023, the Company adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company's Board of Directors.

For common shares, dividends equivalent to a minimum of 15% to a maximum of 25% of the prior year's net income after tax, primarily in cash, subject to the availability of the unrestricted retained earnings and except (i) when justified by definite corporate expansion projects or programs approved by the Board of Directors; (ii) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or (iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation such as when there is a need for special reserve for probable contingencies.

In 2022, the majority of the company's BOD and stockholders approved the execution of 1:100 stock split through amendment of Articles of Incorporation and By-laws, which were subsequently approved by the SEC on 21 October 2022. Accordingly, every one (1) share held prior to the amendment was split into one hundred (100) shares after amendment, subject to adjustment for fractional shares.

Furthermore, the shares have been classified into common and preferred shares. The preferred shares have voting rights and are redeemable at the option of the Company. Holders of the redeemable preferred shares are entitled to receive cumulative dividends out of the unrestricted retained earnings but can no longer participate with the holders of the common shares for any dividends to be further declared. The initial dividend rate of the preferred shares is 1.64% per annum.

The Board of Directors, in its discretion, may decide to declare dividends to be paid in properties or shares.

The Company will conduct a periodic review of the available unrestricted balance of retained earnings for purposes of earmarking surplus profit for future capital expenditures or for distributing the same as special cash or stock dividends.

The Board of Directors may, at any time, modify the dividend policy or declare special dividends, depending on capital expenditure plans and/or any terms of financing facilities entered into to fund current and future operations and projects.

Under the Revised Corporation Code, the Company may not make any distribution of dividends other than out of its unrestricted retained earnings.

The Board of Directors will review the amount of dividends periodically in light of the following factors:

1. The Company's earnings, cash flow, return on equity and retained earnings;
2. The Company's results and financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
3. The Company's projected levels of capital expenditures and other investment programs;

4. Restrictions on payments of dividends that may be imposed on it by any future financing arrangements and current or prospective debt service requirements; and
5. Such other factors as the Board of Directors deems appropriate.

The declaration of dividends shall also take into account the need to maintain a level of capitalization that is commercially sound and sufficient to ensure that the Company can operate on a stand-alone basis.

DIVIDEND HISTORY

The table hereunder shows the Company's dividend history.

YEAR	DIVIDEND	DIVIDEND RATE	TYPE OF SHARE	RECORD DATE	PAYMENT DATE	TOTAL AMOUNT PAID (in PhP)
2020	Cash	₱1.64 per share	Common	01 March 2020	09 March 2020	16,399,997.00
	Cash	₱1.64 per share	Common	03 August 2020	12 August 2020	16,399,997.00
	Cash	₱12.80 per share	Common	29 November 2020	29 November 2020	127,999,974.00
2021	Cash	₱1.64 per share	Common	01 March 2021	08 March 2021	16,399,996.00
	Cash	₱1.64 per share	Common	30 June 2021	12 August 2021	15,931,426.00
	Cash	₱1.64 per share	Common	15 November 2021	29 November 2021	15,931,426.00
2022	Cash	₱1.64 per share	Common	28 February 2022	08 March 2022	15,931,426.00
	Cash	₱1.64 per share	Common	31 July 2022	12 August 2022	15,931,426.00
	Cash	₱1.64 per share	Common	31 October 2022	29 November 2022	15,931,425.00
2023	Cash	₱0.2488 per share	Common	28 February 2023	19 March 2023	241,691,386.00
	Cash	₱0.1790 per share	Common	30 April 2023	21 June 2023	173,926,738.00
	Cash	₱2.0131 per share	Preferred	30 April 2023	21 June 2023	406,003,280.00

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

In 2023, the Company issued Two Hundred One Million Six Hundred Eighty Thousand Six Hundred Thirty-Two (201,680,632) preferred shares from its unissued authorized preferred shares at par value.

DETERMINATION OF OFFER PRICE

The Offer Price of Three Pesos and Forty-Two Centavos (₱3.42) per share was determined through a fixed-price method wherein the Offer Price was recommended by the Financial Advisor, confirmed by the Sole Underwriter and approved by the Company.

The following factors, among others, were taken into consideration in determining the Offer Price: (1) Compliance with the EPIRA to achieve a minimum 15% public offering; (2) Post-offer ownership structure, including share dilution of existing shareholders; (3) Alignment of valuation with comparable publicly-held utilities; (4) Financial impact on the Company's cash and shareholder's equity, and on key profitability, liquidity and leverage ratios; (5) Issue size in relation to the Company's planned use of proceeds; (6) the Company's overall earnings prospects and financial standing and (7) the Company's ability to generate income and declare dividends.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the actual audited balances of liabilities and shareholders' equity of the Company as of 30 June 2023 and the corresponding post-offer pro-forma balances after taking into account the estimated net offer proceeds.

For a more detailed discussion on the breakdown of estimated fees and expenses see "*Use of Proceeds*" of this Prospectus.

This table should be read in conjunction with the Company's Audited Financial Statements, including the notes thereto, included elsewhere in this Prospectus.

All values listed hereunder shall be understood to be in Philippine Pesos.

	Actual as of 30 June 2023	Pro-Forma Post-Offer
TOTAL DEBT	2,499,136,335	2,499,136,335
Equity:		
Paid-in Capital Stock	1,201,680,432	1,408,700,432
Additional Paid-in Capital	-	462,615,718
Treasury Shares	(62,857,080)	(62,857,080)
Revaluation Reserves	(12,005,937)	(12,005,937)
Retained Earnings	1,050,456,824	1,050,456,824
TOTAL SHAREHOLDERS' EQUITY of which COMMON EQUITY	2,177,274,239 1,975,593,607	2,846,909,957 2,645,229,325

DILUTION

The Company shall offer Two Hundred Seven Million Twenty Thousand (207,020,000) common shares to the public, all of which are primary shares to be issued from the unissued portion of AEC's authorized common capital stock.

Upon conclusion of the Offer, the Company's issued and outstanding common shares will increase to One Billion One Hundred Seventy-Eight Million Four Hundred Forty-Eight Thousand Four Hundred (1,178,448,400) common shares from Nine Hundred Seventy-One Million Four Hundred Twenty-Eight Thousand Four Hundred (971,428,400) common shares before the Offer.

The book value or total equity attributable to common shareholders based on the audited financial statements as of 30 June 2023 was One Billion Nine Hundred Seventy-Five Million Five Hundred Ninety-Three Thousand Six Hundred Seven Pesos (₱1,975,593,607.00).

The net tangible book value attributable to common shareholders based on the audited financial statements as of 30 June 2023 was One Billion Nine Hundred Seventy-Five Million Five Hundred Ninety-Three Thousand Six Hundred Seven Pesos (₱1,975,593,607.00) or Two Pesos and Three Centavos (₱2.03) per share.

The net tangible book value per common share is computed by dividing the net tangible book value attributable to common shareholders by the issued and outstanding common shares.

The net tangible book value will increase to Two Billion Six Hundred Forty-Five Million Two Hundred Twenty-Nine Thousand Three Hundred Twenty-Five Pesos (₱2,645,229,325.00) or Two Pesos and Twenty-Four Centavos (₱2.24) per common share, upon conclusion of the Offer.

This represents an immediate increase of Twenty-One Centavos (₱0.21) per share in net tangible book value to existing common shareholders and an immediate dilution of One Peso and Eighteen Centavos (₱1.18) per share to subscribers of the Offer Shares at Three Pesos and Forty-Two Centavos (₱3.42) per share.

The following table illustrates dilution on a per share basis based on the Offer Price per share.

Offer Price per Share	₱3.42
Net tangible book value per common share as of 30 June 2023	₱2.03
Net tangible book value per common share upon conclusion of the Offer	₱2.24
Difference between the Offer Price per share and the net tangible book value per share as of 30 June 2023	₱1.39
Dilution in net tangible book value per common share to new investors	₱1.18

The following table shows the shareholdings and percentage ownership of the existing common shareholders and new investors before the Offer and upon conclusion of the Offer:

	Pre-Offer		Post-Offer	
	No. of Common Shares	Percentage of Ownership	No. of Common Shares	Percentage of Ownership
Existing Common Shareholders	971,428,400	100%	971,428,400	82.4%
New Investors	-	-	207,020,000	17.6%
Total Outstanding Common Shares	971,428,400	100%	1,178,448,400	100%

SELECTED HISTORICAL FINANCIAL AND OPERATING INFORMATION

STATEMENTS OF FINANCIAL POSITION				
	As of 30 June	As of 31 December		
	2023	2022	2021	2020
ASSETS				
Non-Current Assets				
Property, Plant and Equipment – Net	1,712,363,144	1,669,076,101	1,634,585,179	1,588,152,571
Right-of-use Assets - Net	33,305,122	37,041,810	36,968,197	44,467,816
Deferred Tax Assets - Net	133,879,495	129,675,371	100,605,015	128,118,864
Retirement Benefit Asset - Net	10,318,189	2,647,837	6,391,314	-
Trade receivables	-	-	-	110,687,488
Other Non-Current Assets	16,660,685	8,310,421	84,023,806	60,549,868
Total Non-Current Assets	1,906,526,635	1,846,751,540	1,862,573,511	1,931,976,607
Current Assets				
Cash and Cash Equivalents	1,513,721,003	1,704,845,900	906,973,046	1,028,237,141
Short-term investments	-	-	360,149,619	-
Trade and Other Receivables – Net	935,072,648	1,049,041,221	879,911,664	862,914,294
Prepayments & Other Current Assets	321,090,288	253,686,946	249,061,016	244,490,051
Total Current Assets	2,769,883,939	3,007,574,067	2,396,095,345	2,135,641,486
TOTAL ASSETS	4,676,410,574	4,854,325,607	4,258,668,856	4,067,618,093
LIABILITIES				
Non-Current Liabilities				
Refundable Deposits	918,764,722	884,664,496	797,354,099	741,487,929
Lease Liabilities	39,938,921	43,457,640	42,326,072	49,214,069
Trade Payables	-	-	-	110,687,488
Retirement Benefit Obligation – Net	-	-	-	5,883,003
Total Non-Current Liabilities	958,703,643	928,122,136	839,680,171	907,272,489
Current Liabilities				
Trade and Other Payables	932,902,192	934,748,257	918,912,559	760,168,374
Provisions	408,987,241	387,931,132	279,340,775	296,340,775
Lease Liabilities	7,167,758	7,295,397	7,974,247	7,394,453
Income and Other Tax Liabilities	191,375,501	109,170,824	51,822,029	75,408,647
Total Current Liabilities	1,540,432,692	1,439,145,610	1,258,049,610	1,139,312,249
TOTAL LIABILITIES	2,499,136,335	2,367,267,746	2,097,729,781	2,046,584,738
EQUITY				
Capital Stock	1,201,680,432	999,999,800	999,999,800	999,999,800
Treasury Shares	(62,857,080)	(62,857,080)	(62,857,080)	-
Revaluation Reserves	(12,005,937)	(15,108,008)	(7,237,555)	(11,361,704)
Retained Earnings	1,050,456,824	1,565,023,149	1,231,033,910	1,032,395,259
TOTAL EQUITY	2,177,274,239	2,487,057,861	2,160,939,075	2,021,033,355
TOTAL LIABILITIES AND EQUITY	4,676,410,574	4,854,325,607	4,258,668,856	4,067,618,093

STATEMENTS OF COMPREHENSIVE INCOME

	For the six (6) months ended 30 June		For the years ended 31 December		
	2023	2022	2022	2021	2020
	Sale of Electricity	4,155,437,007	3,649,007,785	8,184,930,772	5,591,657,347
Cost of Power Distributed	3,431,526,269	3,140,389,521	7,020,219,665	4,704,208,715	3,594,963,482
Gross Profit	723,910,738	508,618,264	1,164,711,107	887,448,632	1,052,141,385
General and Administrative Expenses	(308,412,649)	(268,801,566)	(578,280,087)	(559,729,124)	(458,407,086)
Impairment Losses	(8,411,779)	(4,062,093)	(4,256,980)	(13,142,706)	(93,755,573)
Other Operating Income	12,076,693	12,931,565	32,015,726	30,354,034	44,043,566
Operating Profit	419,163,003	248,686,170	614,189,766	344,930,836	544,022,292
Other Income (Charges) – Net					
Provisions	(21,056,109)	(72,714,988)	(108,590,357)	-	(126,947,358)
Finance Income	10,482,997	4,823,320	10,783,585	12,417,516	21,153,074
Finance Costs	(1,970,650)	(4,098,165)	(6,934,249)	(12,694,387)	(18,108,257)
Fair Value Gain (Loss) on Financial Assets at Fair Value through Profit or Loss	869,123	(2,711,647)	(1,521,456)	1,078,079	(450,813)
Gain (loss) on sale of assets	936,569	722,309	1,117,541	(3,073,238)	-
Other Income (Charges) Subtotal	(10,738,070)	(73,979,171)	(105,144,936)	(2,272,030)	(124,353,354)
Profit Before Tax	408,424,933	174,706,999	509,044,830	342,658,806	419,668,938
Tax Expense	(101,369,854)	(44,224,086)	(127,261,314)	(95,757,307)	(122,423,275)
Net Profit	307,055,079	130,482,913	381,783,516	246,901,499	297,245,663
Other Comprehensive Income (Loss)					
Remeasurements of Post-Employment Defined Benefit Plan	4,136,095	(4,779,077)	(10,493,937)	6,580,932	(5,281,190)
Tax Income (Expense) During the Year and Tax Expense from Change in Tax Rates on Retirement Benefit Obligation	(1,034,024)	1,194,769	2,623,484	(3,106,026)	1,584,357
Tax Income from Change in Tax Rates on Revaluation Reserves on Property, Plant and Equipment	-	-	-	649,243	-
Total Other Comprehensive Income	3,102,071	(3,584,308)	(7,870,453)	4,124,149	(3,696,833)
Total Comprehensive Income	310,157,150	126,898,605	373,913,063	251,025,648	293,548,830

STATEMENTS OF CASH FLOWS					
	For the six (6) months ended 30 June		For the years ended December 31		
	2023	2022	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit Before Tax	408,424,933	174,706,999	509,044,830	342,658,806	419,668,938
Adjustments for:					
Depreciation and Amortization	114,847,121	101,687,909	208,607,042	195,210,989	196,848,166
Provision	21,056,109	72,714,988	108,590,357	-	126,947,358
Interest Income	(10,482,997)	(4,823,320)	(10,783,585)	(12,417,516)	(21,153,074)
Interest Expense	1,970,650	4,098,165	6,934,249	12,694,387	18,108,257
Impairment Losses on Trade and Other Receivables	8,411,779	4,062,093	4,256,980	13,142,706	93,755,573
Fair Value Loss (Gain) on Financial Assets at FVTPL	(869,123)	2,711,647	1,521,456	(1,078,079)	450,813
Gain on disposal of property and equipment	(936,569)	(722,309)	(1,117,541)	(1,517)	(656,285)
Gain on rent concession					(1,235,441)
Operating Profit Before Working Capital Changes	542,421,903	354,436,172	827,053,788	550,209,776	832,734,305
Increase in Retirement Benefit Asset	(3,432,325)	(3,208,234)	(6,416,466)	(5,914,374)	(6,213,337)
Decrease (Increase) in Other Non-Current Assets	(8,350,264)	7,199,986	75,713,385	(23,473,938)	(12,377,199)
Decrease (Increase) in Trade and Other Receivables	105,556,794	(38,912,269)	(170,539,849)	88,481,188	(207,440,556)
Increase in Prepayments and Other Current Assets	(66,534,220)	(11,970,293)	(6,147,386)	(3,492,885)	4,437,549
Increase in Refundable Deposits	34,100,226	32,193,480	87,310,397	55,866,170	40,362,941
Increase (Decrease) in Trade and Other Payables and Provisions	(1,846,065)	182,070,382	12,989,010	88,951,473	(126,275,933)
Increase in Income and Other Tax Liabilities	82,204,677	(4,913,144)	4,833,243	11,272,098	(5,710,173)
Cash Generated from Operations	684,120,726	516,896,080	824,796,122	761,899,507	519,517,597
Cash Paid for Income Taxes	(106,608,001)	(50,164,873)	(101,192,635)	(105,558,957)	(137,040,601)
Net Cash from Operating Activities	577,512,725	466,731,207	723,603,487	656,340,550	382,476,996

CASH FLOWS FROM INVESTING ACTIVITIES					
Redemption of Short-Term Investments	-	360,149,619	360,149,619	-	-
Acquisitions of Property and Equipment	(154,397,476)	(85,675,466)	(234,093,951)	(232,208,772)	(214,429,742)
Interest Received	10,381,065	2,610,543	7,602,903	4,483,740	8,942,933
Proceeds from Sale of Property and Equipment	936,569	722,309	1,117,541	1,518	656,285
Investment in Short-Term Placements	-	-	-	(360,149,619)	-
Net Cash From (Used) in Investing Activities	(143,079,842)	277,807,005	134,776,112	(587,873,133)	(204,830,524)

CASH FLOWS FROM FINANCING ACTIVITIES					
Cash Dividends Paid	(821,621,404)	(15,931,426)	(47,794,277)	(114,091,400)	(94,971,416)
Proceeds from issuance of Preferred Shares	201,680,632	-	-	-	-
Repayment of Lease Liability	(5,617,008)	(6,650,766)	(12,712,468)	(12,783,032)	(10,094,016)
Acquisition of Treasury Shares	-	-	-	(62,857,080)	-
Net Cash Used in Financing Activities	(625,557,780)	(22,582,192)	(60,506,745)	(189,731,512)	(105,065,432)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(191,124,897)	721,956,020	797,872,854	(121,264,095)	72,581,040
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	1,704,845,900	906,973,046	906,973,046	1,028,237,141	955,656,101
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	1,513,721,003	1,628,929,066	1,704,845,900	906,973,046	1,028,237,141

STATEMENTS OF CHANGES IN EQUITY								
	Balance at 01 January 2023	Issuance of Preferred Shares	Acquisition of Treasury Shares	Cash Dividends During the Year	Appropriation During the Year	Reversal of Appropriation During the Year	Total Comprehensive Income for the Year	Balance at 30 June 2023
Capital Stock	999,999,800	201,680,632	-	-	-	-	-	1,201,680,432
Treasury Shares	(62,857,080)	-	-	-	-	-	-	(62,857,080)
Revaluation Reserves	(15,108,008)	-	-	-	-	-	3,102,071	(12,005,937)
Retained Earnings - Appropriated	631,856,077	-	-	-	-	(24,200,280)	-	607,655,797
Retained Earnings -	933,167,072	-	-	(821,621,404)	-	24,200,280	307,055,079	442,801,027

Unappropriated								
Total Retained Earnings	1,565,023,149	-	-	(821,621,404)	-	-	307,055,079	1,050,456,824
Total Equity	2,487,057,861	201,680,632	-	(821,621,404)	-	-	310,157,150	2,177,274,239
	Balance at 01 January 2022	Issuance of Preferred Shares	Acquisition of Treasury Shares	Cash Dividends During the Year	Appropriation During the Year	Reversal of Appropriation During the Year	Total Comprehensive Income for the Year	Balance at 31 December 2022
Capital Stock	999,999,800	-	-	-	-	-	-	999,999,800
Treasury Shares	(62,857,080)	-	-	-	-	-	-	(62,857,080)
Revaluation Reserves	(7,237,555)	-	-	-	-	-	(7,870,453)	(15,108,008)
Retained Earnings - Appropriated	626,474,710	-	-	-	124,597,504	(119,216,137)	-	631,856,077
Retained Earnings- Unappropriated	604,559,200	-	-	(47,794,277)	(124,597,504)	119,216,137	381,783,516	933,167,072
Total Retained Earnings	1,231,033,910	-	-	(47,794,277)	-	-	381,783,516	1,565,023,149
Total Equity	2,160,939,075	-	-	(47,794,277)	-	-	373,913,063	2,487,057,861
	Balance at 01 January 2022	Issuance of Preferred Shares	Acquisition of Treasury Shares	Cash Dividends During the Year	Appropriation During the Year	Reversal of Appropriation During the Year	Total Comprehensive Income for the Year	Balance at 30 June 2022
Capital Stock	999,999,800	-	-	-	-	-	-	999,999,800
Treasury Shares	(62,857,080)	-	-	-	-	-	-	(62,857,080)
Revaluation Reserves	(7,237,555)	-	-	-	-	-	(3,584,308)	(10,821,863)
Retained Earnings - Appropriated	626,474,710	-	-	-	-	(18,103,756)	-	608,370,954
Retained Earnings- Unappropriated	604,559,200	-	-	(15,931,426)	-	18,103,756	130,482,913	737,214,443
Total Retained Earnings	1,231,033,910	-	-	(15,931,426)	-	-	130,482,913	1,345,585,397
Total Equity	2,160,939,075	-	-	(15,931,426)	-	-	126,898,605	2,271,906,254
	Balance at 01 January 2021	Issuance of Preferred Shares	Acquisition of Treasury Shares	Cash Dividends During the Year	Appropriation During the Year	Reversal of Appropriation During the Year	Total Comprehensive Income for the Year	Balance at 31 December 2021
Capital Stock	999,999,800	-	-	-	-	-	-	999,999,800
Treasury Shares	-	-	(62,857,080)	-	-	-	-	(62,857,080)
Revaluation Reserves	(11,361,704)	-	-	-	-	-	4,124,149	(7,237,555)
Retained Earnings - Appropriated	612,433,060	-	-	-	87,202,950	(73,161,300)	-	626,474,710
Retained Earnings- Unappropriated	419,962,199	-	-	(48,262,848)	(87,202,950)	73,161,300	246,901,499	604,559,200
Total Retained Earnings	1,032,395,259	-	-	(48,262,848)	-	-	246,901,499	1,231,033,910
Total Equity	2,021,033,355	-	(62,857,080)	(48,262,848)	-	-	251,025,648	2,160,939,075
	Balance at 01 January 2020	Issuance of Preferred Shares	Acquisition of Treasury Shares	Cash Dividends During the Year	Appropriation During the Year	Reversal of Appropriation During the Year	Total Comprehensive Income for the Year	Balance at 31 December 2020
Capital Stock	999,999,800	-	-	-	-	-	-	999,999,800
Revaluation Reserves	(7,664,871)	-	-	-	-	-	(3,696,833)	(11,361,704)
Retained Earnings - Appropriated	369,784,827	-	-	-	419,412,012	(176,763,779)	-	612,433,060
Retained Earnings- Unappropriated	526,164,737	-	-	(160,799,968)	(419,412,012)	176,763,779	297,245,663	419,962,199
Total Retained Earnings	895,949,564	-	-	(160,799,968)	-	-	297,245,663	1,032,395,259
Total Equity	1,888,284,493	-	-	(160,799,968)	-	-	293,548,830	2,021,033,355

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's financial statements for the six (6) months ended 30 June 2023 and for the years ended 31 December 2022, 2021, and 2020, as well as the notes thereto included elsewhere in this Prospectus.

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

DISCUSSION ON CHANGES IN FINANCIAL POSITION

For the Period Ended 30 June 2023 and 31 December 2022

Assets

The Company's total assets decreased by ₱177.9 million during the year because of the declaration and payment of dividends.

Property, plant and equipment

The Company's property, plant and equipment, with a net book value of ₱1.7 billion, increased by ₱43.3 million.

In 2023, the Company acquired a parcel of land in Brgy. Cutud, Angeles City for ₱53.8 million. It is intended to house a substation because of the increasing customer demand within the area. In addition, the Company issued distribution transformers, wires, poles, line materials and consumer meters from its materials and supplies inventory to improve and upgrade the Company's sub-transmission and distribution lines. These totaled ₱88.3 million or 57% of the total additions for the period.

The upgrading of power lines and facilities is to ensure efficiency and effectiveness in its operations. Feeder losses are at 4.88% as of June 2023, a decline from 5.18% as of 31 December 2020. Load factor, on the other hand, was maintained at the range of 59% to 64% which is indicative that the Company's power lines can meet the demand of consumers even at peak hours. The load factor is computed as the percentage of average demand over peak demand.

Right-of-use assets and Lease liabilities

Right-of-use assets and the related lease liabilities decreased due to the monthly amortization and rental payments. There were no new rental agreements and no renewals of existing contracts during the period.

Deferred tax assets – net

Deferred tax assets increased by ₱4.2 million mostly from temporary differences in customer refund provisions and additional allowance for impairment of receivables that are deductible from future taxable income upon refund to the customers and upon write-off, respectively. Please refer to the analysis of the Provisions account for further information.

Retirement benefit asset - net

The Company contributes ₱1.0 million each month to the retirement plan assets to ensure the availability of funds for its retiring employees. As of 30 June 2023, ₱101.0 million of the ₱133.6 million plan assets or 76% is earmarked for employees who will retire within in the next five years. The increase in retirement benefit assets during the period is brought about by the excess of the monthly contributions over the retirement expense and the remeasurement gain on the Company's plan assets. As of 30 June 2023, 92% of the Company's plan assets are invested in equity and debt instruments. The remeasurement gains for the period were assumed to be induced by the improvements in the economy after the pandemic.

Other non-current assets

Other non-current assets increased by ₱8.4 million due to certain advances related to certain projects that are necessary to the operations such as cyber security.

Cash and cash equivalents

Cash and cash equivalents decreased by ₱191.1 million to ₱1.5 billion as of 30 June 2023. The decrease is mainly attributable to the declaration of dividends during the year. Please refer to the analysis in the Equity Section of this Chapter.

The cash flows from operating activities are higher during the period due to the over-recoveries of pass-through revenues which increased the Company's net profit and earnings before interest, tax, depreciation and amortization. Please refer to the introduction of revenue sources in the first part of the analysis of movements in income and expenses.

During the period, the Company placed its excess funds into short-term deposits and investments in debt securities that are made for varying periods of less than sixty-one

(61) days and with higher interest rates than the daily bank rates. These are classified as cash and cash equivalents in the financial statements.

Trade and other receivables

Trade and other receivables decreased by ₱114.0 million because generation rates and pass-through charges were lower in June 2023 than in December 2022. Generation rates were at ₱10.90 per kWh in December 2022 and have since decreased to ₱8.42 in June 2023. The ₱114.0 million decrease, however, is net of the effect of the increase in past-due receivables as the liquidity of certain customers tends to improve only during November or December. The Company recognized an additional ₱8.4 million allowance for impairment during the period.

Prepayments and other current assets

The increase in prepayments and other current assets is due to prepaid business and local franchise taxes that are paid usually within January and are amortized until December. Furthermore, the business tax and local franchise tax for the year 2023 are higher than previous years since the taxes are based on the Company's gross revenues of the immediately preceding year. Gross revenues for 2022 are high because of the increase in consumption and the increase in generation rates.

Liabilities

The Company's liabilities increased by ₱131.9 million. The increase was derived from the increase in refundable deposits, provisions and income and other tax liabilities.

Refundable deposits

The ₱34.1 million or 4% increase in refundable deposits is the result of new customers, the required updating for customers who increased their consumption during the period and the increase in deposit rates imposed by the Company.

Trade and other payables

Although the Company's trade and other payables decreased by only ₱1.8 million, the three (3) sub-accounts below resulted in the net decrease.

Trade payables decreased because of the decrease in generation rates charged by the power suppliers. This is despite the increase in kWh consumed by the customers due to the warmer temperatures during June. Please refer to the kWh rates in the Trade and Other Receivables section.

Universal Charges Payable increased due to certain recovery schemes charged by the Power Sector Assets & Liabilities Management Corporation ("PSALM") in the amount of ₱0.0433 per kWh and due to the uncollected portion of universal charges (please see

increase in overdue accounts within the Trade and Other Receivables account). Universal charges are remitted to PSALM upon collection from customers. PSALM was established to manage the remaining assets and obligations of the National Power Corporation (“NPC”) and the Philippine government for the power sector.

Accrued expenses increased due to timing differences in accrued supervisory fees and year-end bonuses and the increase in accrued purchased power. Accrued ERC supervisory fees and accrued year-end bonuses are recognized every month and are paid off every September and every December, respectively, making the accounts nil by the end of the year. On the other hand, accrued purchased power increased due to the continuous increase in customers who invested in solar panels for their home and business use. The excess power produced by the solar panels flows into the Company’s distribution lines and is paid by the Company through bill credits. The Company accrues the resulting obligation every month and reverses the same upon being applied to the customer’s subsequent billings. A new ERC directive states that all excess credits will be written off the end of the year.

Provisions

Provisions increased due to the expected customer refunds arising from the directive of the ERC. On 25 April 2022, the Company received a letter from the ERC regarding the treatment of the lapsed periods for distribution utilities under the PBR Methodology. This letter formalizes the scheme and formula for computing the Company’s actual weighted average tariff (“AWAT” or the actual amount billed to customers). The resulting difference between the AWAT and the maximum average price (“MAP” or the allowed distribution revenue rate) as approved by the ERC will be implemented by the Company as a collection or refund to the customers. Due to the existing customer demand mix (e.g. residential, commercial, industrial, fixed-rate, etc.), the Company’s monthly AWAT is higher than the approved MAP, thus resulting in over recoveries on the distribution rates, which will be implemented as a refund on future billings. The Company provides computes the refunds on a monthly basis. These refunds will be reversed or applied to customer bills upon receipt of ERC’s instruction to implement the same.

Income and other tax liabilities

Income and other tax liabilities increased significantly to ₱191.4 million from ₱109.2 million due to the following factors:

Income tax payable increased due to the higher profit before tax and taxable income during the period.

Withholding tax payable increased due to the declaration of dividends to individual stockholders in June 2023 (please see Stockholders’ Equity Section). The related final withholding taxes are payable in the succeeding month of July 2023.

VAT payable increased due to the provisions of Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion Law (“TRAIN Law”) that

“beginning January 1, 2023, the filing and payment required under this subsection shall be done within twenty-five (25) days following the close of each taxable quarter.” As a result, the VAT liability as of 31 December 2022 pertains only to a month while the VAT liability as of June 30, 2023 pertains to a quarter.

Stockholders' Equity

The Company's stockholders' equity decreased by ₱309.8 million.

In 2022, the majority of the Company's Board of Directors and stockholders approved the execution of a 1:100 stock split through the amendment of Articles of Incorporation and By-laws, which was subsequently approved by the SEC on 21 October 2022. Accordingly, every 1 share held before the split has become 100 after the split (subject to adjustment for fractional shares). The individual purchase price per share was decreased by a factor of one hundred (100) to maintain the total value invested. Furthermore, the shares have been classified into common and preferred shares.

In 2023, the Company issued two hundred one million six hundred eighty thousand six hundred thirty-two (201,680,632) preferred shares at par. These were subscribed and paid for by existing stockholders and some of their descendants. The Company also declared cash dividends totaling P821.6 million during the period.

In addition to the aforementioned transactions, the changes in the Company's equity included the recognition of net profit and other comprehensive income.

For the Period Ended 31 December 2022 and 31 December 2021

Assets

The Company's total assets increased by ₱595.6 million, mainly arising from its current assets.

Property, plant and equipment

Property, plant and equipment increased by ₱34.5 million, net of the annual depreciation expense amounting to ₱199.6 million. A significant portion of the additions during the year pertain to the construction and completion of the Company's New Petersville and New Milenyo Substations. Petersville is the Company's main entry point of power from NGCP. The New Petersville Substation is intended to be an improved version of the Old Petersville Substation with additional bays that can transmit power to more substations within the franchise area. The New Milenyo Substation, on the other hand, is constructed on acquired land after the maturity of the Old Milenyo's land lease contract. Other additions to the Company's property and equipment would include meter and transformer installations, pole erections and improvement of the Company's distribution lines to serve the rising demand and the increasing number of customers.

Right-of-use assets and Lease liabilities

Right-of-use assets and the related lease liabilities decreased due to the monthly amortization and rental payments. The additions include only the renewal of agreements that matured during the year.

Deferred tax assets – net

Deferred tax assets increased by ₱29.1 million from temporary differences that are deductible from future taxable income. The main portion of these relates to additional provisions recognized during the year.

Retirement benefit assets - net

The decrease in retirement benefit assets is brought about by the excess of the retirement expense and other comprehensive losses during the year against the Company's contributions to the retirement fund.

Other non-current assets

Other non-current assets decreased by ₱75.7 million due to certain advances related to the construction of the 2 new substations. These were reversed and recognized as part of property and equipment upon receipt of the goods or actual performance of services.

Cash and cash equivalents and Short-term placements

Cash and cash equivalents increased by ₱797.9 million mainly from the Company's results of operations. Moreover, the Company's short-term placements in 2021 which has a maturity of more than 90 days are classified during the year as part of cash and cash equivalents.

Trade and other receivables

Trade receivables increased by ₱169.0 million mainly because of the increase in sales during the year. This is supported by the fact that the percentage of receivables that are overdue for more than 180 days decreased from 8% in 2021 to 5% in 2023.

Prepayments and other current assets

The increase in prepayments and other current assets is attributable to the acquisition of materials and supplies and certain financial investments made during the year. The former is for stock replenishment and the latter is for some mutual funds that are subject to a favorable return.

Liabilities

The Company's liabilities increased by ₱269.5 million. The increase was derived from three (3) major accounts: refundable deposits, provisions and income and other tax liabilities.

Refundable deposits

The ₱87.3 million increase in refundable deposits is the result of new customers and the required updating for customers who increased their consumption during the year.

Provisions

Provisions increased due to the expected customer refunds arising from the directive of the ERC. On 25 April 2022, the Company received a letter from the ERC regarding the treatment of the lapsed periods for distribution utilities under the Performance Based Regulation. This letter formalizes the scheme and formula for computing the excess of the Company's AWAT over MAP. The estimated amount of refund as of 31 December 2022 has been recognized by the Company as an obligation until such time that ERC will require implementation of the refund to the customers.

Trade and other payables

The Company's trade payables had a modest increase despite the significant increase in purchased power for comparative years. The main reason for this is the balance of the Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment ("GRAM/ICERA") recovery scheme as of 31 December 2021, in the amount of ₱110.7 million. This recovery scheme pertains to adjustment recovery mechanisms for costs in fuel, purchased power, and foreign exchange rates that have been incurred by the NPC in the previous years and were approved by the ERC in 2017 for PSALM. These recovery schemes will be billed to customers and remitted to PSALM by AEC every month. Following the provisions of the Philippine Financial Reporting Standards, AEC recognized the related receivable and payable from this transaction in the financial statements. It matured on 31 December 2022 and is at nil as of the said date.

The Company's accrued expenses increased by ₱6.6 million due to the increase in customers who acquired solar panels to augment their power needs and reduce their electric utility payments. Customers' excess capacity can be applied to subsequent power bills and is included in the Company's monthly accruals.

Income and other tax liabilities

Income and other tax liabilities increased due to the increase in annual income tax for 2022. In addition to the increase in total taxable income for 2022, the Company does not have any income tax payable as of 31 December 2021 because of the over-remittances of the Company during that year.

Stockholders' Equity

The increase in the Company's equity amounting to ₱326.1 million represents the current year's results of operations as reported in the statement comprehensive income, reduced by the amounts of dividends declared.

For the Period Ended 31 December 2021 and 31 December 2020

Assets

The Company's total assets increased by ₱191.1 million, the bulk of which arose from current assets, specifically cash and cash equivalents and short-term placements.

Property, plant and equipment, Right-of-use assets and Lease liabilities

The increase in property, plant and equipment pertains to an acquisition of land amounting to ₱57.6 million. Other capital asset additions in the form of distribution transformers, meters, poles, wires and other line materials were negated by the annual depreciation expense. On the other hand, right-of-use assets and the related lease liabilities decreased due to the monthly amortization and rental payments. There was only one new rental agreement entered into during the year.

Deferred tax assets – net

The decrease in deferred tax assets by ₱27.5 million is the net effect of the recognition of additional temporary differences and the reduction of corporate tax rates. On 26 March 2021, the President of the Philippines signed into law Republic Act No. 11534, otherwise known as the CREATE Act" which reduced corporate tax rates from 30% down to 25%. This resulted in the required reduction of recognized deferred taxes in the Company's financial statements.

Retirement benefit asset - net

The recognition of the Company's net retirement benefit asset in the 2021 financial statements is the result of the increase in discount rates from 3.69% in 2020 to 5.04% in 2021. The increase in discount rates reduced the present value of the retirement benefit obligation. This is further supported by the recognition of remeasurements of the post-employment benefit plan under Other Comprehensive Income and the decrease in the Revaluation Reserves account in Equity. The remeasurement, in addition to the annual contribution of ₱12.0 million, resulted in a net surplus of the fair value of plan assets over the defined benefit obligation. The net retirement benefit obligation in 2020 is recognized under the non-current liabilities section of the statement of financial position.

Non-current trade receivables

The Company's non-current trade receivables in 2020 pertain to the GRAM/ICERA recovery mechanism. The recovery scheme matured on 31 December 2022. Accordingly, there was no longer a non-current portion as of 31 December 2021.

Other non-current assets

For other non-current assets, a significant portion of the increase pertains to advances made with several contractors for the construction of the New Petersville and New Milenyo Substations. The increase also includes additional advances for several switchgear that will be imported from Belgium.

Cash and cash equivalents

The Company's cash and cash equivalents posted a decrease of ₱121.3 million but the same is solely attributable to investments made in short-term placements or time deposits with maturities that are more than 90 days and therefore do not qualify as cash and cash equivalents. Net cash flows from operating activities as of 31 December 2021 is at ₱656.3 million.

Trade and other receivables

Current trade and other receivables increased modestly by ₱17.0 million. The said increase is the net effect of the increase in pass-through generation rates and the improvement in collection during the year. Generation rates are at ₱6.89 per kWh in December 2021 and ₱4.60 per kWh in December 2020. Collection, on the other hand, improved during the year following the entry of vaccines, the improvement of the pandemic situation and the re-opening of the economy which enabled most of AEC's customers to recover financially. Furthermore, in 2021, there are no longer regulatory rules on collection extensions. Had the situation remained the same as of the close of the year 2020, total trade and other receivables might have increased exponentially.

Prepayments and other current assets

Prepayments and other current assets increased in 2021 due to two (2) factors. The first includes certain advances related to the relocation of some of the Company's facilities within a leased area. The second pertains to the excess creditable taxes as of 31 December 2021. Due to the lower corporate income tax rate of 25% and the lower taxable income and income tax expense, the Company's quarterly payments and creditable withholding taxes were in excess of the remaining annual income tax payable. Such excess was utilized by the Company in the first quarter of 2022.

On the other hand, two (2) other assets included in this account exhibited a decrease. Materials and supplies decreased due to the increased operations of the Company as

the pandemic wanes. Input VAT decreased due to the new BIR ruling which states that input VAT from capital asset purchases is no longer subject to amortization.

Liabilities

Total liabilities increased by ₱51.1 million, attributable mainly to the increase in trade and other payables.

Refundable deposits

Refundable deposits increased by a net of 8% while customer numbers only increased by a net of 1%. Refundable deposits required of each customer are based on estimated monthly consumption and the retail rates of the current period. The disparity was caused by the refunds of closed customer accounts with lower rates and the collection of new deposits under the current high retail rates (see discussions on Trade and Other Receivables – Current).

Trade and other payables

The increase in current trade and other payables is contributed by two (2) significant factors. First is the increase in generation rates as discussed in the current trade and other receivables section. Second is the increase in kilowatt-hours consumed by customers from 336.3 million kWh in 2020 to 512.1 million kWh in 2021. The significant increase in the latter is affected by the pandemic. The celebration of the Christmas holidays was limited in the year 2020 while the same and other economic activities are already starting to return to normal by the end of 2021 with the arrival of the vaccines during the year. Moreover, it is to be noted that the said increase in balance is still net of the repayments of GRAM/ICERA recovery schemes for the year 2021 in the amount of ₱105.6 million.

Provisions

The decrease in provisions for 2021 pertains to the payment of certain tax liabilities recognized in the previous year. There were no additional provisions recognized during the year.

Income and other tax liabilities

The decrease in income and other tax liabilities is due to the excess creditable withholding taxes during the year. Please refer to the analysis on prepayments and other current assets accounts.

Equity

The Company's equity accounts moved due to the recognition of income during the year, the declaration of dividends and the acquisition of 285,714 treasury shares. In

2021, one (1) of the Company's stockholders sold his shares to the Company at book value. The total cost of the treasury shares is ₱62.9 million.

For the Period Ended 31 December 2020 and 31 December 2019

Assets

Total assets increased by ₱152.2 million attributable to the net profits during the year.

Property, plant and equipment

Property, plant and equipment increased due to the net effect of capital asset additions and the annual depreciation expense for the year. The additions during the year are lower than in the previous and the succeeding years due to the restrictions brought about by the pandemic. The reconductoring or upgrading process on existing power lines and transformers was very minimal and line works are focused only on necessary circumstances (e.g., power trips and brownouts). Of the capital asset additions during the year, the only notable ones would be progress works on the New Milenyo and New Petersville Substations. The related costs on these projects are included within the Construction-in-Progress classification. The substations will be fully completed in 2022.

Right-of-use assets and Lease liabilities

Right-of-use assets and lease liabilities decreased due to the amortization and annual rental payments. New lease agreements entered into during the year are minimal as they cover only two (2) office spaces, intended to serve customers amid the pandemic, and the renewal of the land lease of the Old Milenyo Substation within Clark City.

Deferred tax assets – net

Deferred tax assets increased due to the recognition of additional future tax-deductible expenses, mainly from additional provisions and additional allowance for impairment. In 2021, the CREATE Act was enacted, reducing the corporate tax rate from 30% to 25% starting the taxable year 2020. The implementation of the law did not affect the deferred tax assets as of 31 December 2020 as it was considered a non-adjusting subsequent event.

Non-current trade receivables

The non-current trade receivables, which pertain to the GRAM/ICERA recovery scheme, decreased as the scheme nears its maturity in 2022. As such, the non-current portion amounting to ₱110.7 million pertains solely to the balances that are due from January to December 2022.

Other non-current assets

The increase in other non-current assets is the net effect of certain advances made during the year and the collection of a guarantee deposit from Angeles Power, Inc. ("API"), a related party under common ownership. The advances pertain to contractors' services for the New Milenyo and New Petersville Substations that are yet to be rendered. On the other hand, the guarantee deposit with API complies with the provisions of the Power Supply Agreement with API. This deposit will provide security to API if the Company is unable to pay its obligations. In 2021, both parties agreed to return the guarantee deposit to the Company to meet some liquidity requirements.

Cash and cash equivalents

As already identified, total assets increased due to the net profits during the year. This increase is identifiable with the increase in cash as almost 60% of the expenses and charges are non-cash expenses (e.g., depreciation and amortization, impairment loss on trade and other receivables and provisions). However, since cash is not only affected by operating activities, the increase was reduced by the acquisition of capital assets and the payment of dividends.

Trade and other receivables

In relation to cash and cash equivalents, in 2020, the ERC promulgated various issuances that provide grace periods to customers affected by the pandemic and the lockdowns. Such regulations reduced the collection of receivables and greatly affected the Company's cash flows. Trade and other receivables increased by ₱114.0 million despite lower consumption and lower generation charges. December 2019 kilowatt-hour sales are at 493.5 kWh while December 2020 kilowatt-hour sales are at 336.3 kWh. On the other hand, generation charges are at P5.05/kWh in December 2019 and at ₱4.60/kWh in December 2020. Moreover, this is supported by the increase in impairment losses on trade and other receivables which is at ₱93.8 million.

Prepayments and other current assets

Prepayments and other current assets decreased due to the timing of the acquisition of materials and supplies. As discussed in the Property, Plant and Equipment Section, line works are reduced to necessary works only. With low usage of materials, the timing of acquisition of stock replenishment was also extended to a later period. The same is also supported by the decline in deferred input VAT.

On the other hand, the prepaid expenses included within the account increased due to the salaries advanced to employees during periods of no work because of the lockdown. Such was agreed by management to be deducted from employees' salaries for sixty (60) months.

Liabilities

Total liabilities increased slightly by ₱19.4 million mostly from the receipt of additional customer deposits and the recognition of provisions during the year.

Refundable deposits

The 6% increase in refundable deposits is the result of deposits received from newly opened accounts. In 2020, total accounts increased by 3% to 126,429. The percentage increase is higher than the increase in customer number since the deposit rates being required of customers are based on current power rates which are higher than previous rates.

Non-current trade payables

The decrease in non-current trade payables is similar to the decline in non-current trade receivables. The GRAM/ICERA recovery scheme is a pass-through charge from the PSALM. It provides for a monthly amount that will be billed to customers and remitted thereafter. Accordingly, the Company recognized the related receivables and payables in previous years. The decline in the account in 2020, inclusive of the current portion, pertains to the monthly remittance made to PSALM. The recovery scheme will mature on 31 December 2022.

Retirement benefit obligation

The decrease in retirement benefit obligation is because of the excess of the Company's contributions to the retirement fund against the retirement expense and other comprehensive losses during the year.

Trade and other payables

Current trade and other payables increased by ₱19.8 million. The increase is attributable to the dividends payable as of 31 December 2020. These were subsequently distributed to the stockholders in the first quarter of 2021.

The trade payables component of this account decreased by ₱49.3 million. The reason for such a decrease is the decrease in generation rates and kilowatt-hours sold from 2019 to 2020, as discussed in the Current Trade and Other Receivables section.

Provisions

In 2020, the Company recognized provisions for tax assessments and customer refunds. In February 2021, ERC directed a prominent distribution utility company to refund its customers the excess of the AWAT by using a specific formula. The Company considers this as an indication of a probable refund and recognized the obligation as of 31 December 2020 in the amount of ₱109.9 million and covering the periods October

2015 to December 2020. On the contrary, the Company reversed a total of ₱80.2 million for customer refunds implemented and for certain tax exposures paid during the year.

Income and other tax liabilities

Income and other taxes payable increased mainly due to the increase in income tax payable for the year. In 2020, due to the decrease in the collection of receivables, the creditable withholding taxes being applied to tax obligations also decreased. Furthermore, the Company also paid lower quarterly income taxes during the year as some of the income and expense items were only estimated during the periods of lockdown and the immediately succeeding months.

Equity

The changes in the Company's equity during the year pertain solely to the recognition of profit or loss and other comprehensive income and the declaration of dividends.

DISCUSSION ON FINANCIAL OPERATION

The Company is an electric distribution utility and distributes purchased power from power generation companies under several power supply agreements. The Company no longer produces or generates power for its customers.

The Company's revenues are composed of various charges: (1) generation, transmission, systems loss and GRAM/ICERA recovery scheme (pass-through charges); (2) distribution, supply and metering charge; (3) lifeline and senior citizen's subsidies; and, (4) local government taxes.

Pass-through charges are composed mainly of generation charges which are billed by power suppliers and transmission charges which are billed by the NGCP. NGCP is the owner of the lines that connect the Company and the plants of the power suppliers.

Systems loss pertains to the amount of energy lost during the distribution of power. GRAM/ICERA recovery scheme pertains to adjustment recovery mechanisms as discussed in certain portions of the analysis of changes in the statements of financial position. All these charges are billed to the Company and are being charged to the customers at the same rate. Any differences between the amount charged to customers and the amount remitted to counterparties are considered under or over-recoveries. ERC evaluates these pass-through charges every three years. Upon approval, any under or over-recoveries will be billed or refunded to customers, respectively.

Distribution, supply and metering charges are the revenues that inure to the Company based on the rates approved by the ERC. The latest approved rates of the Company were in 2015. These charges are billed to the customers for the services the Company has rendered. The total distribution revenue, since the rate varies among customer classes, is required to be evaluated every time to identify any over-recoveries or under-

recoveries (over or under billing). The Company's over-recoveries are included in the Company's provision liability and expense.

Subsidies are billed to customers and are being used to lower the bills of lifeline and senior citizen customers. Local government taxes are the taxes charged by the local government (e.g., business tax, local franchise tax and real property tax) that are also charged to the customers. These 2 are classified under distribution revenues for financial reporting purposes.

The Company's customers are classified into (a) residential, (b) commercial, (c) industrial, (d) flat and (e) contestable customers. Contestable customers are customers who opt to engage their own power suppliers. Accordingly, they are not charged with pass-through charges.

For the Period Ended 30 June 2023 and 30 June 2022

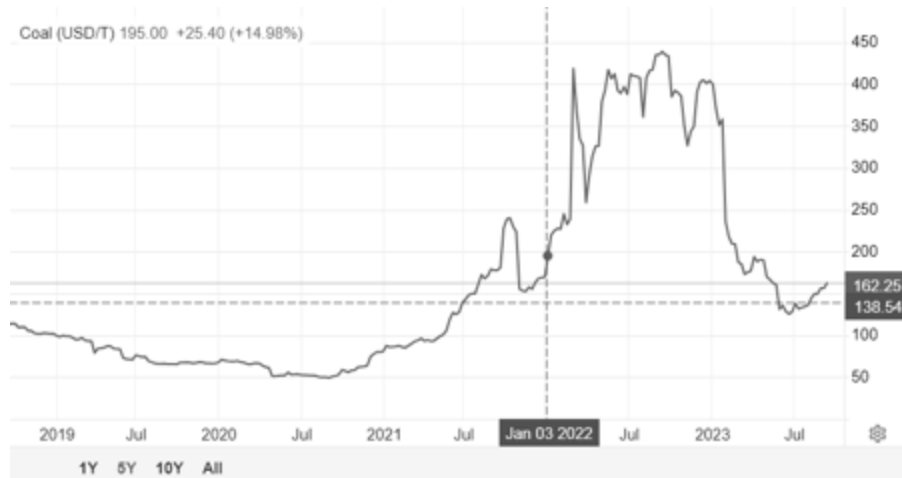
Revenues

The Company's sales of electricity increased by ₱506.4 million or 14%.

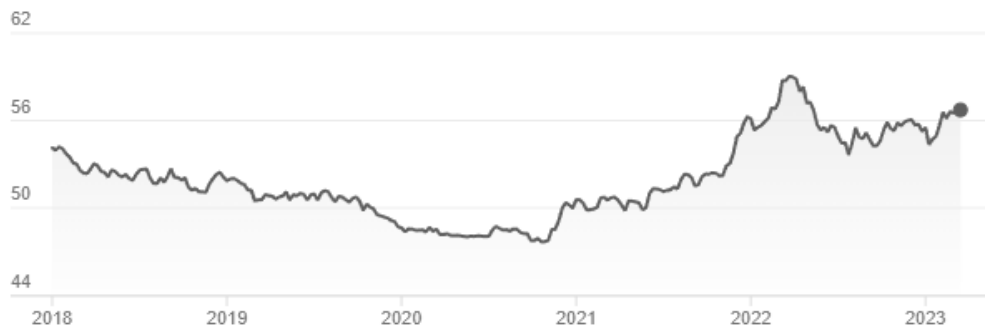
	2023	2022
Pass-through revenues	P 3,570,010,399	P 3,101,889,819
Distribution revenues	<u>585,426,608</u>	<u>547,117,966</u>
	<u>P 4,155,437,007</u>	<u>P 3,649,007,785</u>

The increase was brought about by the following factors:

- (a) KWh sales increased by 13.9 million or 4% from 330 million as of June 2022 to 346.9 million as of June 2023, attributable to the increase in customer number and the warmer temperatures in 2023.
- (b) Pass-through revenues increased by 15% to ₱3.6 billion due to the increase in generation rates. Average generation rates increased from ₱7.96/kWh in 2022 to ₱9.34/kWh in 2023 due to the continuous increase in the price of coal in the world market. Coal prices started to increase by the end of 2020 and reached their peak during the second half of 2022. Although the prices are already declining by 2023, the timing of coal importation by the Company's power suppliers resulted in a delay in the impact on generation rates, making the 2023 rates still higher. Please refer to the coal price graph below from <http://tradingeconomics.com>.



In addition, the effect has also been intensified by the weakening of the Philippine Peso against the US Dollar due to the various interventions made by the US Federal Reserve. Please refer to the conversion graph below.



(c) Distribution revenues increased by 7% mainly attributable to the increase in kWh and the increase in local government taxes (please refer to the June 2023 analysis on Prepayments and Other Current Assets).

Costs and Operating Expenses

Purchased Power and Transmission Charges

The Company's main cost is its purchased power and transmission charges. The Company sources its main and baseload power from coal power plants.

Purchased power and transmission charges increased by 9% which is slightly lower than the increase in pass-through revenues of 15%. The increase is related to both the increase in kWh sales and the increase in average generation rates. The discrepancy, however, between the percentage increase in purchased power and the percentage increase in pass-through revenues is affected by the timing of billing from the power suppliers and the related recovery from the customers. The purchased power rate of a specific month is used as the billing rate of the succeeding month. In 2023, generation

costs started to decrease as the price of coal in the international market started to improve. Generation rates are at ₱9.89 in March, ₱9.33 in April, ₱8.93 in May, and ₱8.42 in June. The decreasing trend resulted in over-recoveries with the billed amounts to end customers higher than the amounts of purchased power. Furthermore, transmission charges also decreased during the period as the power supply is more stable than in 2022.

General and Administrative Expenses

General and administrative expenses increased by ₱39.6 million.

Depreciation and amortization expense increased by ₱13.2 million due to capital asset additions, specifically the completion of the New Petersville and New Milenyo Substations in August of 2022.

Salaries and employee benefits increased by ₱4 million mainly in the form of overtime as customer demand increases and as projects run in full blast.

Taxes and licenses increased due to the increase in gross revenues for the year 2022, the base amount of the annual business and local franchise tax being charged by the Angeles City Local Government Unit.

The Company's outside services are in the form of security, meter reading and bill handling services outsourced from various providers. The increase in outside services is attributable to the new office and warehouse locations, increase in rates charged and increase in the number of our customers.

Professional fees increased to ₱11.4 million due to professional fees paid in relation to the Company's ten (10)-year distribution development plan and the Company's planned public offering.

Impairment loss on trade and other receivables increased along with the increase in pass-through revenues and the increase in past-due receivables. Please refer to the June 2023 analysis on trade and other receivables.

Other Income and Charges

Other operating income decreased due to a one-time payment received in the first half of 2022 relating to a customer's requirement to relocate the Company's poles and power lines within their area. On the contrary, pole rentals increased due to the renewal of pole rental agreements in 2023 and the updating of the pole rental rates.

Provisions expense in 2022 is higher than in 2023. In April 2022, ERC issued a formal notice on the computation of the AWAT vs. MAP refund scheme. The Company updated its previous computations and recognized the differences in the said period. The 2023 provisions solely pertain to the computed monthly excess of AWAT vs. MAP.

Finance income is higher in 2023 due to the investments made in short-term, high-yield financial assets. Please refer to the June 2023 analysis on cash and cash equivalents.

Finance costs is lower in 2023 due to the maturity of the GRAM/ICERA recovery scheme in December 2022. The interest expense arising from the unwinding of the discount of the related liability is included as part of the finance cost in the 2022 financial statements.

Tax Expense

Tax expense increased along with the profit before tax as there were only very minimal permanent differences in the Company's income and expense accounts.

For the Period Ended 31 December 2022 and 31 December 2021

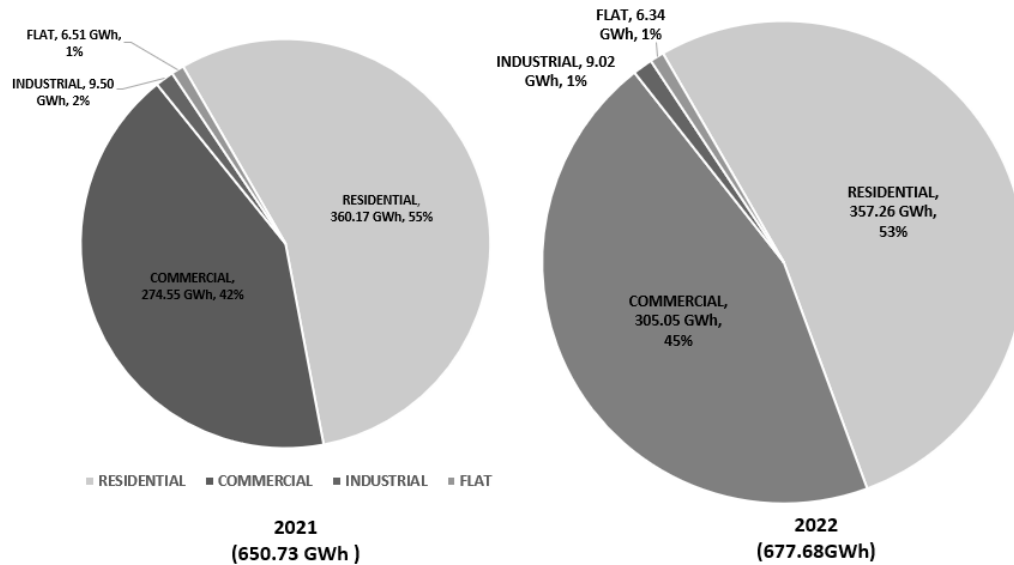
Revenues

The Company's sales of electricity increased by ₱2.6 billion or 46%:

	2022	2021
Pass-through revenues	P 7,067,746,239	P 4,529,259,051
Distribution revenues	<u>1,117,184,533</u>	<u>1,062,398,296</u>
	<u>P 8,184,930,772</u>	<u>P 5,591,657,347</u>

The increase was brought about by the following factors:

- (a) KWh sales increased by 27.0 million or 4% from 650.7 million as of December 2021 to 677.7 million as of December 2022. This increase in customer consumption is attributable to the increase in customer numbers by 3% and the almost complete opening of the economy. Continuous vaccination drives within municipalities and cities provided immunity to the population and enabled them to live in the new normal. While the work-from-home system had indeed been an acceptable practice, the Company's commercial customers, especially restaurants and service-oriented businesses were able to re-open. The graph below shows that the increase in the consumption of commercial customers approximates the increase in kilowatt hour sales for the year.



- (b) Pass-through revenues increased by 56% from ₱4.5 billion to ₱7.1 billion mainly from the increase in generation rates. Average generation rates increased from ₱5.69/kWh in 2021 to ₱9.08/kWh in 2022. This significant increase in generation rates is the effect of the increase in the price of coal, as aforementioned in the June 2023 analysis of the increase in revenues. Coal prices started to increase in late 2020. It was greatly affected by conflicts within international players with China banning coal imports from Australia and other countries banning imports from Russia at the height of the Ukraine war.
- (c) Distribution revenues increased by 5%. As the distribution rate remained the same since 2015, the increase is brought about by the increase in kilowatt-hour with minimal effect from the increase in local government taxes that are also billed from customers. Local government taxes increased in 2022 as gross revenues increased from year to year.

Costs and Operating Expenses

Purchased Power and Transmission Charges

Purchased power and transmission charges increased by 49% with the increase in generation rates and kilowatt-hour consumption. The percentage increase is lower than the percentage increase in pass-through revenues because of the credits received from one of our power suppliers. In 2022, the Company received a ₱159.9 million reduction in its power bills from the Unutilized Contracted Capacity of the Buyer (“UCCB”). UCCB pertains to the excess or unutilized contracted power that was sold by the power supplier to the electricity market, the proceeds of which are shared with the Company. On the other hand, transmission charges increased by 24% in 2022 from ancillary charges required to maintain the reliability of the national grid.

General and Administrative Expenses

General and administrative expenses increased by ₱18.6 million. The significant contributors are as follows:

Depreciation and amortization expense increased by ₱13.4 million due to capital asset additions and the completion of the New Petersville and New Milenyo Substations in August of 2022. Depreciation of constructed assets starts upon completion.

Salaries and employee benefits increased by ₱0.9 million due to a special bonus given during the 99th anniversary celebration of the Company. The effects of resignations, retirements and hiring of new employees are minimal.

Taxes and licenses increased due to the increase in business taxes and local franchise taxes which are based on gross revenues for the year 2021.

Repairs and maintenance for the year 2022 are regular costs of maintaining the Company's assets. Repairs and maintenance for 2021 include certain one-time costs incurred on substations and IT software.

Professional fees increased to ₱15.3 million due to professional fees paid to the Company's external legal counsel for services rendered on a legal case.

Annual supervisory fees paid to the ERC are fixed at ₱10.0 million. Other various ERC charges usually arise based on need (e.g., meter testing and calibration and certain permit fees on the Company's filings and applications). In 2021, the Company incurred ₱2.8 million on a filed capital asset acquisition application.

Communication, light and water increased due to the increased electricity cost as discussed in the pass-through revenues and purchased power sections of this analysis. The Company's own-used electricity is billed at the same rate charged to customers.

Insurance expense increased due to an increase in rates that are induced by inflation. Transportation and travel increased due to the increased mobility of personnel.

Impairment loss on trade and other receivables decreased as collection improved. Upon expiration of the directive of the ERC to extend grace periods to customers on account of the pandemic, the Company immediately reinforced its collection of receivables to manage its cashflows. Customers were provided with options to be able to cope with their obligations.

Rent payments that are excluded in the recognition of right-of-use assets and lease liabilities increased due to additional short-term leases of equipment.

Other operating expenses are lower in 2022 due to a deficiency tax payment in 2021 amounting to ₱19.5 million.

Other Income and Charges

Other operating income increased due to the increase in pole rentals and miscellaneous income. Pole rentals are higher due to new attachments of lessees while miscellaneous income is significantly higher because of a payment received for the requested relocation of our power lines and the recognition of income from the sale of excess purchased power to the electricity market. On the other hand, there was no gain in the reversal of provisions during the year.

Provisions expense in 2022 pertains to the recognition of customer refunds on distribution charges. In April 2022, ERC issued a formal notice on the computation of the AWAT vs. MAP refund scheme.

Finance income and finance costs decreased due to the collection and repayment of the GRAM/ICERA recovery scheme. The related receivables and payables are carried at fair value. The collection and repayment reduced the interest from the unwinding of the discount on the accounts.

Tax Expense

Tax expense increased along with the profit before tax as there were only very minimal permanent differences in the Company's income and expense accounts.

For the Period Ended 31 December 2021 and 31 December 2020

Revenues

The Company's sales of electricity increased by ₱944.6 million or 20%.

	2021	2020
Pass-through revenues	P 4,529,259,051	P 3,690,270,217
Distribution revenues	<u>1,062,398,296</u>	<u>956,834,650</u>
	<u>P 5,591,657,347</u>	<u>P 4,647,104,867</u>

The increase was brought about by the following factors:

- (a) The increase in generation rates started to be noticeable within the second quarter of 2021. Average generation rates for 2021 and 2020 are at ₱5.69/kWh and ₱4.67/kWh, respectively, with an increase of 18%. This increase is brought about by 2 factors: (1) the increase in coal prices and (2) the intermittent operation of the Company's main power supplier throughout the year. As previously discussed, coal prices started to increase in the last part of 2020 because of international conflicts and the war between Russia and Ukraine. On the other hand, with the plant shutdowns of our main power supplier for almost the entire year of 2021, the

Company was exposed to the prices in the electricity market which is induced by demand.

- (b) The increase in kilowatt-hours barely contributed to the increase of 3%. It is contributed by the slight recovery of commercial customers who were greatly affected by the Covid-19 pandemic.
- (c) Distribution revenues due to the increase in kilowatt-hours and the recovery of the commercial customers. The recovery of commercial customers, with distribution rates that are usually higher than residential ones, impacted the Company's sales mix and gross revenues. On top of this, starting in 2021, the clarifications made by ERC on the treatment of local government taxes resulted in the recognition of the billed amounts as part of gross revenues and as part of expenses instead of the previous net presentation in financial statements. It resulted in an additional ₱56.5 million in distribution revenues and the same amount of increase in taxes and license expenses.

Costs and Operating Expenses

Purchased Power and Transmission Charges

Purchased power and transmission charges increased by ₱1.1 billion or 31%.

	2021	2020
Purchased power	P 4,196,635,647	P 3,039,664,326
Transmission charges	<u>507,573,068</u>	<u>555,299,156</u>
	<u>P 4,704,208,715</u>	<u>P 3,594,963,482</u>

Purchased power increased by 38% in relation to the increase in coal prices and the Company's exposure to the electricity market. However, the percentage increase in purchased power is almost double the increase in revenues and the aggregate purchased power and transmission charges for the year are higher than the pass through revenues by ₱174.9 million (under-recoveries). As previously noted, the purchased power rate of a specific month is used as the revenue billing rate of the succeeding month. With the increasing prices alongside decreasing consumption from the second to the last quarter, the Company was unable to recover the actual amounts paid to power suppliers. These under-recoveries may be collected from customers in subsequent periods upon approval by the ERC.

Transmission charges significantly decreased by ₱47.7 million due to lower ancillary charges with power supply being sufficient to meet the demands during the year.

General and Administrative Expenses

General and administrative expenses increased by 22%. The significant contributors are as follows:

Depreciation and amortization expenses decreased with certain assets being fully depreciated during the year. Moreover, the additions in 2021 and 2020 are limited by the lockdowns and health precautions.

Salaries and employee benefits increased by ₱5.9 million because of the retroactive salary increase of supervisors and the bonuses arising from the signing of the collective bargaining agreement. Moreover, the 2021 salaries are lower by almost ₱4.0 million than usual due to the two (2)-month lockdown imposed by the government. The salaries provided to employees during the said two (2) months were approved by management to be payable by employees for five (5) years.

The significant increase in taxes and licenses is due to the clarification by ERC on the treatment of local government taxes (refer to the December 2021 analysis on pass-through revenues).

Repairs and maintenance increased because of certain one-time costs incurred on the Company's one substation and IT software.

Professional fees increased to ₱15.3 million because of the following:

- (a) Assistance of the Company's legal counsel over a case;
- (b) Professional study and review for a planned substation.

Annual supervisory fees paid to the ERC are fixed at ₱10.0 million. Other various ERC charges usually arise based on need (e.g., meter testing and calibration and certain permit fees on the Company's filings and applications). In 2021, the Company incurred a ₱2.8 million regulatory fee on a filed capital asset acquisition application. Every year, the Company is required to file its capital asset acquisition application to the ERC. The asset acquisitions require ERC's approval because these investments are included in the computation of distribution rates given to each electric utility.

Impairment loss on trade and other receivables decreased as the Company was able to collect its accumulated receivables from 2020.

Insurance expenses slightly decreased due to the individual identification of insured assets and the related clean-up of the insured assets list.

Communication, light and water increased due to the increased electricity cost as discussed in the pass-through revenues and purchased power sections of this analysis.

Other operating expenses are higher during the year due to a deficiency tax payment amounting to ₱19.5 million.

Other Income and Charges

Other operating income decreased due to the following:

- (a) 2020 gain on reversal of discount of returned long-term guarantee deposit with Angeles Power, Inc., a related party power supplier;
- (b) 2020 interest income from the unwinding of discount of long-term guarantee deposit until the date of payment; and
- (c) 2020 gain on rent concessions from an amendment to Philippine Financial Reporting Standards 16, Leases.

Finance costs decreased as the GRAM/ICERA payables were settled. The collection and repayment reduced the interest from the unwinding of the discount on the accounts. Furthermore, the interest expense on refundable deposits was updated in the third quarter of 2021 using the latest government bank savings interest rate which is lower than the rate used in previous years.

Finance income was significantly reduced due to the decrease in interest rates of short-term placements (within cash and cash equivalents in 2020 and a separate line item in 2021). The average rate in 2020 was 2.15% while the average rate in 2021 was 1.00%. In addition to this, was the effect of GRAM/ICERA collections which reduced the interest from the unwinding of the discount on the receivables.

Loss on sale of supplies inventory is from the sale of bunker fuels in the old power plant.

For provisions, the Company did not recognize any provisions for refunds on distribution charges in 2021 since the refund computation initially allowed by ERC to a certain electric distribution utility was contested by several consumer groups. The final formula was only issued and approved by ERC in April 2022.

Tax Expense

Tax expense decreased along with the profit before tax as there were only very minimal permanent differences in the Company's income and expense accounts.

For the Period Ended 31 December 2020 and 31 December 2019**Revenues**

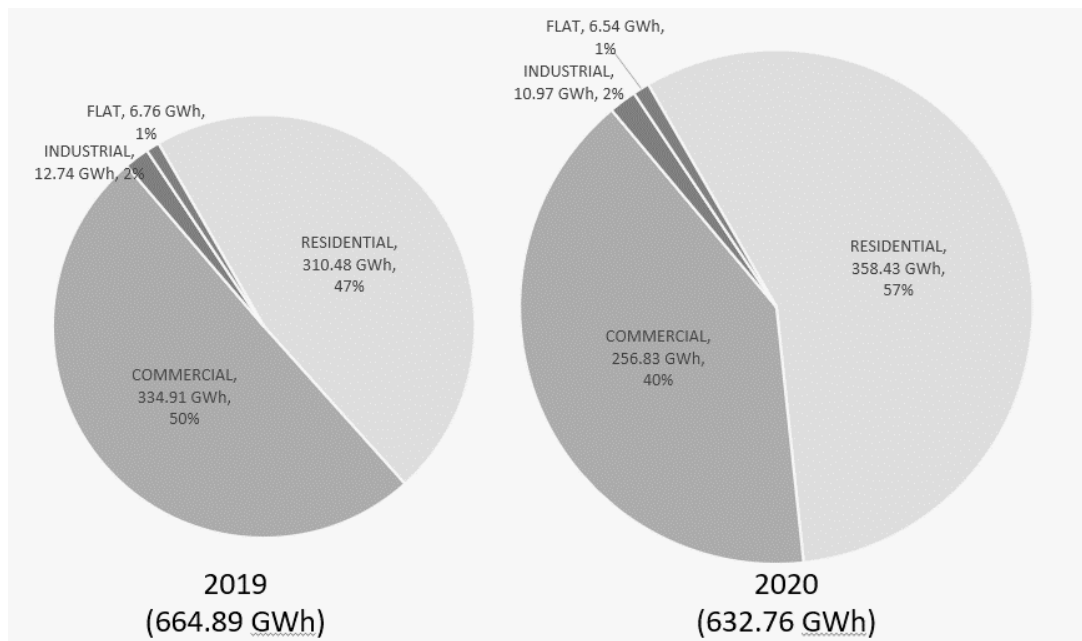
The Company's sales of electricity decreased by ₱919.5 million or 17%.

	2020	2019
Pass-through revenues	P 3,690,270,217	P 4,572,688,152
Distribution revenues	<u>956,834,650</u>	<u>993,907,568</u>

P 4,647,104,867P 5,566,575,720

The decrease was brought about by the following factors:

- (a) In March 2021, the Philippines confirmed the local transmission of the COVID-19 virus and declared an enhanced community quarantine in Luzon. The lockdown immediately affected the Company's sales which is variable on usage and demand. The sales mix shifted from commercial customers to residential ones and reduced total kilowatt hours sold by 5% from 664.89 gWhs to 632.8 gWhs. The chart below shows that the decline in consumption was mainly attributable to this shift in sales mix.



- (b) Pass-through revenues decreased by 19%. In addition to the decrease in kWhs sold, monthly generation rates decreased because of the resulting decline in demand-driven prices in the electricity market. From an average of P5.66/kWhs, prices decreased by 17% to P4.67/kWhs.
- (c) Distribution revenues decreased by 4% because of the decline in the aforementioned consumption of our customers. On the other hand, the percentage decrease in peso value is lower than the 5% percentage decrease in kWhs because of the supply and metering charges per kWh that are only applicable to residential customers. All other customer classes have fixed rates.

Costs and Operating Expenses

Purchased Power and Transmission Charges

Purchased power and transmission charges decreased by 20%, attributable to the decrease in kilowatt-hours and generation rates. During the year the Company also generated over-recoveries due to the decrease in generation rates over the months of 2020. These over-recoveries explain the differences in the percentage decreases of pass-through revenues and pass-through costs.

General and Administrative Expenses

General and administrative expenses increased by 16%. The significant contributors are as follows:

Depreciation and amortization expenses increased by ₱14.7 million because of the additions in 2019.

Salaries and employee benefits decreased because of the two (2)-month lockdown imposed by the government. The salaries provided to employees during the two (2) months were approved by management to be payable by employees for five (5) years. Furthermore, the mobility of employees is strictly limited to necessary work and overtime is rarely approved.

Impairment loss on trade and other receivables is the main driver for the increase in general and administrative expenses. Following the imposition of lockdowns, various government agencies issued respective policies to help the affected Filipino people. ERC issued various policies related to the collection of power bills. This affected our cash flows and increased the age of our receivables. Although the collection of the aged receivables can still be imposed in the future or applied against existing customer refundable deposits, the uncertainties during that year compelled the Company to recognize impairment losses in compliance with the requirements of the accounting standards.

Repairs and maintenance increased because of certain non-recurring costs incurred on the Company's one substation and IT software.

Outside services increased due to an increase in security agency fees. It is induced by an increase in rates and the additional collection centers aimed to minimize paying customers' exposure to the virus.

Supervisory fees remained almost the same having no other ERC reviews engaged during both periods. Insurance slightly increased with the annual increase in rates.

Professional fees decreased due to one-time transactions in 2019 as follows:

- (a) Engineering design for a planned substation
- (b) Faulty analysis service engaged for the Company's distribution system.

Communication, light and water decreased because of the decrease in generation rates as discussed above. Taxes and licenses increased with the increase in real property taxes because of additional poles erected in 2019.

Stationery and office supplies increased because of the timing of printing of the Company's forms, statements and receipts.

Transportation and travel increased due to the provision of shuttle services to all employees upon their return to work after the community quarantine.

General management increased due to a one-time tuition fee sponsorship approved by the Board of Directors for one of the Company's stockholders.

Donations decreased because of limited mobility and a limited number of events requiring assistance.

Collection expenses, which are charged based on the number of bills collected, decreased because of the rules promulgated by the ERC during the pandemic, as discussed in the analysis of impairment loss on trade and other receivables.

Other Income and Charges

Other operating income increased due to the following:

- (a) 2020 gain on reversal of provisions for refunds that have been implemented;
- (b) 2020 increase in pole rentals due to attachments and scheduled pole rental rates increase; and
- (c) 2020 gain on rent concessions from an amendment to PFRS 16, Leases.

In 2019, there was a gain on reversal of impairment on trade and other receivables for receivables that have been collected. There was no such collection and reversal in 2020 due to the result of the pandemic.

For both years, the Company recognized provisions for customer refunds in accordance with existing ERC rules. However, 2019 provisions include certain penalties and exposures arising from prior years which the Company deemed to be conservatively recognized in the financial statements.

Finance income and finance costs decreased as the GRAM/ICERA receivables and payables were collected and settled, respectively. The collection and repayment reduced the interest from the unwinding of the discount on the accounts.

Fair value gains are affected by the price of investments in the market. In 2020, because of the pandemic, investment values significantly decreased.

Tax Expense

Tax expense decreased along with the profit before tax as there were only very minimal permanent differences in the Company's income and expense accounts.

KEY PERFORMANCE INDICATORS

The relevant key performance indicators of the Company are shown below:

	June 2023	2022	2021	2020
Return on Equity <i>Net Profit divided by Total Equity</i>	14.10%	15.35%	11.43%	14.71%
Return on Assets <i>Net Profit divided by Average Assets</i>	6.57%	7.86%	5.80%	7.31%
Debt to Equity Ratio <i>Total Liabilities divided by Total Equity</i>	1.15	0.95	0.97	1.01
Current Ratio <i>Total Current Assets divided by Total Current Liabilities</i>	1.80	2.10	1.90	1.87
Average Collection Period <i>Average Accounts Receivable divided by Average Sales per day (Sale of Electricity divided 365 days)</i>	48.29 days	47.88 days	63.70 days	68.00 days

LIQUIDITY RISKS

In September 2023, the Company will be refunding pass-through over-recoveries totaling ₱180.1 million to its customers in compliance with a new ERC directive. The same will impact the Company's cash inflows, however, due to the availability of cash and cash equivalents, the Company does not foresee that it will have any cashflow or liquidity problems within the next twelve (12) months from the date of this Prospectus.

The Company's liquidity requirements pertaining to trade and other receivables and refundable deposits are disclosed in Note 4 of the 30 June 2023 financial statements.

The Company is not aware of any event that will trigger direct or contingent financial obligations that are material to the Company, including default or acceleration of any

obligations. All known obligations or probable exposures are included in the Company's provisions and other liability accounts.

The Company does not have any off-balance sheet transactions, arrangements, obligations, including contingent obligations, and other relationships with unconsolidated entities or other persons created during the relevant period.

Other than those arising from new ERC directives, the Company is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, income from continuing operations.

The Company is not in default or breach of any note, loan, lease, or other indebtedness or financing arrangement requiring it to make payments.

The Company is not aware of any known trend, event, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on its net sales or revenues apart from what is disclosed in this Prospectus.

The Company does not have any significant elements of income or loss that did not arise from its continuing operations.

The Company does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

The Company does not have any material commitments for capital expenditures other than those described under the "Use of Proceeds" Section of this Prospectus.

COMMITMENTS

Other than those arising from regular operations and upgrading of sub-transmission and distribution lines, from capital asset expenditures filed with the ERC and from planned construction of additional substations, the Company does not have any future commitments that will significantly affect the Company's financial position and financial performance.

EXTERNAL AUDITOR

In accordance with the Company's Manual on Corporate Governance, the Audit Committee shall recommend to the Board of Directors the appointment, reappointment, removal, and fees of the External Auditors, duly accredited by the SEC. It shall also have the following responsibilities:

1. Prior to the commencement of an external audit, discuss with the External Auditor the nature, scope, and expenses of the audit, and ensure the proper

coordination if more than one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;

2. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid and AEC's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to its independence. The non-audit work, if allowed, should be disclosed in AEC's Annual Report and Annual Corporate Governance Report;
3. Pre-approves all external audit plans, scope, nature, expenses, and frequency at least one (1) month before the conduct of the external audit and examines and determines any non-audit work including non-audit fees who undertakes an independent audit of AEC, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the Shareholders;
4. The Audit Committee Charter shall include the Audit Committee's responsibility for assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional regulatory requirements. The Charter should also contain the Audit Committee's responsibility for reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

Currently, P&A Grant Thornton is the Company's external auditor. The External Auditor shall ensure an environment of good corporate governance as reflected in the financial records and reports of the Company and shall perform the following:

1. The reason/s for any resignation, dismissal/removal, or cessation from service and the date thereof of the external auditor shall be reported in the Company's annual and current reports, to the SEC, AEC's shareholders, and the public through its website. The reports shall include a discussion of any disagreement with the former external auditor on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.
2. The external auditor shall not at the same time serve as its internal auditor to the same client. The Company shall ensure that other non-audit work will not be in conflict with the functions of the external auditor. Should there be non-audit services, the Company shall disclose its nature in the Annual Report.
3. The external auditor shall either be rotated or the handling partner changed every five (5) years or earlier.

4. If an external auditor believes that the statements made in the Company's annual report, information statement, or proxy statement that was filed during his engagement is incorrect or incomplete, he shall present his views on the reports.
5. The Company shall disclose the nature of non-audit services performed by its external auditor in the Annual Report in the interest of managing potential conflicts of interest.

THE BUSINESS

HISTORY AND OVERVIEW

Angeles Light and Power Plant, which formally started operating on 10 July 1923, grew to become the third largest private electric company in Luzon.

Later, Angeles Light and Power Plant came to be known as Angeles Electric Corporation (“AEC” or “the Company”) when it was incorporated and registered with the Securities and Exchange Commission in 1959. It was initially granted a franchise to construct, maintain, and operate an electric, heat, and power system in Angeles City under the Republic Act (“R.A.”) No. 2341 on 20 June 1959 which provided for a twenty-five (25)-year franchise period. On 18 June 1964, R.A. No. 2341 was amended by R.A. No. 4079, extending AEC’s franchise period to fifty (50) years, until the year 2009. Then on 09 March 2007, the 13th Congress of the Philippines passed R.A. No. 9381 and granted AEC an extension to its existing franchise of another twenty-five (25) years.

Further, in compliance with the requirement of the Franchise, the Company has applied for the necessary Certificate of Public Convenience and Necessity (“CPCN”) from the ERC to continue operating the electric light, heat, and power system in Angeles City, Pampanga, under ERC Case No. 2008-060 MC in its decision dated 15 September 2008, which shall be valid for a period of twenty-five (25) years from 19 June 2009.

Angeles Electric Corporation holds the distinction of being the first electric utility company to achieve 100% electrification of all areas within its franchise coverage. This was achieved in 1969 with the conversion of distribution voltage from 2,400V to 13,800V which enabled the Company to extend its power lines to the remotest barangay of Angeles City. In 1996, the company was adjudged “Outstanding Countryside Investor (Large-Scale Category) of the Year” by the Philippine Chamber of Commerce and Industry, Inc. (“PCCI”) in recognition of AEC’s contribution to hasten the economic recovery of Angeles City.

While the 1980s may be considered banner years when AEC experienced unprecedented growth with the increase in coverage area and computerization of the billing system, the 1990s will be remembered as the turbulent decade of the power crisis, Mt. Pinatubo eruption and labor unrest. It was during this period when AEC made a determined effort – and succeeded – to enhance customer service and information retrieval systems.

Now, AEC is gearing up to meet the challenges of an industry in a state of transition. AEC’s competitiveness in a deregulated environment is anchored on a two-pronged thrust: the enhancement of service delivery and the strengthening of operational and financial viability.

AEC continuously enhances service delivery and strengthens operational and financial viability in the service of its almost 132,000 customer accounts as of December 2022.

The Management is presently headed by its President, Maria Rita Josefina V. Chua, who took over the helm as President from Engr. Geromin T. Nepomuceno in December 2019. Engr. Geromin Nepomuceno, on the other hand, succeeded Engr. Peter G. Nepomuceno as President in July 2001, who retired after leading the corporation for forty-three (43) years. It was during Engr. Peter Nepomuceno's term that the family enterprise was transformed into the industry pacesetter that it is now.

AEC has been consistently listed as one of the top one thousand (1,000) corporations in the Philippines as it continues to experience positive growth. With the continuous transition into a deregulated environment and open access, the Company maintains its optimism that it will remain competitive and will continue to be one of the major players in the power industry in the country.

VISION/ MISSION

It is the Company's vision to be the most reliable electric utility in North Luzon by Year 2027 and its mission is to provide value by delivering energy services in a reliable, responsive, mindful, and sustainable way at the most reasonable cost.

The Company's vision and mission reflect AEC's core values of *Integrity, Innovation, Commitment, Accountability, Responsiveness, Excellence, and Social and Environmental Responsibility*. *Integrity* means practicing fairness, maintaining confidentiality, and being a role model by following all ethical standards. *Innovation* means coming up with new ideas, developing, prioritizing, and implementing them as well as putting them into practice. *Commitment* means participating in Company events and promoting public image. *Accountability* means being responsible for actions and decisions while accomplishing the expectations of your role and committing to always perform as a team. *Responsiveness* means making timely decisions that lead to timely actions leading to moving the business forward. *Excellence* means emotional and team resiliency, about being the best and striving to be better in delivering quality service. *Social and Environmental Responsibility* means having respect for gender equality, non-discriminatory and practicing sustainable and environmental conservation initiatives.

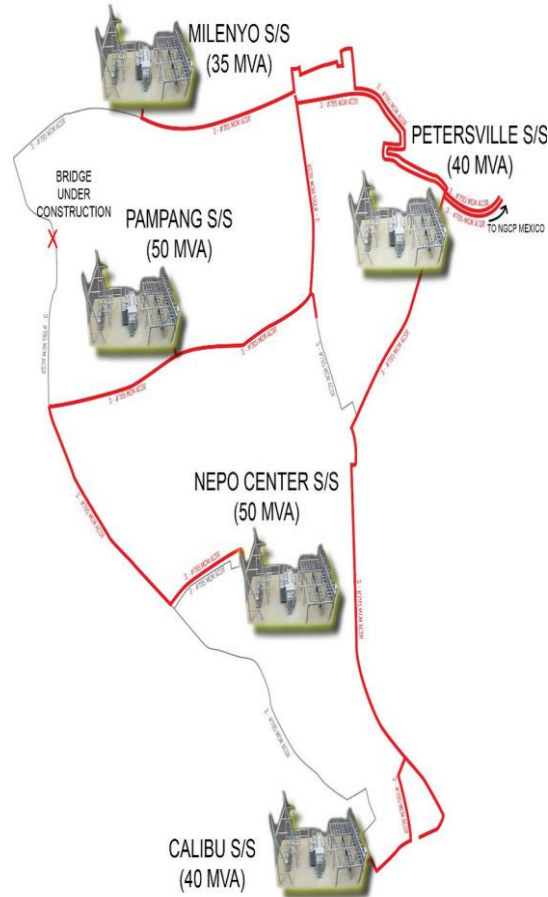
SERVICES

Distribution System

NGCP transmits power to AEC via the AEC-owned 69 kV NGCP, Mexico - Petersville Subtransmission Line. This 19.310 km line is double-circuit, rated 200 MW (@ 69 kV, 93% PF), traversing along the North Luzon Expressway. For single-outage reliability compliance, AEC has an alternate 69 kV Subtransmission Line, the Mabiga-Petersville Subtransmission Line, with a rated capacity of 100 MW (@ 69 kV, 93% PF). As part of AEC's 2020 Capital Expenditure Projects applied to ERC under ERC Case No. 2019-091 RC, the Manuali Switching Substation will retain compliance with the single outage

contingency criterion of AEC's subtransmission system and ensure the reliability of the distribution system in the 69 kV voltage level.

Circumscribing AEC's Franchise Area is the 69 kV Subtransmission System that interconnects five (5) load-end substations namely Petersville Substation, Calibu Substation, Milenyo Substation, Pampang Substation, and Nepo Center Substation. The radial to each of these substations is 13.8 kV, three-phase primary distribution feeder lines. This primary voltage is then stepped down to utilization voltages 230/115 V on three (3)-wire, secondary distribution lines.



Petersville Substation in Barangay Pulung Maragul was initially commissioned in 1966 with a capacity of 10 MVA. It was AEC's first substation and the main gateway into the City's network, directly connected to NGCP's transmission lines. In 1974, it was replaced by a 25 MVA transformer to address load growth. Then in 2005, its transformer was further upgraded to 40 MVA to keep up with the city's continuously growing demand. Petersville transmits 69 KV of power to all of AEC's other substations. In 2022, the Company decided to relocate the old facility to an adjacent location. The new facility will maintain its 40 MVA capacity but will have seven bays, compared to the five bays of the former substation. This will improve efficiency in the transmission of power to other substations.

Milenyo Substation, located inside the Clark Freeport Zone, was commissioned in 2001 to serve the fast-growing needs of Barangays Balibago and Malabantias, the city's tourism and entertainment centers. With a maximum capacity of 35 MVA, the substation also serves the bulk of Angeles City's barangays north of the Abacan River. After over twenty (20) years, it was relocated to a property outside Clark but within Barangay Malabantias. The substation has now been upgraded to 50 MVA to meet the increasing demand within that area.

Calibu Substation was commissioned in 2005. This 40 MVA Substation is located in the Calibu Power Plant compound of Angeles Power Inc. Its commissioning led to the creation of the circumferential 69 KV backbone sub-transmission system.

To serve the growing electricity requirements in the heart of the city, two (2) 50 MVA substations were integrated into the system, *Pampang Substation* in 2015 at Arayat Boulevard and *Nepo Center Substation* in 2019 at Liza Drive.

The Management is currently studying a new power entry point in Porac, Pampanga to improve the reliability of AEC's line.

In summary, the tables below show AEC's Substation capacities and circuit line lengths as of June 2023.

Substation Name	Number of Feeders Connected	Power Transformer Capacity (MVA)	Total Capacity (MVA)
Petersville	10	40	40
Milenyo	9	50	50
Calibu	11	40	40
Pampang	10	50	50
Nepo Center	8	50	50

Circuit Description	Unit	As of Dec. 2021	As of Dec. 2022	As of June 2023
Subtransmission (69 KV)	km	78.90	79.93	79.93
Primary (13.8 KV)	km	489.32	497.73	500.31
Secondary (115/230V)	km	803.96	813.36	815.98

Maintenance and Engineering Capability

Angeles Electric Corporation has achieved tremendous advancement to alleviate the most common problems that cause power disruption, such as lightning strikes, object interference, and loose connections. It has an established maintenance system and employs state-of-the-art equipment to minimize system loss and prevent unnecessary power interruptions.

For the past five (5) years, systems loss, which is a measure of a utility's performance and good management, has been kept in check at 6.96%, with feeder loss at 4.60% in 2022, way below the cap of 5.50%. Highly trained personnel are fully equipped and are efficiently mobilized to perform maintenance work and respond to emergency situations on a twenty-four (24)--hour basis.

Despite the significant breakthroughs, the Company continues to step up efforts so that it can supply electricity in the least cost manner. In the long run, these improvements will result in greater efficiencies, reliability of service, reduction of costs and compliance with the performance standards set forth in the EPIRA.

Customer Service

Angeles Electric Corporation has always adhered to its policy of "service above cost". For AEC, no cost is too high if it means improving the delivery of service to customers.

AEC is one of the very few electric companies that do not charge customers for materials and equipment required for new connections. The Company provides the electric meter, service drop wires and primary and secondary distribution lines, as well as the transformer and the electric pole whenever necessary.

As early as 1981, AEC has computerized its billing system and other processes for the timely and accurate preparation and delivery of customers' account statements. An extension office in Balibago was established after the eruption of Mount Pinatubo to service the needs of customers north of the Abacan Bridge, the vital link between the north and south of the city which collapsed as an aftermath of the lahar flows. Later on, several collection centers were also set up so that customers would have convenient options in settling their accounts. In 2004, the payment system was also computerized to better service customers and improve transaction turnover. The collection effort became a multi-departmental undertaking, especially during the pandemic. The Finance group spearheaded efforts to improve collection efficiency. More customers have shifted to online payments that offer the convenience of paying their bills wherever they are. As such, the Company partnered with various banks and online platforms.

In 1998, the company installed and operationalized an Automated Mapping System to support its distribution system database management. The system displays maps and tabular data. It is capable of linking the digital map to a textual customer information system that contains pertinent data on transformers, poles, etc.

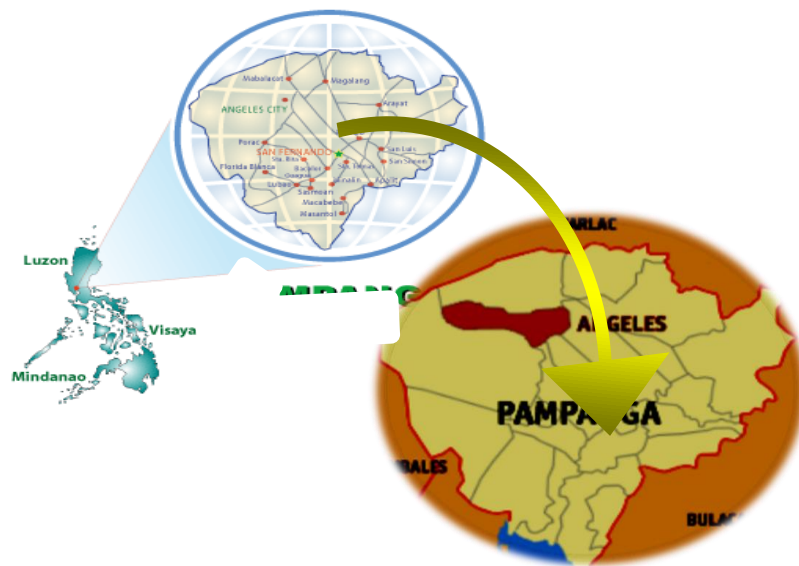
AEC has an efficient Private Automatic Branch Exchange (PABX), a telephone system that allows customers to request assistance, make inquiries and report emergencies at any time of the day, seven days a week, including holidays. Telephone lines are manned by customer service-oriented personnel to respond or refer callers to the appropriate unit in the company. Service requests, including those of new applications, increased by almost twenty percent in 2022 from the previous year. The new methods and systems in engaging and servicing customers initially proved challenging to AEC's

customer service personnel. However, the Company's Customer Service personnel were able to commit and adapt to those changes to accommodate the customers' changing expectations and service requirements. Customer expectations of speed in response to inquiries and service requests require the Company to assess the flexibility of its processes regularly.

MARKET

Franchise Area

AEC's franchise area is Angeles City in the Province of Pampanga. It has a total land area of 62.17 sq. km. and is composed of 33 barangays with a total population of four hundred sixty-two thousand nine hundred twenty-eight (462,928) people based on the 2020 Census of Population of the Philippine Statistics Authority.



AEC currently services five (5) customer classes, consisting of Residential, Commercial (General Services 1 to 5), Industrial (Small and Large), Flat (Streetlights) and Contestables.

Residential customers comprise 89% of AEC's consumer base and contribute 51% of its energy sales. This customer class covers all residential customers for domestic purposes in single-family dwelling units, individual apartments, condominiums, and boarding houses.

Commercial customers comprise 11% of AEC's consumer base and contribute 40% of its energy sales. This customer class covers all commercial and other non-residential customers.

Industrial customers comprise less than 1% (0.38%) of AEC's consumer base and contribute 1% of its energy sales.

The Flat customer class comprises less than 1% (0.26%) of AEC's consumer base and less than 1% of its energy sales. These accounts pertain to streetlights in Angeles City.

Contestable customers comprise less than 1% (0.01%) of AEC's consumer base and contribute 7% of its energy sales. These pertain to customers with an average monthly peak demand of 750KW and up.

AEC's energy sales for the period ending 30 June 2023 reached 346,937 MWh. AEC has a total of one hundred thirty-three thousand eight hundred forty-one (133,841) customers. The table below shows the total number of customers and energy sales per class:

Customer Class	Number of Customers	%	Energy Sales in MWh	%
Residential	118,649	88.65%	176,349	50.83%
Commercial	14,324	10.70%	140,024	40.36%
Industrial	508	0.38%	4,338	1.25%
Flat/Streetlights	353	0.26%	3,077	0.89%
Contestables	7	0.01%	23,149	6.67%
Total	133,841	100.00%	346,937	100.00%

The Company generates its revenues primarily from (1) Generation, Transmission, and System Loss, which are pass-through charges; (2) Distribution Charges consisting of Distribution, Supply, and Metering Charges; and (3) Other charges related to its services such as reconnection fees and pole rentals.

Pass-through charges are revenue-neutral to the Company. The ERC evaluates these charges every three (3) years for any over or under-recoveries. Upon the ERC's approval, the over or under-recoveries are either refunded to or collected from AEC's customers.

Distribution charges are based on the last approved rates of the Company for the regulatory year 2015 under a Performance-Based Rate-Making Methodology. This is the Company's main line of business and source of revenue. No changes to distribution charges can be made by the Company without the ERC's approval.

The Company is not dependent on any one or group of customers for at least 20% of its distribution revenues. The loss of a single customer or a few customers will not have a material adverse effect on AEC.

FRANCHISE AND LICENSES

As a franchise grantee and a regulated entity, the Company needs to ensure that it is compliant with the provisions of its franchise, any applicable laws, and all reportorial and regulatory requirements of its regulators and other government agencies or instrumentalities.

Republic Act No. 9381 (the "Franchise")

The Company was authorized to construct, operate, and maintain a distribution system for the conveyance of electric power to its customers in the City of Angeles, Pampanga by virtue of the franchise granted by the 13th Congress of the Philippines per Republic Act 9381, for a period of twenty-five (25) years from 09 March 2007. Nonetheless, said franchise may be subject to amendment, alteration, or repeal by the Congress of the Philippines when the public interest so requires and shall not be interpreted as an exclusive grant of the privileges as provided in the Franchise.

Without the Franchise, AEC may not continue to operate its business as an electric distribution company.

Certificate No. CPCN-2017-01

In compliance with the requirement of the Franchise, the Company has applied for the necessary CPCN from the ERC to continue operating the electric light, heat, and power system in Angeles City, Pampanga, under ERC Case No. 2008-060 MC in its decision dated 15 September 2008, which shall be valid for a period of twenty-five (25) years from 19 June 2009.

Bureau of Internal Revenue ("BIR") Registration

The BIR issued Certificates of Registration for the following branches of the Company:

Office/Branch	Address	TIN
Main Office	Don Juan D. Nepomuceno Ave cor. Dona Teresa Ave. Nepomart Complex Angeles City Pampanga	000-088-802-000
New Accounts Satellite Office	#2 2nd Flr. THE QUAD @ NEPO Plaridel St. Nepo Center Cutcut Angeles City Pampanga	000-088-802-00004
Nepo Mart Collection Sub-Office	Johnny Walker- 4A & B Mezzanine Nepo I Plaridel St. Sto. Rosario Angeles City Pampanga	000-088-802-00005

The Annual Registration Fees for the above-listed branches have been paid on 17 January 2023.

Business Permits

The Company holds the following business permits issued by the local government of Angeles City:

Office/Branch	Address	Business ID	Issue Date	Expiry Date
Main Office	Don Juan D. Nepomuceno Ave cor. Dona Teresa Ave. Nepomart Complex Angeles City Pampanga	54-01-2003012208	12 January 2023	31 December 2023
New Accounts Satellite Office	#2 2nd Flr. THE QUAD @ NEPO Plaridel St. Nepo Center Cutcut Angeles City Pampanga	54-01-2021002763	12 January 2023	31 December 2023
Nepo Mart Collection Sub-Office	Johnny Walker-4A & B Mezzanine Nepo I Plaridel St. Sto. Rosario Angeles City Pampanga	54-01-2021002762	12 January 2023	31 December 2023

Other Licenses and Permits

The Company holds the following permits/licenses from other government agencies:

Agency	Particulars	Permits/Licenses/ Registration No.	Date Issued	Valid Until
BIR	Computerized Books of Accounts	1106-116-0013 CBA/AR	09 November 2006	Valid until revoked
Bureau of Customs (BOC)	Permit to Import	CCN: IM0004451570	For renewal	-
ERC	Meter Shop (Category A)	10-011	01 July 2022	30 June 2025
National Telecommunications Commission (NTC)	2 Radio Station Licenses	RPTR-CC-00006-15 RPTR-CC-00007-15	14 December 2020 14 December 2020	13 December 2023 13 December 2023

In the conduct of its business, the Company also maintains the following software licenses:

Product Pool	License Product Family	License Version	License Count	CPU/ Instance	License Type/Expiry
Applications	AOMEI Back upper Server	7	1	-	Perpetual
Applications	AutoCAD LT	2023	4	-	24 January 2026
Applications	Microsoft Dynamics SL	7		-	
Applications	Microsoft Visual FoxPro	9	1	-	Full
Applications	Office Home & Student	2019	5	-	Perpetual
Applications	Office Small Business	2007	19	-	OEM
Applications	Office Standard	2019	5	-	Perpetual
Applications	Office Standard	2016	5	-	Perpetual
Applications	Office Standard	97	2	-	Full
Applications	PowerBuilder Enterprise	12	1	-	Perpetual
Applications	Sophos Intercept X Advanced	Advance	20	-	17 August 2023
Applications	Sophos Intercept X Advanced for Server	Advance	9	-	17 August 2023
Firewall	Sophos XG 2010 Email, Protection Webserver Protection, Xstream Protection	Full	1	-	Perpetual
Servers	SQL - Device CAL	2017	5	-	Perpetual
Servers	SQL - Device CAL	2014	5	-	Perpetual
Servers	SQL - Device CAL	2008 Release 2	1	-	Perpetual
Servers	SQL Server - Standard	2017	1	-	Perpetual
Servers	SQL Server - Standard	2016	3	-	Perpetual
Servers	SQL Server - Standard	2014	1	-	Perpetual
Servers	SQL Server - Standard	2008 Release 2	1	-	Perpetual
Servers	vCenter Server 7 Standard	7	1	1	Perpetual
Applications	Visual Studio Professional Edition	2019	1	-	Perpetual
Applications	Visual Studio Professional Edition	2010	1	-	Perpetual
Servers	vSAN 7 Standard for 1 processor	7	1	3	Perpetual
Servers	vSphere 6 Standard	6	1	2	Perpetual
Servers	vSphere 7 Standard	7	4	5	Perpetual
Systems	Windows	7 Professional	1	-	Perpetual
Systems	Windows	10 Pro Get	20	-	Perpetual

		Genuine			
Systems	Windows	10 Pro Get Genuine	40	-	OEM
Systems	Windows	7 Professi onal	6	-	OEM
Systems	Windows	Vista	45	-	OEM
Servers	Windows Remote Desktop Services - Device CAL	2008	5	-	Perpetual
Servers	Windows Server - Device CAL	2016	5	-	Perpetual
Servers	Windows Server - Standard	2008 Release 2	4	-	Perpetual
Servers	Windows Server Standard Core	2019	16	-	Perpetual
Servers	Windows Server Standard Core	2016	48	-	Perpetual
Systems	Windows XP Professional	XP	10	-	Full
Servers	Windows Server Standard	2019	1	-	OEM
Applications	Veeam Backup & Replication	Enterpris e Plus Edition	1	-	7/1/2025
Servers	Windows Storage Server	2012 R2	1	-	OEM
Servers	Windows Storage Server Standard	2016	1	-	OEM

The Company has no other franchises, licenses, concessions, patents, trademarks, or copyrights in addition to those disclosed above.

RESEARCH AND DEVELOPMENT

The Company has no research and development department, nor has it been involved in any research and development activity. This is due to the fact that changes in the electric distribution industry have been relatively slow compared to other industries. The current infrastructures and systems have generally been sufficient to meet the growing market's demand for safe and efficient distribution of power. Hence, there has been no need for research and development up to the present.

This is still true even with the emergence of technology and the government's implementation of a national smart grid policy framework for the Philippine electric power industry and roadmap for distribution utilities due to the sufficiency of the available products and technologies in the market.

FORECAST

According to the 2023-2032 AEC's Distribution Development Plan submitted to the DOE last 20 April 2023, the Company is expected to see sustained growth in its total number of customers up until the year 2032. For the historical year 2022, residential customers accounted for 53% of the total energy sales. As the effect of the pandemic further declined in 2022, there was a slight decrease in residential consumption at 0.82%. On the other hand, commercial customers' energy consumption further recovered by 11.11% though industrial energy sales continued to plunge by 4.97%. This resulted in a 4.14% increase in sales for the year 2022. Optimistically, figures are expected to gradually normalize in the next five (5) years.

The number of barangays in the franchise area is expected to remain the same at thirty-three (33) barangays. The number of Contestable Customers is also projected to remain the same in the next ten (10) years despite the reduction in the level of contestability. The number of households is expected to increase by 3.44% annually and the number of captive customers is expected to increase by 3.27% annually. The Company has already achieved a 100% household connection level. Electrification projects that are projected to be undertaken are those for new subdivision projects.

System Loss decreased in 2022 to 6.80% from 7.16% in 2021 mainly due to the continuing gradual return to normalcy of residential consumption as pandemic restrictions are relaxed and customers' reduced usage of electricity as generation charges spiked. Though commercial consumption recovered by 11%, the still declining industrial consumption level contributed to a comparatively low load factor and this is projected to persist, though in a declining trend, in the next five (5) years.

COMPETITION

As the sole franchise grantee for the covered franchise areas, AEC enjoys a captured market in the power distribution business in Angeles City, Pampanga.

The promulgation of the RCOA had no impact on the distribution business activities of the distribution utilities. Under RCOA, contestable customers are given the option to choose their supplier of electricity. However, delivery or the conveyance of electricity to these Contestable Customers remains the function of distribution utilities such as AEC. As of 30 June 2023, AEC is servicing four (4) Contestable Customers and with RCOA's third phase of implementation on 26 February 2021, an additional seven (7) customers were qualified to switch to retail competition.

Under Republic Act No. 9513, otherwise known as the Renewable Energy Act, the DOE mandated the establishment of the Green Energy Option Program ("GEOP"), which provides customers with a threshold of 100 KW and above for the past twelve (12) months the option to choose renewable energy resources as their supplier of electricity. As of 30 June 2023, AEC has only one (1) customer who participated in this program.

Retail services to both Captive, Contestable, and GEOP Customers likewise remain to be the function of distribution utilities.

Distribution utilities such as the Company shall also be the sole Metering Service Provider for the retail market until such time that the ERC determines that the provision of metering services at the retail level is competitive.

AEC has the sole authority to operate a distribution system in the City of Angeles until the expiration of its Franchise on 09 March 2032. Thus, the Company does not foresee the entry of competitors/other distribution utilities.

Nevertheless, the Company is committed to providing quality, efficient, and reliable service to its customers, to comply with all regulatory compliances and other reports or submissions as may be required by the government and its instrumentalities, to continuously perform the duties and functions of the Company as a distribution utility until the expiration of its Franchise.

SUPPLIERS

Power Supply Portfolio

AEC’s major power source comes from GNPower Mariveles Energy Center Ltd. Co. (“GMEC”) formerly GNPOWER Limited Company. The power delivery commenced on 26 January 2014 and will expire on 25 January 2029. AEC also has Power Supply Agreements with Anda Power Corporation (“ANDA”) and with Angeles Power, Inc. (“API”).

Below are the details of AEC’s power supply contracts:

Supplier	Contracted Capacity	Duration of Contract
GNPower Mariveles Energy Center Ltd. Co.	75MW	26 January 2014 to 25 January 2029
Anda Power Corporation	15MW	13 September 2016 to 25 October 2026
Angeles Power Inc.	22MW	Until 25 December 2026 (with ERC issued Interim Relief)

As of 30 June 2023, there are 780 net-metering customers that injected 2,519,699 kWh of energy as of June 2023 (representing 0.7% of AEC’s total energy input).

For Renewable Portfolio Standards (“RPS”) compliance, AEC has entered into a Power Supply Agreement with SP New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation) which is scheduled to commence upon ERC’s approval.

Energy imbalances are sourced through the Wholesale Electricity Spot Market (“WESM”) and AEC has been a direct member of WESM since August 2013.

AEC is dependent on the above-named suppliers for its supply of electric power because it can only procure from other suppliers once approved by the ERC.

Transmission and Metering Service Agreements

AEC has an existing agreement with the NGCP for Transmission and Metering Services, which shall expire on 25 December 2023. The five (5)-year renewal is currently ongoing. AEC is dependent on NGCP for its transmission and metering services because it is the sole provider thereof.

Materials for Distribution and Metering

Below are the Company’s top regular suppliers for materials for distribution and metering:

	Supplier	Materials Supplied	Terms of Payment
1.	First Philec Inc.	Distribution Transformers	30 days
2.	AC Harris Cable Corp.	Wires	30 days
3.	Horn-Cor Mktg. and Constr. Services Inc.	Substation Equipment	30 days
4.	Phelps Dodge Phils. Energy	Wires	30 days
5.	Jocelyn Forge Inc.	Line and Metering Materials	30 days
6.	Lin Man Power Technology Inc.	Meters	30 days
7.	Celeasco	Line and Metering Materials	30 days
8.	FTB Power Industries Services Corp.	Line and Metering Materials	30 days
9.	NTA Energy Solutions Corp.	Substation Equipment	30 days
10.	Dura-Poles Inc.	Poles	30 days

AEC is not dependent on the foregoing suppliers for the supply of the above-listed distribution and metering materials.

In 2023, the Company made significant purchases from the following suppliers for supplies needed in its ongoing projects:

	Supplier	Project	Items Purchased
1.	Teh Hsin Enterprises Phils. Corp.	Construction of 69KV Porac Connection	Poles
2.	Jocelyn Forge Inc.	Construction of 69KV Porac Connection	Line Materials
3.	Phelps Dodge Phils. Corp.	Construction of 69KV Porac Connection	Wires
4.	AC Harris Cable Corp.	Construction of 69KV Porac Connection	Wires

The choice of suppliers is based on the suppliers' track record and market history, compatibility with the Company's existing facilities, system design and country of origin (to determine the related importation costs and taxes, warranty and after-sales service).

The Company is not limited or dependent only upon the foregoing suppliers for any of its supply needs and may contract with other suppliers provided they meet the criteria set forth above.

EMPLOYEES AND LABOR RELATIONS

Presently, the Company has 171 employees, including five (5) probationary employees. One hundred one (101) of them are office employees and seventy (70) are field employees. The Company expects to hire an additional ten (10) employees in 2023.

One hundred two (102) of AEC's employees are members of the Angeles Electric Workers' Union (the "Union") affiliated with the National Federation of Labor Union.

In recent years, the Company has not had any issues when it comes to bargaining with the Union since the Collective Bargaining Agreement ("CBA") negotiations are always amicably concluded. The employees of the Company have good labor relations with the management and owners of the Company.

In the past three (3) years from the date of this Prospectus, the Union has neither conducted any strikes nor has it picketed against the Company. The Company's existing CBA will expire on 25 October 2025.

In addition to the benefits as mandated by law, the Company provides its employees with the following additional benefits:

1. Annual sick leave of fifteen (15) days. Unused sick leaves in excess of twenty-four (24) days are converted to cash at the rate of 100%;
2. Annual vacation leave of fifteen (15) days. Unused vacation leaves in excess of twenty-four (24) days are converted to cash at the rate of 100%;
3. Maternity leave to full-time female employees equivalent to one hundred five (105) workdays for live childbirth, regardless of the mode of delivery;
4. Paternity leave to full-time married male employees equivalent to seven (7) working days with pay;
5. Bereavement leave of six (6) working days with pay and financial assistance to a regular employee;
6. Christmas bonus to regular employees with at least one (1) year of service from an equivalent of 50% up to 100% of monthly salary;
7. Midyear bonus to regular employees with at least one (1) year of service from an equivalent of 50% up to 100% of monthly salary;

8. Fiesta bonus to regular employees up to Three Thousand Five Hundred Pesos (₱3,500.00);
9. Monthly rice allowance;
10. Dental benefits to regular employees as well as three (3) qualified dependents;
11. Hospitalization benefits through the Health Maintenance Organization including three (3) qualified dependents for in-patient and out-patient services;
12. Free medical consultation with the company physician for regular employees and qualified dependents;
13. Energy consumption assistance; and
14. Retirement benefits for every year of service as provided in the CBA. On 07 February 2023, the Company adopted the AEC Employees' Retirement Plan Rules and Regulations which set forth the various benefits an employee may receive in case of retirement, death, and disability.

PERFORMANCE TARGETS

The Company measures its performance according to the following targets:

System Average Interruption Frequency Index ("SAIFI") pertains to the average number of sustained service interruptions per customer in a year. AEC's target is twenty-six (26) times per customer per year.

System Average Interruption Duration Index ("SAIDI") pertains to the average duration of sustained service interruptions for all customers in a year. Under the Performance Incentive Scheme, AEC's Planned SAIDI target is three hundred thirty-four (334) minutes per customer per year.

System Loss pertains to the difference between the energy obtained from suppliers and embedded generators and the energy delivered and sold to all customers. In 2020 and 2021, the feeder loss was capped 6% and 5.5% respectively. At present, the feeder loss is capped at 5.5%. The system loss is set at the feeder loss cap level plus the actual sub-transmission loss of distribution utilities.

AEC's performance indices are shown in the table hereunder:

Year	SAIFI (interruptions per customer)	SAIDI (minutes per customer)	Feeder Loss	System Loss
2021	5.8745	232.3623	5.05%	7.16%
2022	12.5747	471.7910	4.57%	6.80%

Section 43(f) of EPIRA and Rule 15, Section S(a) of its Implementing Rules and Regulations ("EPIRA-IRR") authorized the ERC to adopt alternative forms of internationally accepted rate-setting methodology. Pursuant thereto, the ERC promulgated the Distribution Wheeling Rates Guidelines through four (4) entry points into the PBR. AEC is one of the distribution utilities included in the Fourth Entry Group of the PBR.

The performance targets of AEC as shown above are based on the Final Determination issued by the ERC on 06 July 2011 covering the Second Regulatory Period from 01 October 2012 to 30 September 2015. Pending the reset process originally scheduled on 01 October 2015, AEC has been using the performance targets indicated in the 06 July 2011 Final Determination.

COMPETITIVE STRENGTHS

Captured Market

By virtue of the franchise granted to AEC by the Philippine Congress to solely distribute electricity, the Company is considered a limited monopoly within its franchise area. It serves a captured market of one hundred eighteen thousand six hundred forty-nine (118,649) residential customers and fifteen thousand one hundred ninety-two (15,192) non-residential customers as of 30 June 2023. However, unlike other monopolies, it cannot increase its distribution rates without the approval of government regulators like the ERC.

Constant Increase in Energy Load and Demand

Load growth pertains to the increase in the demand and energy requirement of AEC's customers. The Company has had consistent load growth in the past few years, regardless of the economic condition of the country, except in the Year 2020 when AEC experienced an abrupt decline in sales due to the COVID-19 pandemic. Fortunately, the situation began to stabilize in 2021 with commercial consumption recording an increasing trend indicating the return of more businesses. In 2022, sales have already breached pre-pandemic figures. AEC's customers continue to increase, with new households and businesses starting to pop up, taking advantage of the improving economy.

The company has experienced an average load growth of 3.5% over the last two (2) years, which is mostly related to an increase in energy sales from captive residential and commercial customers.

Given the prospective urban growth in Angeles City, AEC anticipates that its load growth will keep on increasing.

Highly Capable Management Team and Workforce

The Company's leadership team features a superior combination of decades-long experience and expertise in the distribution industry sector. AEC strives to proactively engage in the continuous improvement of its systems as well as provide support to its workforce in the fulfillment of its duties to AEC's customers.

As the Company has reached its centennial anniversary, for many of its employees who have served for over two (2) or three (3) decades, a hundred years marks a collection of experiences that include hurdling difficulties and failures, as well as successes and achievements. The Company aims to create an improved culture of dedication and service as a roadmap for AEC's workforce as it enters the next one hundred (100) years.

Reliable and Efficient System Capacity

AEC's load factor, which shows the efficiency of the distribution system with the factor of average demand over the peak load, has remained almost the same as in previous years.

The Company's job is to ensure that the distribution lines meet demand to avoid power outages within the service area.

Maintaining System Loss Within the Regulated Cap

The ERC promulgated a 5.5% feeder loss cap for systems losses. AEC initiated its reconductoring project to improve distribution lines a few years ago. Over time, the results of such efforts have become evident, with a steady decrease in our feeder systems loss. Even if the reductions are notably small, these will still impact the Company's performance and the price charged to the customers. The Company's feeder loss of 5.05% in 2021 and 4.57% in 2022 were lower than the pre-determined caps of 5.50% respectively.

Strategically Located Substation and Subtransmission Facilities

The Company strives to meet the City's power needs by upgrading its facilities, especially substations.

From the initial Petersville Substation, the Company currently has five (5) substations around the franchise area to meet the increasing demands of the city and ensure the reliability of AEC's operations. Connecting these substations is a 69KV Subtransmission system. From the substations flows the 13.8 KV three-phase primary distribution feeder lines. This primary voltage is then stepped down to utilization voltages on 3-wire secondary distribution lines. The Company is currently installing a new power entry point in Porac to improve the reliability of its line.

Notably, during the relocation of the Nepo Center Substation's 69KV and 13.8KV lines affected by the Rockwell Land Development in August 2021, the Company minimized

interruption and loss in sales by transferring/shifting the load from the Nepo Substation to the Pampang and Calibu Substations.

Also in June 2022, during the relocation of Milenyo Substation from inside Clark Freeport Zone to outside, the Company shifted the load to Pampang, Nepo Center and Petersville Substations resulting in minimal interruptions to customers.

When the Pampang Substation was scheduled for its annual preventive maintenance in January 2023, the load was transferred and shifted to Milenyo, Nepo Center and Petersville Substations.

KEY BUSINESS STRATEGIES

The Company believes in implementing key business strategies to achieve its operational objectives.

Align Structure and Staffing & Enhance Workforce Competencies

The power industry environment has rapidly changed to keep pace with new technologies. The Company is committed to developing the organization by aligning its structure and staffing toward these new technologies. To achieve this, a proactive and highly technical workforce with the flexibility to move with those changes is necessary. Attracting and maintaining these personnel necessitates competitive compensation packages where resources and opportunities are accessible to all. The Company supports the enhancement of workforce competencies that include developing knowledge and skills in a communicative and collaborative environment.

Reinforce Organizational Values and Develop a Results and Performance-based Culture

The Company has long held a deep respect for the values handed down by its founders. The hallmark of its workforce is its integrity, commitment to excellence, and responsiveness to the customers' needs. The Company aims to echo these values to its next technical and support personnel pool and expects a results and performance-based culture. It strives to provide a workplace that supports mindful stewardship and active mentorship to foster camaraderie.

Improve Customer Account Management and provide a Satisfying Customer Experience.

A distribution utility's customers are the lifeblood of the business. As such, a responsive and pleasant experience from the application of an account to its closure is essential. A professional customer service frontline helps to achieve that. All processes are geared toward the customer, from billing, collection, and maintaining their accounts.

Enhance Business Processes through Technology-based Solutions

The Company has pursued the development of its business processes through the years. It maintains a Supervisory Control and Data Acquisition (“SCADA”) system to monitor and control the distribution network. In addition, a Geographic Information System (“GIS”) was developed to collect, manage, and analyze geographic-based information that assists in mapping and planning the distribution network, such as routing new distribution lines and load forecasting. The Company has to project future load requirements continuously, which necessitates building new substations. Being one step ahead is imperative to be responsive to the local environment to stimulate progress.

Maintain an Adaptive Business Approach

The Company has learned to adapt to the changing requirements in a highly regulated industry. Business processes have to be flexible enough to take on new regulatory mandates. Improving its Management Information Systems is vital to meet those changes.

Ensure Financial Viability and Maintain Profitability

The recent pandemic put a strain on the Company's customers and curtailed their movement. As such, community-based solutions were put in place to assist customers in keeping up-to-date with their payments. In addition, installment payments and a moratorium on the disconnection of delinquent accounts were offered, which provided them a respite. After that, there was a slow return to the regular collection process. The measures were instrumental in bringing the Company's collection efficiency back to normal levels after the end of the pandemic.

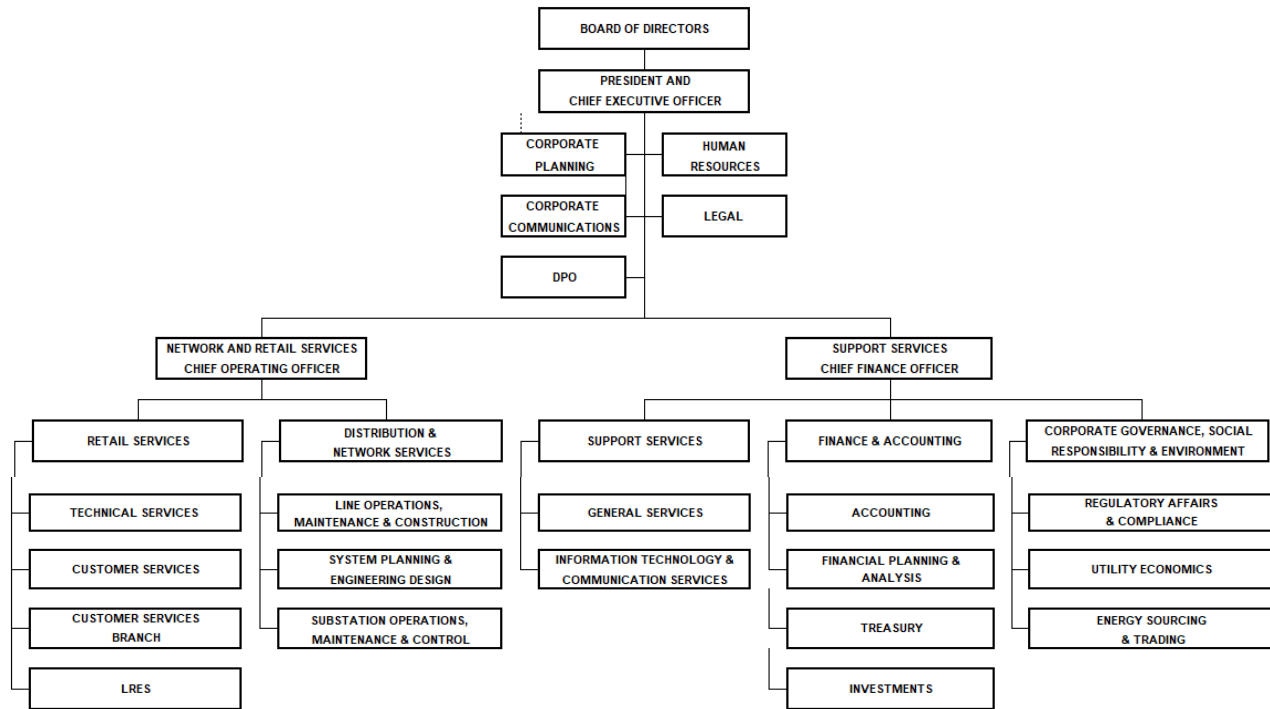
Over the years, the Company has always adopted measures to ensure it has the financial resources to embark on its capital expenditure programs. Prudent financial management has been adhered to.

Maintaining profitability is an essential goal of the Company. To do that, maintaining a scalable business model through the prudent use of its resources, keeping costs down, and achieving economies of scale is necessary.

ORGANIZATIONAL STRUCTURE

The business of the Company is organized and managed under two (2) functional divisions, namely: the Network and Retail Services Division and the Support Services Division. They both report to the President and Chief Executive Officer of AEC.

The following illustration provides an overview of the Company’s organizational structure of the different functional groups:

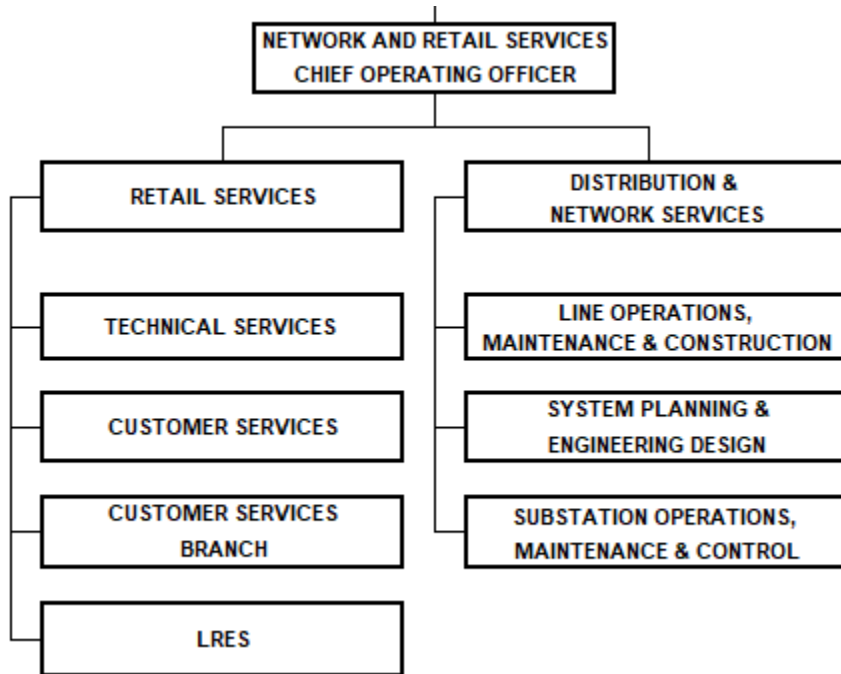


1. Network and Retail Services Division

The Network and Retail Services Division is comprised of two (2) Departments, namely the Retail Services Department (“RSD”) and the Distribution Network & Services Department (“DNSD”).

The RSD is primarily responsible for the services related to the sale of electricity to consumers, such as collections and customer support services. It is also responsible for the provision, installation, commissioning, testing, repair, maintenance and reading of meters that are used to measure the delivery of electricity to consumers.

The DNSD operates and maintains the Company’s distribution system, oversees the flow of electricity throughout the distribution system, and offers support services to ensure its safe operation and maintenance.



The RSD is comprised of:

- a. Technical Services Department ("TSD") – TSD is responsible for ensuring the testing, calibrating, and sealing of all electric meters following ERC standards. Conducting meter testing for electric meters suspected to be tampered with. Attending meter-related requests such as change of meters, meter testing, and high consumption inquiries. TSD consists of three (3) clusters, namely: *Meter Laboratory (Meter Shop)*, *RCOA/Net Metering/GEOP*, and *Energy Audit & Inspection (ENA)*.
- b. Customer Services Department ("CSD") & Customer Services Branch ("CSB") – The CSD & CSB are responsible for performing administrative functions directly involving consumer welfare from new meter application, meter reading, billing, collection to disconnection, and reconnection. This is comprised of *Metering Services and Collections*.
- c. Local Retail Electricity Supplier ("LRES") – The LRES is the non-regulated business segment of the Company catering to the contestable market in the franchise area. It is responsible for selling, brokering, marketing, or aggregating electricity to contestable customers.

The DNSD is comprised of:

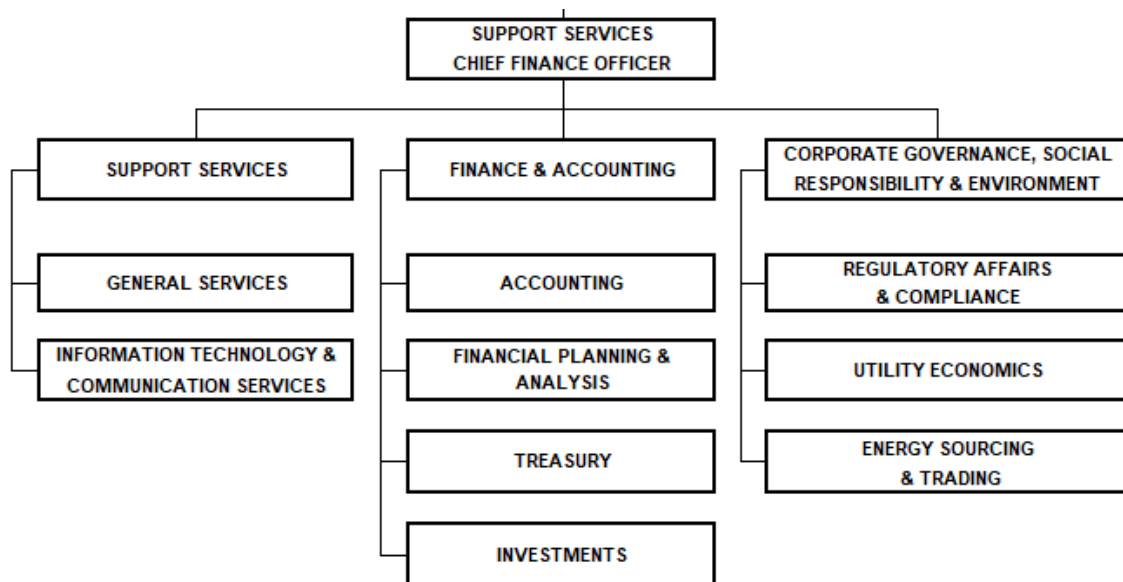
- a. Line Operations, Maintenance and Construction Department ("LOMCD") – The LOMCD is responsible for managing and maintaining the sub-transmission and distribution system in compliance with the Philippine Electrical Code, the Philippine Distribution Code, utility industry standards, and company policies and

programs. This is comprised of *Line Operations, Line Maintenance and Construction and Special Projects*.

- b. System Planning and Engineering Design Department (“SPEDD”) – The SPEDD is in charge of the planning process that guarantees the precision and dependability of AEC’s distribution network assets. It conducts thorough network project studies that cover planning, design, and cost estimates. The goal is to consistently provide a high-quality power supply at the most reasonable cost possible. This is comprised of *Network Asset/ GIS (Mapping) and Engineering Design*.
- c. The Substation Operations, Maintenance and Control Department (“SOMD”) – The SOMD is responsible for managing and maintaining substations, ensuring that all equipment is performing smoothly as programmed and undergoing periodic maintenance. It implements substation operation procedures and standards, in compliance with the Philippine Electrical Code, the Philippine Distribution Code, utility industry standards, and company policies and programs. This is comprised of *Substations Operations and Maintenance and System Control (SCADA)*.

2. Support Services Division

The Support Services Division is segmented into three (3) departments, namely: *Administrative Support Services (“ASSD”), Finance & Accounting (“FAD”), and Corporate Governance, Social Responsibility & Environment (“CSED”)*. These departments report directly to the Chief Finance Officer. All of these departments provide the necessary service to support Company operations.



The ASSD is comprised of:

- a. General Services Department (“GSD”) – The GSD is responsible for the performance of general service tasks. It manages the Company's warehouse and performs purchasing functions such as supplier selection, product or service price and quality evaluation, negotiation, and documentation. It is also responsible for the maintenance of company vehicles, buildings, and grounds, and for ensuring the safety and security of the Company's customers, employees, and premises. This is comprised of *Supply and Inventory, Procurement, Motorpool, and Facility Administration*.
- b. Information Technology & Communication Services Department (“ITCSD”) – The ITCSD is responsible for the proper installation, maintenance, development, licensing, and safeguarding of the network, hardware, and software systems of the Company. It is in charge of keeping abreast with the latest innovations in information communications and technology. This is comprised of: *Management Information Systems, and Billing*.

The FAD is comprised of:

- a. Accounting – Accounting is responsible for handling the overall financial reporting of the Company. Its functions include the recording of sales and collections, expenses, accruals, supplier payments and other general ledger transactions in compliance with the Philippine Financial Reporting Standards. Its reports are submitted every month to management as part of the monthly review of the results of operations.
- b. Financial Planning & Analysis (“FPA”) – FPA handles the planning and budgeting process of the Company, serving as a backbone that directs the way of moving forward for the other sections of the FAD. It also forms a link between the Accounting and the Treasury Sections during planned significant disbursements.
- c. Treasury – Treasury is in charge of the monitoring and control over the Company's cash and cash equivalents. Its functions cover cash and liquidity forecasting to meet operational requirements. The forecasting function is also coordinated with the Investments Section for handling excess funds.
- d. Investments - The Investments Section's main responsibility is to create income opportunities for the Company by handling and investing the excess funds. It balances the risks and rewards of said investments to protect the interest of the Company.

The CSED is comprised of:

- a. Regulatory Affairs & Compliance (“RAC”) – The RAC is responsible for the Company’s full compliance with reportorial and other requirements by various regulatory agencies such as the ERC and DOE. It also coordinates with various departments for the filing of forecasted capital expenditure projects and data gathering needed for the annual distribution development plan.
- b. Utility Economics – The Utility Economics Section is responsible for the supervision of rate design and computation and rate filings at the ERC. It ensures compliance with various regulations and franchise requirements and performs market monitoring and other industry-related studies. It also engages in collaborative efforts with other industry stakeholders on various issues confronting the industry.
- c. Energy Sourcing & Trading (“EST”) – The EST is responsible for the Company’s operation of achieving efficient trading of bulk power and related transactions with the WESM and generation suppliers.

FUTURE PLANS OR PROJECTS

The following are the future plans and projects for the Company. The cost of the various projects shall be funded through the net proceeds of the Offer.

Construction of 69 KV Subtransmission lines to connect NGCP Porac Substation to AEC’s Pampang and Nepo Center Substation

The NGCP New Porac Substation is crucial for AEC’s future growth as peak demands and projected loads are increasing in the area. The Company’s 2 69-KV subtransmission lines connected to NGCP’s Mexico substation have already reached 78% capacity and will already breach the N-1 compliance.

With the relocation of NGCP’s 230 kV Porac Substation, AEC dispensed with the Manuali Switching Station which was one of the capex projects included in the Regulatory Year 2020 Capex Program applied to the ERC under ERC Case No. 2019-091 RC. Instead, two (2) 69 kV subtransmission lines will be installed from the new location of NGCP’s Porac Substation in Barangay Babo Pangulo to AEC’s Pampang and Nepo Center Substations. The line from NGCP Porac Substation to AEC’s Pampang Substation and Nepo Center Substations will be 14.7 km and 11.5 km respectively.

The ERC decision for the RY2020 Capex Application is still pending with the ERC.

Construction of Pulung Cacutud 50 MVA Substation

The proposed Pulung Cacutud Substation shall serve as the spot load for the proposed ComClark VSAT Hub Data Center located at Brgy. Pulung Maragul and will also cater to the load growth for Brgys. Cutud, Maisac, Pulung Cacutud and Sapalibutad.

This project will be included in the Regulatory Year 2024 Capex Application to be filed to the ERC.

Removal, relocation and reconfiguration of AEC facilities affected by the proposed DOTR Malolos – Clark Railway Project (“MCRP”)

The MCRP is a proposed 53.1 km long elevated railway line being constructed to connect Malolos to Clark International Airport. The project is anticipated to decrease travel time from Bulacan to Pampanga from one and a half (1.5) hours to approximately thirty (30) minutes. The Company is one of the distribution utilities affected by the MCRP and has fifteen (15) locations with existing overhead 13.8 KV feeders directly traversing the MCRP-ROW that will be converted to an underground set-up.

Also, this project will cross the AEC franchise area thus affecting overhead facilities within the thirty (30)-meter MCRP Platform Right-of-Way.

AEC will remove, relocate and reconfigure the affected existing 69 KV subtransmission lines and 13.8 KV feeder lines traversing the thirty (30)-meter DOTR MCRP railway project.

PROPERTIES

Real Estate (Land, Plant, and Building)

The following real properties are duly registered under the Company’s name, as evidenced by the Transfer Certificates of Title (“TCT”) and Condominium Certificate of Title (“CCT”) listed below:

	TCT/CCT No. /Evidence of Ownership	Location	Size	Lien / Mortgage / Encumbrance, if any	Use of property
1.	TCT 11046	Bgy. Pulung Maragul	28,496 sqm	N/A	Petersville Power Plant and Substation
2.	TCT 74538	Bgy. Pulung Maragul	3,648 sqm	N/A	Petersville Power Plant and Substation
3.	TCT 111623	Bgy. Pulung Maragul	3,419 sqm	N/A	Petersville Power Plant and Substation
4.	TCT 121001	Bgy. Pulung Maragul	5,417 sqm	N/A	Petersville Power Plant and Substation
5.	TCT 045-2014001959	Bgy. Pulung Maragul	8,998 sqm	N/A	Petersville Power Plant and Substation
6.	TCT 155378	Bgy. Pampang	600 sqm	N/A	Pampang Substation
7.	TCT 155379	Bgy. Pampang	600 sqm	N/A	Pampang Substation
8.	TCT 155380	Bgy. Pampang	600 sqm	N/A	Pampang Substation

9.	TCT 155381	Bgy. Pampang	600 sqm	N/A	Pampang Substation
10.	TCT 045-2018003332	Clarkview Subdivision	1,548 sqm	N/A	New Milenyo Substation
11.	TCT 045-2018003036	Bgy. Pulung Cacutud	10,000 sqm	N/A	Future Pulung Cacutud Substation
12.	TCT 045-2022001374	Bgy. Balibago	800 sqm	N/A	Future Balibago Substation
13.	TCT 045-2022001375	Bgy. Balibago	800 sqm	N/A	Future Balibago Substation
14.	TCT 045-2022001376	Bgy. Balibago	800 sqm	N/A	Future Balibago Substation
15.	CCT PT-30200	Pasig City	121 sqm	N/A	Ortigas Office
16.	CCT PT-30201	Pasig City	119 sqm	N/A	Ortigas Office
17.	CCT PT-30202	Pasig City	118 sqm	N/A	Ortigas Office
18.	CCT PT-30203	Pasig City	112 sqm	N/A	Ortigas Office
19.	Deed of Assignment	Pasig City	Slot #6	N/A	Parking Slot for Unit 1901 (CCT PT-30200)
20.	Deed of Assignment	Pasig City	Slot #7	N/A	Parking Slot for Unit 1901 (CCT PT-30200)
21.	Deed of Assignment	Pasig City	Slot #8	N/A	Parking Slot for Unit 1902 (CCT PT-30201)
22.	Deed of Assignment	Pasig City	Slot #9	N/A	Parking Slot for Unit 1902 (CCT PT-30201)
23.	Deed of Assignment	Pasig City	Slot #10	N/A	Parking Slot for Unit 1903 (CCT PT-30202)
24.	Deed of Assignment	Pasig City	Slot #11	N/A	Parking Slot for Unit 1903 (CCT PT-30202)
25.	Deed of Assignment	Pasig City	Slot #12	N/A	Parking Slot for Unit 1904 (CCT PT-30203)
26.	Deed of Assignment	Pasig City	Slot #13	N/A	Parking Slot for Unit 1904 (CCT PT-30203)

Equipment

Below is the list of the Company's equipment and other properties. The list below does not include spares or supplies inventory:

	Description	Quantity	Unit of Measure	Use of Property
1.	Sub-transmission Lines (69KV)	79.93	Circuit Km	Used in the distribution system
2.	Primary Lines (13.8KV)	500.31	Circuit Km	Used in the distribution system
3.	Secondary Lines (230/460V)	816.10	Circuit Km	Used in the distribution system
4.	Distribution Transformers	6,074	Pcs	Used in the distribution system
5.	Feeders	48	Lots	Used in the distribution system

6.	Poles	24,936	Pcs	Used in the distribution system
7.	Disconnect Switch, 72 KV	10	Pcs	Used in the distribution system
8.	Blade type Disconnect Switch, 13.8 KV	12,357	Pcs	Used in the distribution system
9.	Lightning Arrester, Distribution Class, 15 KV	9,250	Pcs	Used in the distribution system
10.	Load Break Switch, 13.8 KV	29	Units	Used in the distribution system
11.	Fuse, Cutout Fuse, 15KV	784	Pcs	Used in the distribution system
12.	Fuse, Cutout Fuse, 15KV (for Distribution Transformer)	9,317	Pcs	Used in the distribution system
13.	Remote Terminal Unit (RTU)	2	Pcs	Used in the SCADA/substation
14.	Remote Terminal Unit (RTU)	4	Pcs	Used in the SCADA/substation
15.	Remote Terminal Unit (RTU)	1	Pcs	Used in the SCADA/substation
16.	Orion Input/Output	10	Pcs	Used in the SCADA/substation
17.	Orion Input/Output	20	Pcs	Used in the SCADA/substation
18.	Orion Input/Output	5	Pcs	Used in the SCADA/substation
19.	Orion Input/Output	3	Pcs	Used in the SCADA/substation
20.	Orion Input/Output	1	Pc	Used in the SCADA/substation
21.	D-Link Network Switch	2	Pcs	Used in the SCADA/substation
22.	Cisco Network Switch	6	Pcs	Used in the SCADA/substation
23.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
24.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
25.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
26.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
27.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
28.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
29.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
30.	Uninterruptible Power Supply (UPS)	2	Pcs	Used in the SCADA/substation
31.	Uninterruptible Power Supply (UPS)	2	Pcs	Used in the SCADA/substation
32.	Uninterruptible Power	1	Pc	Used in the

	Supply (UPS)			SCADA/substation
33.	Uninterruptible Power Supply (UPS)	1	Pc	Used in the SCADA/substation
34.	Uninterruptible Power Supply (UPS)	1	Pc	Used in the SCADA/substation
35.	Bitronics Meter	65	Pcs	Used in the SCADA/substation
36.	Bitronics Meter Module	69	Pcs	Used in the SCADA/substation
37.	Multimeter - Circutor	4	Pcs	Used in the SCADA/substation
38.	Schneider Smart Meter	13	Pcs	Used in the SCADA/substation
39.	40 MVA Power Transformer - ABB, Type UBBDN, Serial No. 1L1T00299A, Year 2003, 35/40 MVA, 69/13.8 KV, on-load, 3 phase, 60 Hz, On Load Tap Changer (Maschinenfabrik Reinhausen) Type VVIII400Y-76-10193W	2	Units	Used in the substation
40.	40/50 MVA Power Transformer -Shihlin Electric, Taiwan, the year 2017, 40/50 MVA, 69000/13800 V, on-load, 3 phase, 60 Hz	3	Units	Used in the substation
41.	25 MVA, GE LOAD TAP CHANGING TRANSFORMER, Voltage rating 67000-13800 Y/7970	1	Unit	Used in the substation
42.	SF6 Gas Circuit Breakers, Dead Tank, Outdoor, Siemens, Type SPS2-72.5-31.5-2, 1200 A, 72.5 KV, 31.5 KA, 3 phase, 60 Hz, outdoor type	13	Units	Used in the substation
43.	SF6 Gas Circuit Breakers, Dead Tank Outdoor, Siemens, Type SPS2-72.5-40-2, 3150 A, 72.5 KV, 40 KA, 60 Hz	6	Units	Used in the substation
44.	Areva, SF6 Dead Tank Outdoor, 72.5 kVA, 2000 A	1	Unit	Used in the substation
45.	Voltage Transformer, Artech, Type UTD-72, 69 KV	47	Units	Used in the substation
46.	Voltage Transformer, Trench, Type VEOT 72.5, 72.5 KV.	15	Units	Used in the substation

47.	Voltage Transformer, ABB, Type EMFC721, Year 1990, 72.5 KV	3	Units	Used in the substation
48.	Current Transformer, (Bushing C.T) 69 KV	114	Units	Used in the substation
49.	Current Transformer, (Station Type) 69KV	6	Units	Used in the substation
50.	Motorized Disconnect Switches, Center break, 72 KV.	18	Units	Used in the substation
51.	Manual Disconnect Switches, Center break, 72 KV.	15	Units	Used in the substation
52.	Surge Arresters, Station type, 69KV.	42	Units	Used in the substation
53.	LEAD-ACID BATTERY 12V 205AH	64	Pcs.	Used in the substation
54.	Niksa Battery Charger, Model NSC 125-20, Serial No. 8057, 125 V, 20 A, 50 Hz, with 0-30 A ammeter & 0-200 V	5	Units	Used in the substation
55.	AUTOMATIC TRANSFER SWITCH, Including Control Panel, 3 Pole, 220v, 225 A	4	Units	Used in the substation
56.	Diesel GENERATOR, 3 Phase, 220 V, 25KVA	4	Units	Used in the substation
57.	Diesel GENERATOR, 3 Phase, 220 V, 220KVA	1	Unit	Used in the substation
58.	STATION POWER TRANSFORMER, PAD MOUNTED, Shihlin Electric, China, 100 kva, 13.8/240 V	6	Units	Used in the substation
59.	Distribution Transformers - Philec, 167 kva, 14400/24940/120/240V, oil- immersed	18	Units	Used in the substation
60.	Load Break Switches - 600 A, 13.8 KV	11	Units	Used in the substation
61.	Siemens Switch Gear 13.8kV Outgoing, SIEMENS - TYPE SDV7 WITH TYPE VS-15052 INTERRUPTER Including Control Panel	11	Lots	Used in the substation
62.	Isolating Disconnect Switches - Westinghouse, Type LCO-C, 15 KV, 600 A, 40 KA, 1KV BIL	63	Units	Used in the substation
63.	Bypass Disconnect Switches - Cleveland, Type V2-C, 600 A, 15	30	Units	Used in the substation

	KV, 40 KA			
64.	Bus Voltage Transformers - GE, Type JVV-110, 120:1 ratio, 15 KV	2	Units	Used in the substation
65.	Siemens Switch Gear Vacuum Circuit Breaker - Main Breaker, Siemens, Type SDV-4A, Serial No. 350064-1, Year 2003, 2000 A, 15.5 KV	1	Lot	Used in the substation
66.	Siemens NX Air Switch Gear 13.8 Kv (OUTGOING), Including Control Panel	8	Lots	Used in the substation
67.	Siemens Simo Prime Switch Gear 13.8 kV (OUTGOING), Including Control Panel	11	Lots	Used in the substation
68.	SGC Switch Gear 13.8 kV (OUTGOING), Including Control Panel	9	Lots	Used in the substation
69.	Siemens NX Air Switch Gear 13.8 Kv (MAIN), Including Control Panel	1	Lot	Used in the substation
70.	Siemens Simo Prime Switch Gear 13.8 kV (MAIN), Including Control Panel	2	Lots	Used in the substation
71.	SGC Switch Gear 13.8 kV (MAIN), Including Control Panel	1	Lot	Used in the substation
72.	Siemens NX Air Switch Gear 13.8 Kv (STATION POWER), Including Control Panel	1	Lot	Used in the substation
73.	POTENTIAL TRANSFORMER, Including Control Panel	4	Lots	Used in the substation
74.	Siemens SION Switch Gear 13.8 kV (OUTGOING), Including Control Panel	11	Lots	Used in the substation
75.	Siemens SION Switch Gear 13.8 kV (MAIN), Including Control Panel	1	Lot	Used in the substation
76.	Siemens Switch Gear Vacuum Circuit Breaker - Main Breaker, Siemens, Type SDV-4A, Serial No. 350064-1, Year 2003, 2000 A, 15.5 KV	1	Lot	Used in the substation
77.	Siemens NX Air Switch Gear 13.8 Kv (STATION POWER), Including	1	Lot	Used in the substation

	Control Panel			
78.	Siemens Simo Prime Switch Gear 13.8 Kv (STATION POWER), Including Control Panel	2	Lots	Used in the substation
79.	SGC 13.8 Kv (STATION POWER), Including Control Panel	1	Lot	Used in the substation
80.	SION 13.8 Kv (STATION POWER), Including Control Panel	1	Lot	Used in the substation
81.	Vacuum Circuit Breaker - Siemens, Type 3AE1225-2, 1250 A, 3 phase, draw type	51	Units	Used in the substation
82.	OVERCURRENT RELAY - SIEMENS, 7SJ8011	80	Pcs	Used in the substation
83.	Lockout relay	80	Pcs	Used in the substation
84.	Annunciator	75	Pcs	Used in the substation
85.	Position Tap Setting	6	Pcs	Used in the substation
86.	Control and Protection Panel for 69kV Line	10	Lots	Used in the substation
87.	Control and Protection Panel for Power Transformer 69kV	6	Lots	Used in the substation
88.	Differential Relay - Siemens, Type SIPROTEC 7UT61	6	Pcs	Used in the substation
89.	Consumer Meters (Excluding power metering)	131,921	Pcs	Used as Meters for Customers
90.	Power Metering Meters and Equipment -Single Phase	211	Pcs	Used as Meters for Customers
91.	Power Metering Meters and Equipment -Three Phase	623	Pcs	Used as Meters for Customers
92.	Power Metering Meters and Equipment -Current Transformer	732	Pcs	Used as Meters for Customers
93.	Power Metering Meters and Equipment -Potential Transformer	35	Pcs	Used as Meters for Customers
94.	Crane Truck	1	Unit	Used as a service vehicle
95.	FVM Truck	2	Units	Used as a service vehicle
96.	Pick-up	15	Units	Used as a service vehicle
97.	Pick-up with Camper shell	5	Units	Used as a service vehicle
98.	Passenger Van	3	Units	Used as a service vehicle
99.	Manlift Truck	9	Units	Used as a service vehicle
100.	Ropside with Boom	4	Units	Used as a service vehicle
101.	Wagon	2	Units	Used as a service vehicle
102.	Drill Truck	2	Units	Used as a service vehicle

MATERIAL AGREEMENTS AND LEASE CONTRACTS

Supply Agreements

Market Participation Agreement

On 21 August 2013, the Company entered into a Market Participation Agreement for Direct WESM Membership with the Philippine Electricity Market Corporation ("PEMC") in order to satisfy the WESM Rules which require that only members of the WESM may cause or allow electricity to be injected into or withdrawn from the Grid. In the said Agreement, the Company undertook to be bound by all the rules and manuals of the WESM, including the requirement for periodic and timely renewal of consents, licenses, permits, and exemptions, as may be required by applicable laws and regulations. The Agreement shall remain effective for so long as the Company is a member in good standing.

Metering Service Agreement

The Company has entered into a Metering Service Agreement dated 26 December 2018 with the NGCP which obliges the NGCP to install and maintain multifunction meters to monitor energy generation and consumption for the purposes of accurate billing and monitoring. The Agreement is effective until 25 December 2023. The renewal for the next 5 years is currently ongoing.

Transmission Service Agreement

Simultaneously, the Company also entered into a Transmission Service Agreement dated 26 December 2018, with the NGCP whereby the latter is obliged to provide electricity transmission services to AEC within the territory of its franchise. The Agreement is effective until 25 December 2023. The renewal for the next 5 years is currently ongoing.

Power Supply Agreements

On 17 December 2007, the ERC issued its Decision on ERC Case No. 2007-003 RC and approved with modification the joint application for the approval of the Power Purchase and Sale Agreement filed by AEC and GNPower Mariveles Energy Center ("GMEC" formerly GNPower Limited Company), a 600MW coal-fired power plant in Mariveles, Bataan. GMEC's commercial operations commenced on January 26, 2014 and will expire on February 25, 2029. Under the Power Purchase and Supply Agreement, the Company shall purchase 75MW from GMEC at a contract price comprising of the relevant capacity fee and energy fee.

On 13 September 2016, the ERC issued its Decision on ERC Case No. 2015-077 RC and approved with modification the application for the approval of the Power Supply

Agreement with Anda Power Corporation (“ANDA”), an 82MW coal-fired power plant in Mabalacat City, Pampanga. The Power Supply Agreement entered into by AEC and ANDA not only addresses AEC’s base load requirements but also limits the Company’s exposure to price volatility in WESM. ANDA supplies electricity to AEC at 15MW contracted capacity for 10 years, from the initial delivery date until the end of the contract term on 25 September 2025.

On 26 January 2017, the ERC granted the Interim Relief prayed for in the Motion filed by AEC and Angeles Power Inc. (“API”), in relation to the joint application for the renewal of the Power Supply Agreement filed on 04 May 2015. API is a bunker-fired power plant embedded into AEC’s distribution system. Under the PSA, API will supply AEC 22MW of power for its peaking requirement for ten (10) years. This is to address the possible exposure of AEC to the volatile prices of WESM during peak periods and will help incur a lower system loss due to lesser transformer and line losses.

Office Space and Business Center Lease Agreements

The Company has entered into the following lease agreements within Angeles City for office space, business centers for customers, stockyard and lots for Substation facilities.

1. Contract of Lease dated 20 May 2014 with Juan D. Nepomuceno Sons, Inc. (“JDNSI”) for the lot and office buildings at Don Juan and Doña Teresa Nepomuceno Avenues for a period of six (6) years.
2. Contract of Lease dated 23 January 2014 with Angeles Industrial Park, Inc. for the Calibu Substation lots at Brgy. Calibutbut, Bacolor, Pampanga, for a period of ten (10) years.
3. Contract of Lease dated 22 November 2022 with T.G.N. Realty Corporation (“TGN”) for the Nepo Center Substation lots at Brgy. Cutcut, Angeles City, for a period of five (5) years.
4. Contract of Lease dated 06 September 2022 with JDNSI for the New Accounts Satellite Office at Nepo Center, Angeles City, for a period of three (3) years.
5. Contract of Lease dated 12 July 2022 with TGN for the Nepomart Collection Sub-Office at Sto. Rosario, Angeles City, for a period of two (2) years.
6. Contract of Lease dated 29 June 2022 with Marsha S. Nepomuceno for a stockyard/ pole yard lot at Brgy. Cutcut, Angeles City, for a period of two (2) years.

Vehicle Lease Agreement

The Company has entered into a Contract of Lease dated 15 June 2020 with BPI Century Tokyo Rental Corporation, for one (1) vehicle for a period of three (3) years.

Consultancy and Service Provider Agreements

The Company has entered into the following consultancy and service provider agreements:

1. Contract of Services dated 27 February 2023 with CCS Manpower & Allied Services;
2. Contract of Services dated 25 August 2022 with Hydro-Electric Industrial Solutions, Inc.;
3. Contract of Services dated 30 June 2022 with M. Cruz Electrical Services, Inc.;
4. Contract of Services dated 13 October 2023 with Royal Security Agency, Inc.;
5. Legal Retainer Agreement dated 21 July 2023 with Atty. Ranulfo Ocampo;
6. Legal Retainer Agreement dated 31 May 2013 with Atty. Aramis C. Benosa;
7. Legal Retainer Agreement dated 15 February 2021 with Villanueva Gabionza & Dy Law Offices;
8. Legal Retainer Agreement dated 23 August 2022 with Quiason, Makalintal, Barrot, Torres, Ibarra, Sison and Damaso Law Offices;
9. Legal Retainer Agreement dated 05 March 2020 with A.L. Angeles Law Office;
10. Legal Retainer Agreement dated 13 June 2016 with Hipolito, Tuazon, Cruz and Chipeco Law Office;
11. External Audit Engagement Letter dated 25 January 2023 with Punongbayan and Araullo, CPAs;
12. Contract of Services dated 01 January 2023 Dra. Luisa Angela Roque-Canlas;
13. Contract of Services dated 07 February 2023 with Dr. Reynaldo T. So;
14. Contract of Services dated 20 February 2023 with Dr. Ronald M. de Leon;
15. Consultancy Agreement dated 01 January 2023 with Mr. Manolito R. Ocampo;
16. Consultancy Agreement dated 01 January 2022 with Mr. Geromin T. Nepomuceno;
17. Consultancy Agreement dated 08 August 2023 with Sparc Consultancy Services;
18. Collection Service Agreement dated 04 July 2022 with Juan D. Nepomuceno Sons, Inc. for the Nepomall Collection Outlet;
19. Collection Service Agreement dated 15 August 2022 with AMR's Payment Center for the Balibago, Plaridel, Sto. Domingo and Magalang Collection Outlets;

20. Collection Service Agreement dated 16 August 2022 with Sunstar Business Center for the Sunstar Collection Outlet;
21. Collection Service Agreement dated 16 August 2022 with Teresa Waterworks Inc. for the TWI Collection Outlet;
22. Collection Service Agreement dated 04 July 2022 with Mr. Dominador Lising Jr. for the Margot Collection Outlet;
23. Collection Service Agreement dated 23 November 2007 with SM Department Stores for the SM payment centers;
24. Collection Service Agreement dated 08 March 2019 with CIS Bayad Center Inc. for the Bayad Center merchant partners;
25. Collection Service Agreement dated 06 April 2017 with Electronic Commerce Payments Inc. for the ECPay merchant partners; and
26. Contract of Service dated 17 July 2023 with M. Cruz Electrical Services for the inspection of suspected tampered metering installations or seals.

Pole Rental Agreements

The Company owns various types of electric poles installed within its franchise area and has available pole space for lease. The table below is the list of Pole Rental Agreements with various Telecom and other companies:

<u>Lessee</u>	<u>Agreement Date</u>	<u>Particulars</u>	<u>Duration</u>
1. Angeles University Foundation	April 26, 2021	Lease of available pole space	2022-2023
2. Dito Telecommunity Corp. Inc.	May 16, 2022	Lease of available pole space	2022-2023
3. Innove Communications Inc.	For renewal	Lease of available pole space	2023-2024
4. Converge ICT Solutions	For renewal	Lease of available pole space	2023-2024
5. Philippine Long Distance Telephone Company	For renewal	Lease of available pole space	2023-2024

BIR Audit

On 23 March 2022, the Company received a Letter of Authority (“LOA”) with SN eLA202200014755 from the BIR covering the Company's Value Added Tax (“VAT”) Audit for the calendar year 2021. This was later replaced by LOA SN: eLA202200014755 on 08 September 2023 for the continuation of the audit.

On 06 December 2022, the Company received another LOA with SN eLA202000032224 covering all internal revenue taxes except VAT for the calendar year 2021.

As of the date of the Prospectus, the Company has already submitted preliminary records and documents required in the LOAs. Reviews are still ongoing and the BIR has not yet issued any deficiency assessment to the Company. The Company does not expect significant losses arising from these assessments due to its strict compliance with tax laws.

Insurance Coverages

To cover potential loss or liabilities that may arise from the Company's operations, the Company availed fire insurance policies from Prudential Guarantee and Assurance, Inc. for its real and personal properties. These include office areas in various locations, substations, and the various types of equipment within respective premises. On the other hand, the sub-transmission lines, distribution lines, and other network assets are excluded as insurance companies no longer provide coverage for these assets because of the inherent risks.

The policies also include extensions for comprehensive general liability insurance, fidelity guarantee insurance, machinery breakdown, money securities, and payroll robbery insurance as well as business interruption insurance.

The current policy period is from 25 July 2023, to 25 July 2024. The assets and their values are continuously updated and monitored to ensure sufficient insurance coverage.

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

The Company's substations require compliance with the Department of Environment and Natural Resources ("DENR") Administrative Order No. 30, Series of 2003 of Presidential Decree No. 1586 and Rule XIX of the Rules and Regulations of RA. 8749. These substations are required to secure Permits to Operate ("PTO") and violations of the conditions of the Act shall be subject to penalties ranging from Ten Thousand Pesos (₱10,000.00) to One Hundred Thousand Pesos (₱100,000.00). The table below shows the issued PTOs for the substations:

Substations	Permit to Operate	Issue Date	Expiry Date
1. Petersville	PTO-OL-R03-2022-04201	16 June 2022	16 June 2027
2. Calibu	CNC-OL-R-03-2022-04-01965	06 April 2022	-
3. Milenyo	PTO-OL-R03-2022-03854	10 June 2022	10 June 2027
4. Pampang	PTO-OL-R03-2022-03862	10 June 2022	10 June 2027
5. Cutcut (Nepo Center)	PTO-OL-R03-2022-04486	27 June 2022	26 June 2027

The Company is required to hire an accredited treater and transporter of hazardous materials. The accredited treater and transporter will then issue the Company a Hazardous Waste Generator Registration Certificate indicating that the hazardous waste was properly treated and disposed of.

REGULATORY APPROVALS

The Company has several pending applications with the ERC for the approval of its various applications.

Applications for capital expenditures, cases involving rates, and other matters that the ERC may require must be filed in compliance with the Rules of Practice promulgated by the ERC. Prior to its formal filing, the applicant must provide all relevant documentation, go through a pre-filing process, adhere to publishing rules, and meet other requirements. After its filing, the application will be scheduled for an expository and judicial public hearing.

During the COVID-19 pandemic, ERC Resolution No. 8 Series of 2020, entitled “Guidelines Governing Electronic Application, Filings, and Virtual Hearing Before the Energy Regulatory Commission” was issued and established the standard operating procedures for the submission and approval of ERC applications.

In line with the distribution rate filing of private distribution utilities, last December 2021, the ERC issued Resolution 10 Series of 2021 or the Revised Rules for Setting Distribution Wheeling Rates (“RDWR”) for the 5th Regulatory Period Reset of Group A Entrants. AEC belongs to Group D Entrants and will enter the PBR) reset process six (6) months before the start of the Group D 5th Regulatory Period.

Below is the list of ERC applications with pending approvals:

	ERC Case No.	Case Title	Date Submitted for Resolution
1	2016-006 RC	For Approval of RY 2016 CAPEX Projects	26 June 2016
2	2017-053 RC	For Approval of RY 2017 CAPEX Projects	02 November 2017
3	2017-106 RC	For Approval of the Contingency & Regular CAPEX Project for RY 2018	17 May 2018
4	2019-013 RC	For Approval of the CAPEX Program for RY 2019	07 June 2019
5	2019-091 RC	For Approval of the CAPEX Program for RY 2020	16 October 2020
6	2022-011 RC	For Approval of the CAPEX Program for RY 2021-2022	27 July 2022
7	2020-034 CF	For Confirmation of True-up Calculations of Over/Under Recovery of Pass-Thru Charges Implemented from Jan. 2017 to Dec. 2019	03 February 2021
8	2023-031 CF	For Confirmation of True-up Calculations of Over/Under Recovery of Pass-Thru Charges Implemented from Jan. 2020 to Dec. 2022	02 August 2023
9	2017-015 MC	Application for Approval of Increase in Capital Stock	20 December 2017
10	2010-051 MC	Dispute Resolution on DWSA Charges (AEC vs PSALM)	27 August 2010
11	2011-097 RC	Application for Approval of ESC (AEC and	12 July 2011

		San Miguel Energy Corporation)	
10	2022-087 RC	For Confirmation of True Up Calculations of Actual Weighted Average Tariff (“AWAT”) vs. Maximum Average Price (“MAP”) for the Lapsed Regulatory Periods	06 March 2023
11	2023-004 RC	Application for Approval of PSA (AEC and SP New Energy Corp.)	30 March 2023

On the other hand, the ERC issued provisional authorizations to implement the following applications subject to ERC’s final evaluation:

ERC Case No.	Case Title	Date Submitted for Resolution	
1	2014-038 CF	For Confirmation of True-up Calculations of Over/Under Recovery of Pass-Thru Charges Implemented from Jan. 2011 to Dec. 2013	23 Jul 2014
2	2017-044 CF	For Confirmation of True-up Calculations of Over/Under Recovery of Pass-Thru Charges Implemented from Jan. 2014 to Dec. 2016	27 September 2017
3	2015-091 RC	Application for Approval of PSA (AEC and Angeles Power Inc.)	07 August 2015

LEGAL PROCEEDINGS

Aside from the following, the Company has no ongoing legal proceedings involving it and any of its properties, whether material or non-material.

Case No., Title, and Parties	Pending Before/Venue	Brief Description
i. Case No. R-QZN-14-01829-CV, In the Matter of Declaratory Relief Against Revenue Memorandum Circular No. 16-2013, Angeles Electric Corp. Et. Al.	Quezon City Regional Trial Court, Branch 104	A Petition for Declaratory Relief with prayer for the issuance of a TRO and writ of injunction, praying that RMC No. 16-2013 be declared null and void and unconstitutional. A Decision was issued on 20 June 2017 and a Motion for Reconsideration (MR) was filed by the BIR on 12 July 2017. To date, no resolution from the Court regarding the filed MR.

The Company has not undergone any bankruptcy, receivership, or other similar proceeding in the past three (3) years from the date of this Prospectus.

MATERIAL RECLASSIFICATION, MERGER, CONSOLIDATION, OR PURCHASE OR SALE OF SIGNIFICANT AMOUNT OF ASSET NOT IN THE ORDINARY COURSE OF BUSINESS

The Company has not undergone any material reclassification, merger, or consolidation nor has it purchased or sold any significant amount of asset not in the ordinary course of business in the past three (3) years from the date of this Prospectus.

THE INDUSTRY

The information in this section has been derived from various government and private publications or obtained from other publicly available information and has not been prepared or independently verified by the Company, its Financial Advisor, and the Sole Underwriter. The Company does not have any knowledge whether the information from the said sources are accurate in any material respect. The information may not be consistent with other information compiled within and without the Philippines.

OVERALL SECTOR CONTEXT

The Philippines, an archipelago comprising of seven thousand six hundred and forty-one (7,641) islands, has a population of one hundred nine million (109,000,000) people as of the 2020 census.

According to the International Monetary Fund, as of October 2023, the Philippines is the fourth largest economy in Southeast Asia, ranking only behind Indonesia, Thailand, and Singapore, with a gross domestic product (“GDP”) of Four Hundred Thirty-Five Billion US Dollars (US\$435,000,000.00). Despite the pandemic, the average GSP growth rate of the Philippines is expected to increase to 6.1% in 2024. Consensus forecasts project the economy to grow strongly, particularly with respect to public infrastructure projects.

OVERVIEW OF THE INDUSTRY

Electricity is a key driver towards achieving rapid and substantial economic growth as it serves as an essential input in production in the industrial, services, and agricultural sectors. In this time when the world is shifting towards automating processes and digitizing work, having a secure, reliable, accessible, and sustainable electricity supply is crucial not only for the growth of businesses, but also their survival. Electricity also plays a vital role in sectors such as education, health and sanitation, and even in the overall flow of information across industries.

The Philippines’ electricity consumption is characterized by a growing trend, attributable to several factors such as the increase in temperature and utilization of cooling equipment aggravated by the warm climate, increase in economic growth, and entry of large power generating plants. The residential and industrial sectors remain to be the major drivers of electric consumption in the country, with Luzon consuming the largest on a per grid basis.

In 2019, the total electricity consumption in the Philippines reached 900 kWh per capita. While this is substantially lower compared to the 2,800 kWh per capita consumption of Thailand and 5,200 kWh of Malaysia, the government is embarking on an energy transition agenda to address the challenges of meeting fast growing demand and transforming its fossil-fuel-based infrastructure while keeping the supply of energy secure, reliable, and affordable.

The power industry is regulated by three (3) governing bodies: the DOE, ERC, and the National Electrification Administration.

The structure of the power industry in the Philippines, beginning from the generation of power up until its distribution or supply to the end users is illustrated in the table hereunder:

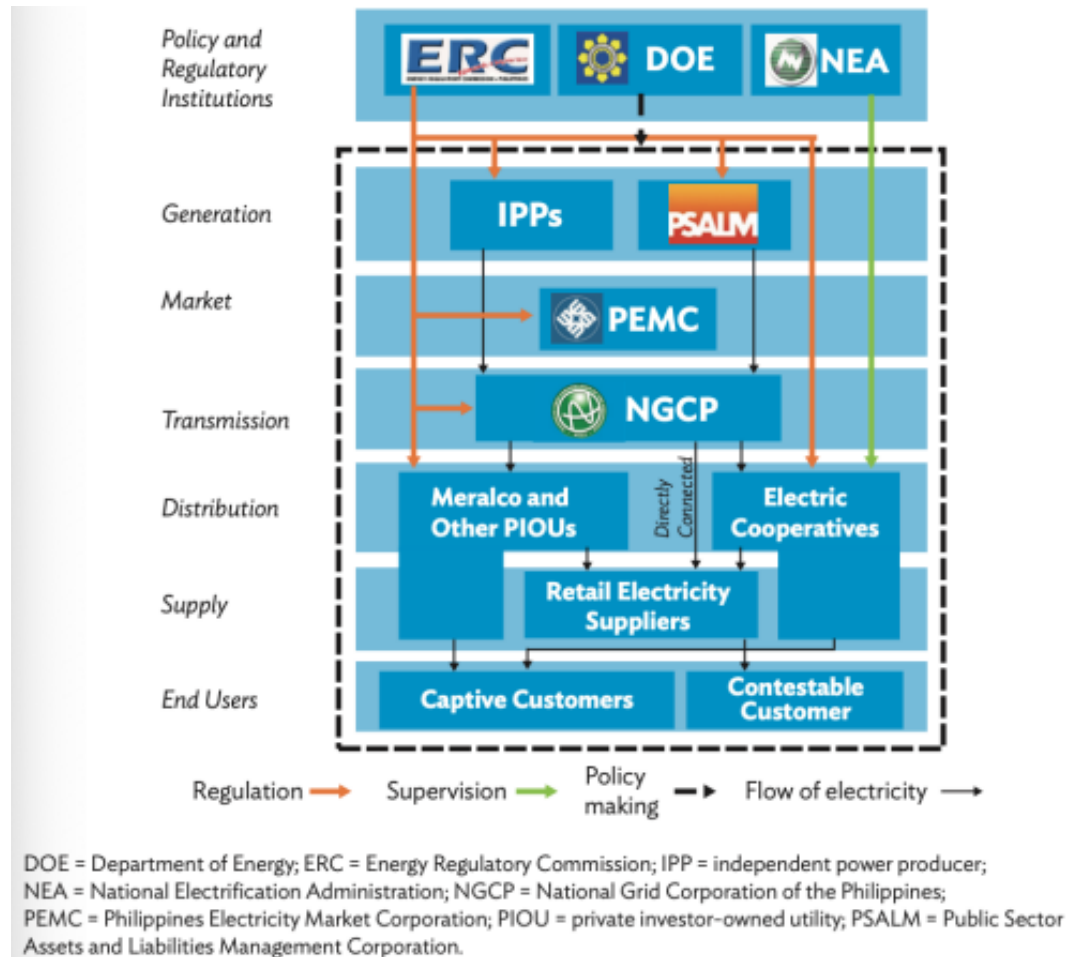


DIAGRAM G: STRUCTURE OF THE POWER INDUSTRY IN THE PHILIPPINES

*Source: ADB Energy Sector Assessment

ELECTRIC INDUSTRY PARTICIPANTS

The restructured electric power industry is composed of four sectors, namely: (1) generation; (2) transmission; (3) distribution; and (4) supply.

Generation Sector

The generation sector is composed of generation companies, co-generation companies, and independent power producers. EPIRA defines a generation company as any person or entity authorized by the ERC to operate facilities used in the generation of

electricity. A generation company is required to obtain an authorization from the ERC to operate in this sector.

Transmission Sector

The transmission sector is a regulated common electricity carrier business and subject to the ratemaking powers of ERC. Presently, the NGCP holds the franchise to operate the transmission system in the country.

Distribution Sector

Distribution of electricity to end-users is a regulated common carrier business. Distribution utilities, must secure a national franchise and are subject to regulation by ERC. Distribution utilities are composed of private utilities, electric cooperatives, local government unit-operated utilities, and other duly authorized entities. Being a regulated sector of the Philippine Electric Power Industry, distribution utilities cannot change the terms and conditions of its services to end-users without approval by the ERC.

Supply Sector

Supply of electricity to end-users is a competitive and contestable market. An electricity supplier (also called the Retail Electricity Supplier or RES) has to obtain a license from ERC to engage in the selling, brokering or marketing of electricity in the competitive or contestable market. With the implementation of the third phase of the RCOA on 26 February 2021, contestable market now refers to electricity end-users with a threshold level of 500kW to 749kW.

Subsequently, the ERC shall evaluate the performance of the market, and may reduce the threshold level until it reaches the fifth phase within the scale of 10kW to 90kW. An electricity supplier shall not be required to secure a national franchise. The prices to be charged by electricity suppliers for the supply of electricity in a competitive environment is market-driven and shall not be subject to regulation by ERC.

ELECTRIC POWER INDUSTRY

Throughout the world, the electric power industry is moving away from its traditional attributes – from being a monopolized to a competitive industry, from being government-owned to privately-owned, and from being heavily regulated to allowing some relative freedom in the way the business and operations are being conducted.

In more developed countries such as the United States of America, the United Kingdom, Australia, and New Zealand, where there are several players in a single market, competition dictates electricity prices and drives industry players to constantly innovate and improve on their products and services.

While the Philippine electric power industry is relatively young compared to the said countries that have already transitioned to a more competitive market, current industry regulations are geared towards restructuring and transforming the industry into a more competitive sector, with the end view of providing quality, reliable, accessible, sustainable, and reasonably-priced electricity to the Filipino People.

Under EPIRA, the industry has undergone many reforms intended to liberalize and unbundle the power sector and promote competition. Since the passage of the said law, the restructuring of the Philippine power sector has seen the following milestones:

Establishment of the Wholesale Electricity Spot Market in Luzon, Visayas, and Mindanao

Under the EPIRA, a wholesale electricity spot market was established, composed of all wholesale market participants. Subject to their compliance with the membership criteria, all generating companies, distribution utilities, suppliers, bulk consumers or end-users, and other similar entities authorized by the ERC shall be eligible to become members of the WESM.

Through the establishment of the WESM, electricity generated would be pooled together by electricity generators to sell or make available for sale to aggregators, distribution utilities, other industries, and retail electricity suppliers.

As early as 2006, the WESM in the island of Luzon started its commercial operations. The WESM in the island of Visayas followed to commence its commercial operations in 2010. Today, the government has fully and completely established WESM in the island of Mindanao.

Establishment of the Green Energy Auction Program

In accordance with the thrust of the EPIRA to promote renewable energy resources in power generation to reduce dependence on imported energy, the DOE conducted the first round of its Green Energy Auction Program (“GEAP”) in 2022. The GEAP allows renewable energy developers, generators, or facilities registered with the DOE to enter into twenty (20)-year supply contracts with electricity consumers with peak demand of at least 100 kWh.

Structural Unbundling of Electricity Provision

Under the EPIRA, electricity provision has been unbundled into generation, transmission, and distribution plus retail supply.

Today, the power sector is almost completely privatized to a point where the private sector now provides most of generation, all of transmission, and most of distribution or retail supply.

Distribution utilities in particular were also required to unbundle its businesses in order to avoid any cross subsidies between segments upon the implementation of retail competition.

Change of Regulation Method

The rate-setting methodology for distribution utilities and transmission businesses was previously based on a Return on Rate Base methodology, with a cap limiting the returns of distribution utilities at 12%.

Beginning in 2003, the ERC adopted a new rate setting methodology known as the “Performance Based Regulation”, which is intended to ensure that distribution utility companies have incentives to improve efficiency. Under this scheme, distribution utilities are rewarded by increasing their annual price cap or deducting from any penalty incurred, if network and service performance targets are met. On the other hand, should the distribution utility fail to meet any of the guaranteed service level components, they shall be required to compensate their consumers directly.

Removal of Most Subsidies and Cross-Subsidies

Prior to the passage of the EPIRA, there were three (3) cross subsidies that existed: (i) inter-class cross subsidy which pertained to the amount charged by distribution utilities to industrial and commercial end-users, as well as to other subsidizing customer sectors in order to reduce the electricity rates of other customer sectors such as residential end-users, hospitals, and streetlights; (ii) inter-regional grid cross subsidy which refers to an amount embedded in the electricity rates of the NAPOCOR charged to its customers located in a viable regional grid in order to reduce the electricity rates in a less viable regional grid; and (iii) intra-regional grid cross subsidy which refers to an amount embedded in the electricity rates of the NAPOCOR charged to distribution utilities and non-utilities with higher load factor and/or delivery voltage in order to reduce the electricity rates charge to distribution utilities with lower load factor and/or delivery voltage located in the same regional grid.

With the introduction of EPIRA, power rates have since been unbundled to remove all cross-subsidies above-listed. Today, the only subsidies paid by consumers are lifeline rate subsidies, senior citizen subsidies, the Universal Charge, and the Feed-in Tariff Allowance.

Promulgation of Open Access

Open access refers to the system of allowing any qualified person to use any transmission and/or distribution system and its associated facilities, subject to the payment of transmission and/or distribution retail wheeling rates approved by the ERC.

Upon the implementation of retail competition and open access, the prices charged by a generation company for the supply of electricity is no longer subject to regulation by the ERC, except as otherwise provided in the EPIRA.

Pursuant to the objective of lowering electricity rates to end-users, sales of generated power by generation companies was also zero-rated.

In the pursuit of ensuring free competition, distribution utilities are required to regularly submit their financial statements to the ERC for review in order for the said Office to determine the existence of abuse of dominant position or the presence of anti-competitive behavior.

SECTOR ISSUES

Affordability of Electricity to End Users

According to the ADB Energy Sector Assessment, the cost of electricity in the Philippines remains relatively high as compared to its Southeast Asian neighbors, particularly, the People's Republic of China and the Republic of Korea. While the EPIRA mandates distribution utilities to find the least costly electricity supply, the said law has neither any real binding measure nor does it provide distribution utilities with real incentives to do so. As a result, consumers are still made to bear the brunt of costs associated with electricity supply and distribution.

TRENDS AND FORECASTS

According to the 2020 – 2040 Philippine Energy Plan prepared by the DOE, the country's Total Final Energy Consumption continues to exhibit an uptrend post-pandemic at an average rate of 5.8% annually, from 29,800,000T of oil equivalent in 2015 to 99,300,000T of oil equivalent in the year 2040.

The transport sector increases rapidly at 7.1% annually, spurred by the sector's major infrastructure projects under the Build, Build, Build program.

Energy use in the industry and services sector is expected to grow at six and 6/10 percent 6.60% and 6.20% annually, respectively.

The agriculture sector, as it moves towards its goal to modernize its value chains, will utilize energy at a rate of 5.9% per year, while household energy consumption is expected to grow steadily by 3.6% increment per year between the years 2020 and 2040.

In terms of the Total Energy Consumption, electricity will contribute an average of 24.5% to the final energy demand from the years 2020 to 2040, making it the second most consumed fuel after oil, with an average growth projection of 6.6% annually.

As mass railway transit systems come online and with the anticipated influx of electricity vehicles, the transport sector will constitute the largest portion of electricity demand at 35.2%, followed by the household consumption with 24.5%.

REGULATORY FRAMEWORK

This section contains a summary of the laws and regulations which are applicable to the Company. The information detailed hereunder have been obtained from publications made available in the public domain. They have not been independently verified by the Company, its Financial Advisor, or the Sole Underwriter. The regulations set out below are not exhaustive and are intended to provide general information to the investors. They are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

The Company belongs to a highly regulated industry, bound by the following laws and rules set in place to ensure uninterrupted enjoyment of reliable and reasonably priced electricity by the public:

1987 CONSTITUTION

Sections 2 and 7 of Article XII of the 1987 Constitution provides that as a rule, only Philippine nationals may own or hold public or private land. Domestic corporations, at least 60% of whose capital is owned by Filipino citizens, may own private land and lease lands of public domain.

According to Section 17, Article XII of the 1987 Constitution, in times of national emergency, and when public interest so requires, the State may, during the emergency and under reasonable terms prescribed by it, temporarily take over or direct the operation of any privately owned public utility or business affected with public interest. However, when required by the interest of national welfare or defense, Section 18 enables the State to exercise its power of eminent domain over the ownership and operation of privately-owned public utilities and other private enterprises to the State.

The State shall also have the power to regulate or prohibit monopolies, combinations in restraint of trade, and unfair competition, as provided under Section 19, Article XII of the 1987 Constitution. Pursuant thereto, the Congress passed Republic Act No. 10667, otherwise known as the Philippine Competition Act in 2014.

EPIRA

The passage of the EPIRA has paved the way for new reforms aimed at privatizing and deregulating certain aspects of the power industry.

Under the said law, the distribution of electricity to end-users shall be a regulated business requiring a national franchise. The distribution of electric power to all end-users may be undertaken by private distribution utilities, cooperatives, local government units presently undertaking this function, and other duly authorized entities, subject to regulation by the ERC.

A distribution utility shall have the obligation to provide distribution services and connections to its system for any end-user within its franchise area and provide open and non-discriminatory access to all users.

While they shall be entitled to impose and collect distribution wheeling charges and connection fees from such end-users, distribution utilities also have the concomitant obligation to supply electricity in the least costly manner to its captive market.

Distribution utilities may also, directly or indirectly, engage in any related business undertaking which maximizes the utilization of their assets, provided that a portion of the net income derived from such undertaking shall be used to reduce its distribution wheeling charges, which shall not exceed 50% of the net income derived from such undertaking. Such distribution utilities must keep separate accounts for each of the related business activities to ensure that the distribution business shall neither subsidize in any way such business undertaking nor encumber its distribution assets in any way to support such business.

Another notable change under the EPIRA is the creation of the ERC, an independent quasi-judicial regulatory board in charge of regulating the industry and implementing the provisions of the said law. In line with the law's thrust of promoting competition, the ERC is charged with encouraging market development, ensuring consumer choice, and penalizing abuse of power in the industry.

The ERC has the power to amend or revoke, after due notice and hearing, the authority to operate of any person or entity that fails to comply with the provisions of the law. It also has the power to impose fines for non-compliance or any breach of the EPIRA or any of its duly promulgated rules and regulations. The ERC may also investigate, exercise quasi-judicial powers, and act on any violation of law, rules, and regulations, including the rules on cross-ownership, anti-competitive practices, and abuse of market positions committed by any of the industry players.

Furthermore, under the EPIRA, distribution utilities or their respective holding companies, if not already listed in the PSE, are now required to offer no less than 15% of their shares to the public within 5 years from the issuance of their respective certificate of compliance.

In compliance with the constitutional mandate for dispersal of ownership and demonopolization of public utilities, the holdings of persons, natural or juridical, including directors, officers, stockholders, and related interests, in a distribution utility and their respective holding companies shall not exceed 25% of the voting shares of stock, unless the utility or the company holding the shares or its controlling stockholders are already listed in the PSE.

For more information on the power industry restructuring milestones under the EPIRA, see "*The Industry*" Section.

PHILIPPINE COMPETITION ACT

In order to attain a more equitable distribution of opportunities and wealth, the Philippine Competition Act (“PCA”) was promulgated pursuant to the constitutional mandate that the State shall regulate or prohibit monopolies, when the public interest so requires, combinations in restraint of trade, or unfair competition.

The Philippine Competition Commission (“PCC”) was created to implement the national competition policy and attain the objectives and purposes of the PCA. Similar to the ERC, it is an independent quasi-judicial body charged to investigate and hear and decide cases involving unfair competition. On 02 February 2017, in ERC Case No. 2015-025 MC, the ERC clarified that the PCC and the ERC exercise concurrent jurisdiction over anti-competition cases in the energy sector. This means that the body that first takes cognizance of the complaint shall exercise jurisdiction to the exclusion of the other. In other words, the agency where the complaint was first filed shall have jurisdiction over the case.

While monopolistic or anti-competitive behavior has always been proscribed under the Constitution, the enactment of the PCA has added compulsory force to the proscription against anti-competitive agreements between competitors and abuse of dominant position. Under the PCA, the following are prohibited:

1. Anti-competitive agreements between or among competitors, which restrict competition as to price or other terms of trade;
2. Anti-competitive agreements at an auction or in any form of bidding;
3. Anti-competitive agreements which have the object or effect of preventing, restricting, or lessening competition;
4. Practices which are regarded as abuse of dominant position by engaging in conduct that would substantially prevent, restrict, or lessen competition; and
5. Mergers or acquisitions which substantially prevent, restrict, or lessen competition in the relevant market or in the market for goods or services.

As of 01 March 2023, mergers, acquisitions, and joint ventures where either (i) the size of a party exceeds ₱7,000,000,000.00; and (ii) the size of the transaction exceeds ₱2,900,000,000.00 must comply with the compulsory notification requirements under the law, otherwise, the same shall be considered void.

Similar to the ERC, the PCC shall also have the power to impose fines and criminal penalties for violations of the said law.

REPUBLIC ACT NO. 9513 (THE “RENEWABLE ENERGY ACT OF 2008”)

The Renewable Energy Act of 2008 was enacted to establish a framework for the accelerated development and advancement of renewable energy resources and the development of a strategic program to increase its utilization.

Under the said law, all stakeholders in the electric power industry are mandated to contribute to the growth of the renewable energy industry of the country by complying with the minimum generation percentage from eligible renewable energy sources set by the National Renewable Energy Board.

The law mandated the establishment of a Feed-In Tariff System for electricity produced from renewable sources, a Renewable Energy Market, and a Green Energy Option Program. The law also mandated distribution utilities, such as the Company, to enter into net-metering agreements with qualified end-users who will be installing the renewable energy system.

Renewable energy developers of renewable energy facilities, under the said law, shall be entitled to fiscal and tax incentives such as income tax holiday, duty-free importation of renewable energy machinery, equipment, and materials, specialty realty tax rates on equipment and machinery, accelerated depreciation, zero-rated value added tax, and a tax credit on domestic capital equipment and services, among others.

REPUBLIC ACT NO. 11646 (THE “MICROGRID SYSTEMS ACT”)

The Microgrid Systems Act was passed to provide uninterrupted power and help accelerate the electrification of unserved and underserved areas in the Philippines. Microgrid Systems Providers (“MGSP”) are not deemed to be a public utility operation and need not secure a franchise from Congress, but shall be required to secure an Authority to Operate from the ERC prior to its operation.

Distribution utilities may engage in the business of MGSP in unserved and underserved areas, provided that the distribution utility does not subsidize its MGSP and a separate account is maintained for such business undertaking.

ERC RESOLUTIONS

Implementing Guidelines for the Procurement, Execution, and Evaluation of Power Supply Agreements Entered Into by Distribution Utilities for the Supply of Electricity to their Captive Market

Pursuant to Section 45 (b) of the EPIRA, which allows distribution utilities to enter into bilateral power supply agreements and restricts the sourcing from bilateral power supply agreements more than 50% of its total demand from an associated firm engaged in

generation, the ERC issued the aforementioned Guidelines to lay down the rules regarding the procurement of Power Supply Agreements.

2022 Revised Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities

The Revised Rules revised ERC Resolution No. 16, Series of 2009 to ensure appropriate recovery of pass-through costs and establish a process for calculating the automatic cost adjustments implemented by distribution utilities, monitoring the accuracy of such adjustments and ensuring prompt reversal of discrepancies, and confirming the automatic cost adjustments implemented by distribution utilities.

It provides for calculations of distribution utilities' generation rates, transmission rates, system loss rates, lifeline subsidy rates, senior citizen subsidy rates, and over or under recoveries.

2021 Rules on the Recovery of Pass-Through Taxes of Distribution Utilities

The ERC promulgated said Rules to provide guidance to distribution utilities as to the recovery of real property, local franchise, and business taxes levied by the local government unit within the distribution utilities' franchise areas, subject to the post-validation and confirmation mechanism of the ERC.

Magna Carta for Residential Electricity Consumers

Pursuant to the provisions of Section 41 of the EPIRA, the ERC enacted the Magna Carta for Residential Electricity Consumers (the "Magna Carta"), which lays down the rights of consumers such as the: (i) right to electric service; (ii) right to a refund of bill deposits; (iii) right to be exempted from payment of meter deposits; (iv) right to an accurate electric watt-hour meter; (v) right to a refund of overbillings; (vi) right to a properly installed meter; (vii) right to a meter testing; (viii) right to a prompt investigation of complaints; (ix) right to extension of lines and facilities; (x) right to information; (xi) right to a transparent billing; (xii) right to a monthly electricity bill; (xiii) right to due process prior to disconnection of electric service; (xiv) right to a notice prior to disconnection; (xv) right to suspension of disconnection; (xvi) right to tender payment at the point of disconnection; (xvii) right to electric service deposit despite arrears of previous tenant; (xviii) right to reconnection of electric service; (xix) right to witness apprehension; (xx) right to ERC testing of apprehended meter; (xxi) right to payment under protest; and (xxii) right to file complaints before the ERC.

The Magna Carta likewise enumerates the concomitant obligations of consumers, which are the: (i) obligation to pay bill deposit; (ii) obligation to allow inspection, installation, and removal of electricity apparatus; (iii) obligation to allow the construction of poles, lines, and circuits; (iv) obligation to receive monthly bills; (v) obligation to pay monthly electric bills; (vi) obligation to pay billing adjustments; (vii) obligation not to commit illegal use of electricity; and (viii) obligation to pay differential billing.

2014 Revised Rules for the Issuance of Certificate of Compliance for Generation Companies, Qualified End-Users and Entities with Self-Generation Facilities

The Revised Rules were issued to facilitate the approval of applications for the issuance of Certificates of Compliance (“COCs”), laid down the procedure for the applications and renewals, and set forth the qualifications, disqualifications, and legal obligations of grantees of COCs for Generation Companies, Qualified End-Users, and Entities with Self-Generation Facilities.

Under the said Rules, no generating facility shall be allowed to generate or sell electricity to any distribution utility, supplier, end-user, or the wholesale electricity spot market without a valid COC issued by the ERC.

Amended Rules Enabling the Net-Metering Program for Renewable Energy

The Net-Metering Program enables an ordinary electricity consumer to generate electricity for his or her own consumption and sell any excess electricity generated to the distribution grid.

DOE CIRCULARS

Department Circular No. 2022-11-0034

This Circular amended Section 19 of the Implementing Rules and Regulations of the Renewable Energy Act to allow full foreign ownership on the exploration, development, and utilization of solar, wind, hydro, and ocean or tidal energy resources.

Department Circular No. 2020-02-0003

This Circular obliges distribution utilities to implement Smart Grids (SG), which refer to modernized electrical grids that utilize innovative technologies with two-way or multi-way communication technologies, real-time monitoring, and control systems to ensure the quality, reliability, security, and affordability of supply of electric power.

It primarily covers distribution utilities, mandating the same to comply with the levelling structure therein and in accordance with the National Smart Distribution Utility Roadmap (“SDUR”). Distribution utilities shall evaluate their current level of SG implementation in reference to the National SDUR and formulate an SG deployment plan, to be submitted to the DOE and copy furnished ERC. However, distribution utilities may request to accelerate or defer their SG deployments, as justified in their business cases, subject to endorsement by the DOE and approval of the ERC.

The Circular likewise instructs distribution utilities to incorporate all proposed SG projects in their respective annual update of Distribution Development Plan.

Department Circular No. 2018-07-0019

The Circular sets down the rules and guidelines governing the establishment of a green energy option program in the Philippines. The program will allow end-users with a monthly average peak demand of one hundred kilowatts (100 kW) and above for the past twelve (12) months the option to source their energy requirements from renewal sources of energy at the least cost and most sustainable manner. The Circular aims to promote sustainability and empower more Filipinos by giving them a wider variety of options for their energy requirements.

The Department then issued Department Circular No. 2020-04-0009, setting the guidelines regarding the issuance of operating permits to renewable energy suppliers under the green energy program.

Department Circular No. 2017-12-0015

The Circular sets down the rules for Renewable Portfolio Standards for On-Grid Areas. The Rules mandate electric power industry participants, including distribution utilities for their respective captive market, to source or produce a specified portion of their electricity requirements from eligible renewable energy sources in order to develop indigenous and environmentally friendly energy sources. The Rules also establish a minimum annual requirement for renewal portfolio standards and a minimum annual incremental percentage for renewable energy sources.

This Circular was later amended by Department Circular No. 2020-09-0030, which prescribes an adjusted annual incremental renewable energy percentage.

Department Circular No. 2019-12-0016

This Circular covers the rules governing the Renewable Energy Market, which is applicable to all electric power industry participants in the country, whether in on-grid or off-grid areas.

EMB Memorandum Circular No. 2014-005

Otherwise known as the Revised Guidelines for Coverage Screening and Standardized Requirements under the Philippine Environmental Impact Statement (“EIS”) System, this Circular categorizes projects or undertakings into four (4) categories on the basis of their impact on the environment.

Category A are those projects or undertakings that are required to secure an Environmental Compliance Certificate (“ECC”) due to their classification as Environmentally Critical Projects (“ECP”) by Presidential Proclamation Nos. 2146, s. 1981 and 803, s. 1996, and any other projects that may later be declared as such by the President of the Philippines.

Those under Category B are not classified as ECP but are deemed to significantly affect the quality of the environment by virtue of being located in an Environmentally Critical Area. These projects or undertakings are likewise required to secure an ECC.

Projects or undertakings under Category C such as those intended to directly enhance the quality of the environment or directly address existing environmental problems, and Category D such as those deemed unlikely to cause significant adverse impact on the quality of the environment, need not secure an ECC.

REPUBLIC ACT NO. 6969 (“TOXIC SUBSTANCES AND HAZARDOUS AND NUCLEAR WASTE CONTROL ACT OF 1990”)

The law was passed to control, supervise, and regulate activities on toxic chemicals and hazardous waste. Under the said law, importation, manufacture, processing, handling, storage, and transportation, sale, distribution, use, and disposal of all unregulated chemical substances and mixtures in the Philippines, as well as the entry, storage, and disposal of hazardous and nuclear wastes, shall be regulated. The regulation covers hazardous wastes across all stages: generation, transport, storage, re-use or recycling, treatment, and disposal.

Pursuant to the law, the DENR passed Administrative Order No. 04-36, which provided specific rules governing hazardous waste generators, transporters, and facilities, as well as the storage, labeling, and transport of hazardous waste.

EMB Memorandum Circular No. 2015-007 on the Technical Guidance on Polychlorinated Biphenyls (“PCB”) requires that all PCBs be treated, decontaminated, and disposed of in an environmentally sound manner by a Treatment, Storage, and Disposal Facility accredited by the DENR Environmental Management Bureau (EMB) and in a manner consistent with the requirements of R.A. No. 6969, DAO 1992-29, DAO 2004-01, DAO 2013-22, and other relevant environmental laws.

Violations of the law or any of the rules laid down by the DENR pursuant thereto shall be punished by imprisonment or a fine, as the case may be.

REPUBLIC ACT NO. 8749 (“PHILIPPINE CLEAN AIR ACT OF 1999”)

The Philippine Clean Air Act aims to reduce air pollution by regulating emissions from various sources, including industrial generators and provides for the creation of a comprehensive air quality management policy and program. Under the law, stationary sources of air pollution are to be monitored by the DENR and shall be required to acquire permits covering emission limitations for the regulated air pollutants to help attain and maintain ambient air quality standards.

REPUBLIC ACT NO. 10963 (“TAX REFORM FOR ACCELERATION AND INCLUSION LAW”)

The TRAIN Law, as amended, imposes upon domestic corporations a tax of 25% of its taxable income from all sources within and without the Philippines, save for some income sources that are subject to final withholding tax.

Section 43 of the TRAIN Law amended the previous excise tax rates imposed under the National Internal Revenue Code. Section 43 prescribed the gradual increase in the excise tax for fuel, including coal and other petroleum products which are primarily being used by generation companies.

Section 86 of the TRAIN Law also repealed several laws offering VAT exemptions, including Section 9 of Republic Act No. 9511, otherwise known as the National Grid Corporation of the Philippines Act. As a result, transmission wheeling charges shall be subject to VAT.

For a more detailed discussion, see the *“Philippine Taxation”* Section.

REPUBLIC ACT NO. 7160 (“LOCAL GOVERNMENT CODE”)

Section 137 of the Local Government Code (“LGC”) provides that notwithstanding any exemption granted by any law or other special law, a province may impose a tax on businesses enjoying a franchise at the rate not exceeding 50% of 1% of the gross annual receipts for the preceding calendar year based on the income received or realized within its territorial jurisdiction.

Section 151 of the LGC also empowers cities to levy the same franchise tax at a rate exceeding the maximum rates allowed for provinces.

REPUBLIC ACT NO. NO 10173 (“DATA PRIVACY ACT OF 2012”)

The Data Privacy Act (“DPA”) applies to all types of personal information and to any natural and juridical person involved in personal information processing, including those personal information controllers and processors who, although not found or established in the Philippines, use equipment that is located in the Philippines, or those who maintain an office, branch or agency in the Philippines.

Under Section 12 of the DPA, as a general rule, the processing of personal information shall be permitted only if not otherwise prohibited by law, and when any of the following conditions exists:

- (a) The data subject has given his or her consent;

- (b) The processing of personal information is necessary and is related to the fulfillment of a contract with the data subject or in order to take steps at the request of the data subject prior to entering into a contract;
- (c) The processing is necessary for compliance with a legal obligation to which the personal information controller is subject;
- (d) The processing is necessary to protect vitally important interests of the data subject, including life and health;
- (e) The processing is necessary in order to respond to national emergency, to comply with the requirements of public order and safety, or to fulfill functions of public authority which necessarily includes the processing of personal data for the fulfillment of its mandate; or
- (f) The processing is necessary for the purposes of the legitimate interests pursued by the personal information controller or by a third party or parties to whom the data is disclosed, except where such interests are overridden by fundamental rights and freedoms of the data subject which require protection under the Philippine Constitution.

The unauthorized processing of personal information and sensitive personal information, accessing of it due to negligence, its processing for unauthorized purposes, unauthorized access or intentional breach thereto, the improper disposal of personal information, concealment of security breaches involving sensitive personal information, malicious disclosure, and unauthorized disclosure of personal information are punished by imprisonment and fine.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by its Board of Directors. The Board of Directors is empowered to direct, manage, and supervise the affairs of the Company. Pursuant to the Articles of Incorporation, the Company shall have 9 members of the Board, namely:

NAME	AGE	CITIZENSHIP	POSITION	TERM
Geromin T. Nepomuceno	69	Filipino	Chairman of the Board/ Director	1 year
Maria Rita Josefina V. Chua	59	Filipino	President/ Director	1 year
Arsenio N. Valdes	69	Filipino	Assistant Corp. Secretary/ Director	1 year
Robert Gerard B. Nepomuceno	60	Filipino	Treasurer/ Director	1 year
Richard Hubert N. Wilkerson	64	American	Director	1 year
Emmanuel Joseph M. Nepomuceno	48	Filipino	Director	1 year
Rafael N. Mapua	53	Filipino	Director	1 year
Ivanna G. de la Peña	69	Filipino	Independent Director	1 year
Horacio E. Cebrero III	61	Filipino	Independent Director	1 year
Atty. Benedict R. Tugonon	48	Filipino	Corporate Secretary	1 year

GEROMIN T. NEPOMUCENO, JR., *Chairman*

Geromin “Gerry” T. Nepomuceno, Jr. has been the Chairman of the Board of AEC since December 2019. He has vast experience in the electric power industry having been the President of AEC from 2001 to 2019, and the Treasurer and Director of Angeles Power, Inc. from 1993 up to the present.

His leadership led AEC to become one of the biggest distribution utilities in the country. He is also a Director of Clark Electric Distribution Corporation.

Gerry is also involved in other industries being the Chairman of Angeles Industrial Park, Inc., Crismin Realty and MSN Food. He is also the President of Angeles Ice Plant, Treasurer and Director of TGN Realty, Teresa Water Works, Inc. and JTEN Equities, and a Director of JDN Sons, Inc. and Wespan Development Corporation.

Gerry is an active member of the Executive Committee of the Board of Trustees of Holy Angel University where he became the interim President from 2014 to 2015.

Gerry is a graduate of Bachelor of Science in Mechanical Engineering from De La Salle University and is a licensed mechanical engineer. He holds a Master's Degree in Business Management from the Asian Institute of Management.

Business experience for the past five (5) years	Chairman & Director	ANGELES ELECTRIC CORPORATION
	Chairman & Director	ANGELES INDUSTRIAL PARK, INC.
	Chairman	CRISMIN REALTY CORPORATION
	Chairman	M.S.N. FOODS INC.
	President	ANGELES ICE PLANT, INC.
	Director	CLARK ELECTRIC DISTRIBUTION CORP.
	Director & Treasurer	ANGELES POWER, INC.
	Director (Vice-Chairman) & Treasurer	RASLAG CORP.
	Director & Treasurer	TGN REALTY, INC.
	Director & Treasurer	TERESA WATERWORKS, INC.
	Director & Treasurer	J TEN EQUITIES, INC.
	Trustee	HOLY ANGEL UNIVERSITY
	Director	JDN SONS, INC
	Director	WESPAN DEVELOPMENT CORPORATION

MARIA RITA JOSEFINA V. CHUA

President

Maria Rita Josefina "Marijo" V. Chua is currently the President of Angeles Electric Corporation. She took over the helm as President from Engr. Geromin T. Nepomuceno in December 2019. She is also the President of Teresa Water Works, Inc. She is a Director of RASLAG Corp. and has been with the company since its incorporation in 2013.

Aside from AEC, Marijo also serves as a Director for other electric companies such as Clark Electric Distribution Corporation and Angeles Power, Inc. She is a part of the Board of JTEN Equities Inc., the holding company of Raslag Corp.

She is also a Director of TGN Realty, Inc., JDN Sons, Inc., and Wespan Development Corporation. She is a member of the Board of Trustees of the Holy Angel University.

Marijo is a graduate of Bachelor of Science in Commerce Major in Accounting and Hotel Restaurant Management from St. Scholastica's College and holds a Master's Degree in Business Administration from the Ateneo Graduate School of Business. She is a Certified Public Accountant.

Business experience for the past five (5) years	President & Director	ANGELES ELECTRIC CORPORATION
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	President & Director	TERESA WATERWORKS, INC
	Director	CLARK ELECTRIC DISTRIBUTION CORP.
	Director	ANGELES POWER, INC.
	Director	TGN REALTY, INC.
	Director	JUAN D. NEPOMUCENO SONS, INC.
	Director	WESPAN DEVELOPMENT CORPORATION
	Director	J TEN EQUITIES, INC
	Director	RASLAG CORP.
	Trustee	HOLY ANGEL UNIVERSITY

ARSENIO N. VALDES

Director and Assistant Corporate Secretary

Arsenio “Arni” N. Valdes is one of the Directors and Assistant Corporate Secretary of AEC. His experience in the power industry spans from the distribution to the generation sectors, he is a Director of Raslag Corp. and Angeles Power, Inc. He is best known for his leadership in Juan D. Nepomuceno Sons, Inc. and TGN Realty Corporation, being the President of both corporations from February 2007 to February 2019. He is currently the Chairman of Juan D Nepomuceno Sons, Inc., TGN Realty Corporation, Borealis Corp, and Wespan Development.

Arni is the President and CEO of Dolomatrix Philippines, Inc. He is also a Director of Teresa Water Works, Inc., Angeles Industrial Park, Inc. and JTEN Equities, Inc.

Arni is also involved and holds key positions in various business, socio-civic and cause-oriented organizations. He is presently a Director and the Treasurer of the Metro Angeles Chamber of Commerce & Industry, Inc. where he was the former President and Chairman. He is currently an officer of the Metro Clark Information & Communication Technology Council. He is also an Adviser to the Environmental Practitioners Association, where he formerly held the position of President.

Arni is a graduate of Bachelor of Science in Industrial Management Engineering from the De La Salle University and holds a Masters in Business Administration degree from the Ateneo De Manila University.

Business experience for the past five (5) years	Director	ANGELES ELECTRIC CORP.
	President & Director	DOLOMATRIX PHILS., INC.
	Chairman & Director	TGN REALTY, INC.
	Chairman & Director	JUAN D. NEPOMUCENO SONS, INC.
	Director	TERESA WATERWORKS, INC.
	Chairman & Director	BOREALIS CORPORATION
	Chairman & Director	WESPAN DEVELOPMENT CORPORATION
	Corporate Secretary &	ANGELES POWER, INC.

	Director	
	Director	RASLAG CORP.

ROBERT GERARD B. NEPOMUCENO

Director and Treasurer

Robert Gerard “Rogie” B. Nepomuceno has been a director at AEC since 2019. He is also the CFO and Director of Raslag Corp.

Aside from the power industry, Rogie is also involved in the manufacturing industry. He is presently the President of Durastress Corporation, a manufacturer of pre-cast concrete products and a supplier of ready-mix concrete. He started his career in Durastress as a Supervisor in 2002 and has since made the company one of the largest manufacturers of concrete piles in the North. He is concurrently the President of Italfil Manufacturing Corp.

Rogie is a Director of Juan D Nepomuceno Sons, Inc., Borealis Corp., Wespan Development Corp. and TGN Realty Corp. He is also the Chairman of the Bids and Awards Committee of Holy Angel University.

Rogie graduated from the Ateneo de Manila University in 1985 with a Bachelor of Arts degree majoring in Economics. He finished his EMBA at the Asian Institute of Management in 2007.

Business experience for the past five (5) years	Director, Treasurer	ANGELES ELECTRIC CORPORATION
	President & Director	DURASTRESS CORPORATION
	President & Director	ITALFIL MANUFACTURING, INC.
	Chief Financial Officer & Director	RASLAG CORP.
	Director	JUAN D. NEPOMUCENO SONS, INC.
	Director	TGN REALTY, INC.
	Director	WESPAN DEVELOPMENT CORPORATION
	Chairman	HOLY ANGEL UNIVERSITY (Bids & Awards Committee)
	Chairman	HOLY ANGEL UNIVERSITY (Const. Committee)

RICHARD HUBERT N. WILKERSON

Director

Richard Hubert “Rick” N. Wilkerson has been a Director of Angeles Electric Corp. since 2018. He is the CEO and President of Juan D. Nepomuceno Sons, Inc., TGN Realty Corporation, SAS Parking Arcades Inc. and the TNW Group. He also serves as

Director of Borealis Corp, Wespan Development Corporation, Teresa Waterworks Inc., and J Ten Equities, Inc.

Rick has held key positions in various multi-national organizations in the Oil and Gas and Hi-Tech industries, most notably as Senior Director of Finance with Western Digital Corporation, the world’s largest maker of digital storage devices.

Rick holds a Bachelor of Science degree in Finance from Oklahoma State University.

Business experience for the past five (5) years	CEO, President and Director	JUAN D. NEPOMUCENO SONS, INC.
	CEO, President and Director	TGN REALTY, INC.
	CEO, President and Director	SAS PARKING ARCADES INC.
	CEO, President and Director	TNW GROUP
	Director	ANGELES ELECTRIC CORP.
	Director	BOREALIS CORPORATION
	Director	WESPAN DEVELOPMENT CORPORATION
	Director	J TEN EQUITIES, INC.
	Director	TERESA WATERWORKS, INC.

EMMANUEL JOSEPH M. NEPOMUCENO

Director

Emmanuel Joseph “Manny” M. Nepomuceno has been one of the Directors of AEC since 2014.

Manny is a technology professional focused on governance issues at the top level of management. He has served as Chief Financial Officer of several Anytime Fitness franchises in the Philippines and Indonesia, ensuring their survival through the pandemic. He oversees the growth of the Anytime Fitness brand in Indonesia.

From 2015 to 2020, he ran Seedbox Philippines, the country’s first online platform devoted to distributing mutual funds and other investment products. In 2021, he received his Certified in the Governance of Enterprise IT certification from ISACA. He is also a Certified Anti-Money Laundering Specialist with a certification from ACAMS.

Manny is a graduate of Bachelor of Arts in English Literature at the Ateneo de Manila University and holds a Masteral Degree in Information Management at the Ateneo Professional Schools. He is also a graduate of the Professional Director’s Program of the Institute of Corporate Directors.

Business experience for the past 5 years	Director	ANGELES ELECTRIC CORPORATION
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	Director	NEPOMUCENO REALTY GROUP
	Director	TERESA WATERWORKS INC.
	Acting CFO	MANNYTIME FITNEPS INC.
	Commissioner	PT MANNYTIME FITNEPS INDONESIA
	Commissioner	PT PRIMA VITA INDONESIA
	Director	NEPOCONCEPTS INC.
	General Manager	SEEDBOX PHILIPPINES

RAFAEL N. MAPUA

Director

Rafael “Raffy” N. Mapua is one of the Directors of AEC. He is a golf enthusiast and presently the General Manager of First Tee Inc. the exclusive Philippine distributor of premium Japanese golf equipment. First Tee maintains over fifty (50) Retail Accounts, including the Philippines’ best Golf Courses and Pro Shops. Raffy also handled key positions from several companies. He served as General Manager of Pacsports Phils. Inc., Nevada Bob’s HK Ltd. and Filton Investment Ltd. He had a stint at The Peninsula Manila Hotel as an Account Manager for Sales and Marketing.

He has varied experiences in International Business, Customer Relationship Management, Marketing and Sales.

Raffy is a graduate of Bachelor of Science in Business Management from Ateneo de Manila University and an EMBA candidate for a Master’s in Business Administration degree from the Asian Institute of Management.

Business experience for the past five (5) years	Director	ANGELES ELECTRIC CORP.
	General Manager	FIRST TEE INC.
	Former General Manager	PACSPORTS PHILS. INC.

IVANNA G. DE LA PEÑA

Independent Director

Ivanna “Ivan” de la Peña is an Independent Director of AEC.

Ivan started as a Junior Analyst in Meralco’s Utility Economics Division in 1978. She rose through the ranks and retired as the First Vice President and Head of the Regulatory Management Office in 2018.

She has varied experiences in rate design, compliance with various government regulations and franchise requirements, engaging with other industry stakeholders on various issues confronting the industry and representations in hearings in both Senate and House of Representatives.

Ivan is a graduate of Bachelor of Science in Statistics from the University of the Philippines (UP) Diliman and holds a Master's Degree in Business Administration also from UP Diliman.

Business experience for the past five (5) years	Independent Director	ANGELES ELECTRIC CORP.
	First Vice President and Head of Regulatory Management Office	MANILA ELECTRIC COMPANY
	Director	CLARK ELECTRIC DISTRIBUTION CORPORATION
	Board of Trustees	MFI POLYTECHNIC INSTITUTE INC.
	Treasurer	SOLVRE INC.

HORACIO E. CEBRERO III

Independent Director

Horacio "Ricky" E. Cebrero III is one of the Independent Directors of AEC.

Ricky is currently a Consultant at RCBC. Previously, he held the position of Senior Executive Vice President and Treasurer of RCBC from 2018 to 2022. He also served as the Executive Vice President Treasury Sector Head of the Philippine National Bank (PNB). His extensive experience in the banking industry spans from his previous key positions in RCBC, East West Banking Corp., Citibank and Asian Bank Corporation among others.

Ricky is a graduate of Bachelor of Science in Commerce Major in Marketing at the De La Salle University. He has MBA units from the De La Salle Graduate School of Business and Economics and has attended the Stanford Senior Executives Leadership Program at Stanford University Hongkong and the Professional Directors Program at the Institute of Corporate Directors.

Business experience for the past five (5) years	Independent Director	ANGELES ELECTRIC CORP.
	Consultant	RIZAL COMMERCIAL BANKING CORP.
	Senior Executive Vice President and Treasurer	RIZAL COMMERCIAL BANKING CORP.
	Executive Vice President Treasury Sector Head	PHILIPPINE NATIONAL BANK
	Chairman	RCBC FOREX CORPORATION
	Director	RCBC IFL HONGKONG
	Director	RIZAL EQUITIES

ATTY. BENEDICT R. TUGONON

Corporate Secretary

Benedict Tugonon has been the Corporate Secretary of Angeles Electric Corp. since 2019. He is a practicing lawyer, a senior partner and currently the Head of the Tax department of the Law Firm of Quiason, Makalintal, Barrot, Torres, Ibarra, Sison and Damaso. He has more than twenty-three (23) years of experience in tax and corporate law practice in the Philippines. He acquired both his Bachelor's Degree in Philosophy and Law at San Beda University.

He previously served as the Corporate Secretary of International Elevators and Escalators, Inc. from 2012 to 2020. In 2016, he served as the President of the Tax Management Association of the Philippines.

He has advised numerous clients on the tax aspect of major transactions, including property acquisitions and transfers, corporate mergers and reorganization, tax audits and estate tax planning.

MANUAL ON CORPORATE GOVERNANCE

The Company has always been committed to the best practices of corporate governance, even before it adopted its Manual on Corporate Governance (the "Manual").

After numerous deliberations and research, the Company adopted its Manual on 11 October 2023.

The Company's Manual complies with the minimum standards set forth in SEC Memorandum Circular No. 24, Series of 2019, otherwise known as the Code of Corporate Governance. This was done to raise the Company's corporate governance standards to be on par with or higher than leading standards.

The Manual establishes corporate governance practices that are founded on internationally recognized standards, systems, and processes designed to ensure the Company's progress and stability, with an effective check and balance system in place and a high standard of accountability and transparency.

It also provides that it is the Board's responsibility to initiate compliance with the principles of good corporate governance to foster the long-term success of the Company and to secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders.

The Company is committed to doing business in accordance with the highest professional standards, business conduct and ethics, and all applicable laws, rules, and regulations. The Company, together with its directors, officers, and employees is dedicated to promoting and adhering to the principles of good corporate governance by observing and maintaining its core business principles of accountability, integrity, fairness, and transparency.

Board Committees

Pursuant to the Manual, the Company has set up the following Board Committees: Corporate Governance Committee, Risk Management and Oversight Committee and Audit Committee.

1. The Corporate Governance Committee is tasked to assist the Board of Directors in the performance of its corporate governance responsibilities. The Committee shall also perform functions in relation to the nomination and compensation of the Board of Directors.
2. The Risk Management and Oversight Committee is responsible for the oversight of AEC's Risk Management system to ensure its functionality and effectiveness.
3. The Audit Committee is tasked with enhancing its oversight capability over the AEC's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

Evaluation System

To ensure a high standard of best practice for AEC, its Shareholders, and other Stakeholders, the Board of Directors shall, as much as practicable:

1. Install and implement a process of selection to ensure the election/appointment of competent Directors, who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
2. Determine AEC's purpose, vision, mission, and values. Formulate the strategic objectives, policies, and procedures that shall guide its activities, including the means to effectively monitor Management's performance;
3. Formulate a Board Charter to serve as a guide to the directors in the performance of their functions. The Board Charter shall be posted on AEC's website;
4. Adopt and ensure the proper implementation and monitoring of compliance of a Code of Business, Conduct, and Ethics, properly disseminated to the Board of Directors, Management, and employees, and disclosed and made available to the public through AEC's website;
5. Develop systems and procedures to ensure the appointment of competent, professional, honest, and highly motivated management officers, and adopt an effective succession-planning program for the Management;
6. Ensure that AEC complies with all relevant laws, regulations, and best business practices;
7. Identify AEC's Stakeholders and formulate a clear policy on communicating or relating with them;
8. Adopt a system of internal checks and balances. A regular review of the effectiveness of such a system should be conducted to ensure the integrity of the

decision-making and reporting process. There should be a continuing review of the AEC's internal control system in order to maintain its adequacy and effectiveness and ensure the integrity of financial reports and protection of the assets of AEC for the benefit of all Shareholders and other Stakeholders. A mechanism shall be set for monitoring and managing potential conflicts of interest of Management, Board of Directors, and Shareholders;

9. Ensure that there is a policy and system governing Related Party Transactions and other unusual or infrequently occurring transactions, particularly those that pass certain thresholds of materiality. The policy should include the appropriate review and approval of material Related Party Transactions, which guarantee fairness and transparency of the transactions;
10. Identify key risk areas, key performance indicators and monitor these factors with due diligence, and ensure that a sound Enterprise Risk Management framework is in place through the Risk Oversight Committee.
11. Ensure that it properly discharges its functions by meeting per the set schedule and agenda. Independent views during Board of Directors meetings shall be encouraged and given due consideration. All Board of Directors and committee meetings shall be written in the minutes;
12. Keep its own activities and decisions within its authority and within the powers of AEC as prescribed in the Articles of Incorporation, Bylaws, and existing laws, rules and regulations;
13. Formulate and implement group-wide policies and procedures that would ensure the integrity and transparency of Related Party Transactions between and among AEC, joint ventures, subsidiaries, major Shareholders, officers including their spouses, children, and dependent siblings and parents, and of interlocking director relationships by the Board of Directors;
14. Establish and maintain an alternative dispute resolution system in AEC that can amicably settle conflicts or differences between AEC and its Shareholders, and AEC and third parties, including the regulatory authorities;
15. Conduct an annual self-assessment of its performance, including the Chairman, individual members, and the Board Committees. Every two (2) years an external facilitator shall support the assessment;
16. Ensure that the remuneration of the Management and the Board of Directors is aligned with the long-term interests of AEC, as well as at par with comparable entities. No Director should participate in the determination of his own per diem or compensation;
17. Recommend, propose, and plan continuing education or relevant training programs for directors, assignment of tasks or projects to board committees, and succession plan for the Board of Directors and Management;
18. Approve the selection of the CEO and assess the performance of Management led by the CEO and the control functions led by their respective heads based on established performance standards or performance evaluation framework that

contribute to the attainment of AEC's corporate charter, strategic map, and performance scorecard.

Compliance Measures

1. The Compliance Officer shall be specifically tasked with the responsibility of ensuring compliance with the Manual of Good Corporate Governance, particularly:
 - a. Ensuring proper on-boarding of new directors (*i.e.*, orientation on the Corporation's business, charter, articles of incorporation, and by-laws, among others);
 - b. Monitoring, reviewing, and evaluating compliance by the Company, its officers, and directors with the relevant laws, rules, and regulations and all governance issuances of regulatory agencies;
 - c. Reporting violations of the aforementioned rules to the Board and recommending the imposition of appropriate disciplinary action;
 - d. Ensuring the integrity and accuracy of all documentary submissions to regulators;
 - e. Appearing before the SEC when summoned in relation to compliance with the Code;
 - f. Collaborating with other departments to properly address compliance issues which may be subject to investigation;
 - g. Identifying possible areas of compliance issues and working towards the resolution of the same;
 - h. Ensuring the attendance of board members and key officers to relevant training; and
 - i. Performing such other duties and responsibilities as may be provided by the SEC.
2. In cases of non-compliance with the Manual, the Compliance Officer shall, after proper investigation, notice, and hearing, determine and recommend to the Board, the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent repetition of the violation.
3. The Board shall at all times adopt its policies on disclosure and transparency, communication, and accountability in conducting the affairs of the Company.

Investor Relations Program

Pursuant to its Manual, an Investor Relations Office ("IRO") shall be established with the objectives of (1) reaching out to all stockholders and informing them of corporate activities; and (2) formulating a clear policy for accurately, effectively, and sufficiently communicating and relating relevant information to Company stakeholders as well as to the broader investor community.

The Investor Relations Officer shall also be responsible for receiving and responding to investor and shareholder queries and ensuring that shareholders have timely and uniform access to official announcements, disclosures, and market-sensitive information relating to the Company.

Improvement of Corporate Governance Practices

The Company is taking further steps to enhance adherence to principles and practices of corporate governance.

To this end, and in consonance with the Company's desire to constantly improve its corporate governance standards to inspire public confidence in the Company, the Manual is mandated to be under constant review, with three (3) committees, namely, the Corporate Governance Committee, Risk Management and Oversight Committee, and Audit Committee, being required to review and submit amendments to the Manual at least annually. All established committees shall be required to have Committee Charters which shall state their purpose, memberships, structures, operations, accountabilities, reporting processes, resources, and other relevant information. These Committee Charters and scorecards shall provide the standards for self-assessment and be approved by the Board of Directors prior to posting on AEC's website.

The Board of Directors should be composed of a majority of Non-Executive Directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to carry out proper checks and balances.

The positions of Chairperson of the Board of Directors and Chief Executive Officer should be held by separate individuals and each should have clearly defined responsibilities.

The Board of Directors shall initiate policies and measures geared towards the promotion of transparency, prevention of abuse, and protection of the interest of all Shareholders. One such measure is the required ratification by Shareholders of material or significant Related Party Transactions approved by at least two-thirds (2/3) of the Board of Directors, with at least one (1) Independent Director approving the transaction, in accordance with existing laws. Other measures include ensuring that transactions occur at market prices, at arm's-length basis and under conditions that protect the rights of all Shareholders.

All material information, *i.e.*, anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, Related Party Transactions, shareholding of Directors, and changes of ownership, including material and reportable non-financial and sustainability issues.

An external auditor shall ensure an environment of good corporate governance as reflected in the financial records and reports of AEC.

AEC shall establish a strong and effective internal control system and enterprise risk management framework.

AEC shall have a separate risk management function to identify, assess, and monitor key risk exposures. In managing the company's Risk Management System, the Company should have a Chief Risk Officer who is the ultimate champion of Enterprise Risk Management and has adequate authority, stature, resources, and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

Within the past five (5) years from the date of this Prospectus, there has been no bankruptcy petition filed by or against any business of which any of the foregoing named directors or executive officers have been a general partner or executive officer at the time of the bankruptcy or within two (2) years prior to that time.

None of the foregoing directors or executive officers have been convicted by final judgment in any criminal proceeding nor involved in any pending criminal proceeding, whether domestic or foreign in the past five (5) years from the date of this Prospectus.

None of the foregoing directors or executive officers have been subject to any order, judgment, or decree by any domestic or foreign court of competent jurisdiction, permanently or temporarily barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities in the past five (5) years from the date of this Prospectus.

None of the foregoing directors or executive officers have been found by a domestic or foreign court or tribunal of competent jurisdiction in a civil action, domestic or foreign Exchange, or other market or self-regulatory organization to have violated a securities or commodities law or regulation in the past five (5) years from the date of this Prospectus.

SIGNIFICANT EMPLOYEES

The following persons are the significant employees of the Company who are expected to make significant contributions to the business of AEC:

	NAME	AGE	CITIZENSHIP	POSITION
1.	Michael Angelo D. Colle	61	Filipino	Senior Vice President and Chief Operating Officer
2.	Aldrin Erwin James T. Nepomuceno	41	Filipino	Senior Vice President and Chief Finance Officer
3.	Ceferino S. Bingcang	61	Filipino	Vice President, Retail Services
4.	Myra Cresencia V. Rivera	57	Filipino	Human Resources Head
5.	Cristina L. Arboleda	56	Filipino	Vice President, Corporate Governance, Social Responsibility and Environment
6.	Franz Gerard C. Pulido	36	Filipino	Vice President, Finance and Accounting
7.	Atty. Russel S. Alabado	46	Filipino	Vice President and In-house Legal Counsel
8.	David S. Praza	52	Filipino	Head, Line Operations, Maintenance & Construction

MICHAEL ANGELO D. COLLE

Senior Vice President and Chief Operating Officer

Engr. Michael Angelo D. Colle is the Chief Operating Officer and heads the Network and Retail Services Division. He is also the Head of the Distribution & Network Services Department. He has been the Distribution Manager since 2015. He joined the Company in 1987 as a Ground Man in the Line Maintenance and Construction Section of AEC.

As Chief Operating Officer, his key performance objective is to take the management lead to plan, direct, coordinate and oversee the operations and activities of the Company. As Head of the Distribution & Network Services Dept., he is responsible for the overall management and safety of the distribution system, network projects and assets. He is also directly responsible for the overall efficient management and maintenance of the sub-transmission and distribution system in accordance with the utility industry and national standards.

Aldrin Erwin James T. Nepomuceno

Senior Vice President and Chief Finance Officer

Mr. Aldrin Erwin James T. Nepomuceno is the Chief Finance Officer and heads the Administrative Support Services Department. He joined the Company in 2010.

As Chief Finance Officer, he is responsible for managing the cash flow and financial planning to analyze the Company's financial strengths and weaknesses and proposing strategic directions.

As Administrative Support and Services Department Head, he is responsible for the overall management of the Company's support services such as the Management Information System.

He is the nephew of the Chairman of the Board Mr. Geromin T. Nepomuceno and President Maria Rita Josefina V. Chua.

CEFERINO S. BINGCANG Jr.

Vice President, Retail Services Department

Engr. Ceferino S. Bingcang is the Vice President of the Retail Services Department. Previously, he held the position of Network Support Manager since 2019. He joined the Company in 1987 as a Lineman.

As Retail Services Department Head, he ensures that the Company is responsibly performing administrative functions directly involving consumer welfare from new meter application, meter reading, billing, collection, and disconnection/reconnection and is able to establish quality relationships with customers. His Department ensures that all customer-related concerns are met with efficient operational procedures.

MYRA CRESENCIA V. RIVERA

Human Resources Head

Ms. Myra V. Rivera is the Head of Human Resources and she joined the Company in 2003.

As Human Resources Head, she handles all human resource-related operations and helps the Company identify needs, develop action plans and facilitate change to improve organization performance, employee acquisition, engagement, retention, morale and communication.

She also conducts, plans and facilitates organizational workshops and training for employee development.

Cristina L. Arboleda

Vice President, Corporate Governance, Social Responsibility & Environment Department

Ms. Cristina L. Arboleda is the Vice President of the Corporate Governance, Social Responsibility & Environment Department. She is also the Company's Compliance Officer. She joined the Company in 1993 and held various positions in Finance and Accounting. She was appointed as Finance Manager in 2020.

As the Regulatory Compliance Officer, she is responsible for the Company's full compliance with industry regulations and other reportorial requirements as may be required by the government and its instrumentalities.

Franz Gerard C. Pulido

Controller and Vice President for Finance and Accounting Department

Mr. Franz Gerard Pulido is the Controller and Vice President of the Finance and Accounting Department. He was an Audit Manager at Punongbayan & Araullo before joining the Company in 2020.

As Controller, he is responsible for the efficient and effective implementation of controls and procedures involving the recording of financial transactions and the timely preparation of financial statements and related analyses and reports.

As Finance Manager, she ensures that the Company has efficient liquidity planning and controls related to the company's financial activities.

Atty. Russel S. Alabado

In-house Legal Counsel and Data Privacy Officer

Atty. Russel Alabado joined the Company in 2022 as the In-House Legal Counsel and Data Privacy Officer.

He's been a practicing lawyer since 2004 and has previous experience in filing Power Supply Agreements before the Energy Regulatory Commission for various electric cooperatives.

As an In-House Legal Counsel, he is responsible for reviewing contracts and existing processes and proposing improvements. He is also responsible for examining and interpreting laws and legal documents and handles customer complaints filed in court or with the ERC.

David S. Praza

Head, Line Operations, Maintenance and Construction

Engr. David S. Praza is the Line Operations, Maintenance and Construction Head. Previously, he was appointed as Distribution Engineer for Implementation in 2015. He joined the Company in 1994 as Groundman 1.

As Head of Line Operations & Maintenance, he is responsible for the coordination and implementation of the plans, designs and construction as well as maintaining a reliable and well-protected distribution network and 69 KV subtransmission line system.

FAMILY RELATIONSHIP

AEC's President and Director Maria Rita Josefina V. Chua is the sister of Director Arsenio N. Valdes. On the other hand, Directors Chua and Valdes, Directors Engr. Geromin T. Nepomuceno, Robert Gerard B. Nepomuceno, Richard Hubert N. Wilkerson and Rafael N. Mapua are first-degree cousins.

Director Emmanuel Joseph M. Nepomuceno and the Chief Financial Officer, Mr. Aldrin Erwin James T. Nepomuceno, are nephews of the abovementioned Directors.

Aside from the foregoing, there are no other family relationships between other directors, executive officers, or other persons nominated or chosen by the Company to become directors or executive officers.

EXECUTIVE COMPENSATION

The table below shows the compensation received by the Company's top executives. All figures set forth below shall be in Philippine pesos.

NAME AND PRINCIPAL POSITION	FISCAL YEAR COVERED	SALARY	BONUS	OTHER ANNUAL COMPENSATION
Maria Rita Josefina V. Chua <i>President & Chief Executive Officer</i>	2021	4,147,200	641,200	515,998
	2022	4,282,077	706,982	611,223
	2023*	4,400,188	1,100,047	630,271
Michael Angelo D. Colle <i>Chief Operating Officer</i>	2021	1,994,440	321,407	277,558
	2022	2,089,317	348,189	301,320
	2023	2,362,914	363,571	312,462
Aldrin Erwin James T. Nepomuceno <i>Chief Financial Officer</i>	2021	1,459,602	229,367	188,430
	2022	1,531,079	255,149	210,131
	2023*	1,754,906	270,032	219,563
Myra Cresencia V. Rivera <i>Vice President, Human Resources</i>	2021	2,054,202	329,767	284,124
	2022	2,065,678	344,249	296,810
	2023*	2,237,818	359,457	302,430
All Other Officers as a Group**	2021	4,463,527	723,821	559,571
	2022	5,638,111	854,305	554,045
	2023*	6,107,954	904,137	564,538

*Executive compensation for the ensuing year

**Apart from the standard arrangements set forth in the succeeding section, the Company's directors do not receive any compensation as such.

COMPENSATION OF DIRECTORS

Standard Arrangements

The Directors receive a per diem of Fifteen Thousand Pesos (₱15,000.00) for each meeting attended.

Pursuant to the Company's Manual on Corporate Governance which was approved by the Company on 11 October 2023, the Company shall have three (3) committees namely, the Corporate Governance Committee, Risk Management & Oversight Committee and Audit Committee. The Committee chairpersons shall be entitled to a per diem of Fifteen Thousand Pesos (₱15,000.00) for each meeting attended while Committee members shall be entitled to a per diem of Ten Thousand Pesos (₱10,000.00) for each meeting attended.

Except for discretionary mid-year and year-end bonuses shown in the table below, no other compensation, in any form, is paid to them for the services they provide as directors of the Company. All figures set forth below shall be in Philippine Peso.

Name	Position	Compensation for 2022	Estimated Compensation for 2023
1. Geromin T. Nepomuceno	Chairman of the Board/ Director	260,000	371,111
2. Maria Rita Josefina V. Chua*	President/ Director	260,000	407,059
3. Robert Gerard B. Nepomuceno	Treasurer/ Director	260,000	371,111
4. Arsenio N. Valdes	Director	260,000	371,111
5. Richard Hubert N. Wilkerson	Director	260,000	371,111
6. Emmanuel Joseph N. Nepomuceno	Director	260,000	371,111
7. Rafael N. Mapua	Director	260,000	371,111
8. Ivanna G. de la Peña**	Independent Director	-	140,000
9. Horacio E. Cebrero III**	Independent Director	-	140,000
10. Richard Adrian Firmo T. Nepomuceno***	Director	-	100,556
11. Michael Anthony N. Wilkerson***	Director	-	100,556
12. Atty. Benedict R. Tugonon	Corp. Secretary	-	-

*Amounts excluded from the Executive Compensation Table above

**New to Position

***New to Position in 2023, replaced by Directors 8 and 9

Other Arrangements

In 2019, the Company entered into a Consultancy Agreement with Engr. Geromin T. Nepomuceno, the Chairman of the Board, as a Technical Consultant on the Company's various Substation and Network Projects. The Company paid a consultancy fee of Two Hundred Twenty-Two Thousand Two Hundred Twenty-Two Pesos (₱222,222) per month in 2022 and 2023.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

Employment Contract with Executive Officers

There are no written employment contracts between the Company and its President, Chief Operating Officer and Chief Financial Officer.

Compensatory Plan or Arrangement

The Company has no existing compensatory plan or arrangement with any of its named executive officers, that will result from the resignation, retirement, or any other termination of such executive officer, a change-in-control of the Company, or a change in said executive officers' responsibilities following a change in Company control that will exceed an aggregate sum of Two Million Five Hundred Thousand Pesos (₱2,500,000.00).

WARRANTS AND OPTIONS OUTSTANDING: REPRICING

There are no outstanding warrants or options held by the Company's President, named executive officers, and all its officers and directors as a group.

PRINCIPAL SHAREHOLDERS

PRINCIPAL SHAREHOLDERS

The table below lists the top twenty (20) shareholders of the Company:

	Name of Shareholder	Type of Share Held	Number of Common / Preferred Shares Held	Percent of Total Issued and Outstanding Shares
1	Nicholas Carmelo P. Nepomuceno	Preferred	14,829,458	5.20%
		Common	46,173,600	
2	Taylor Amanda P. Nepomuceno	Preferred	14,829,458	5.05%
		Common	44,377,100	
3	Patrick P. Nepomuceno	Common	52,306,400	4.46%
4	Salud Isabel M. Nepomuceno	Common	52,306,400	3.11%
		Preferred	7,909,045	
5	Emmanuel Joseph M. Nepomuceno	Common	23,614,300	2.57%
		Preferred	6,536,836	
6	Justine Shayne Ashley A. Nepomuceno	Common	23,809,600	2.45%
		Preferred	4,943,153	
7	Bernadette M. Nepomuceno	Common	28,571,400	2.44%
8	Angela Regina M. Nepomuceno	Common	18,657,100	2.03%
		Preferred	5,164,600	
9	Bianca M. Benitez	Common	17,092,000	1.89%
		Preferred	5,084,385	
10	Paul Augustine N. Wilkerson	Common	17,857,100	1.84%
		Preferred	3,707,364	
11	Peter Walter S. Nepomuceno	Common	13,246,000	1.63%
		Preferred	5,931,783	
12	Paul Wilhelm S. Nepomuceno	Common	13,246,000	1.63%
		Preferred	5,931,783	
13	Patrick N. Valdes	Common	15,872,900	1.63%
		Preferred	3,295,435	
14	Theresa N. Valdes	Common	15,872,900	1.63%
		Preferred	3,295,435	
15	Ramon Luis M. Osemeña	Common	13,107,300	1.62%
		Preferred	5,931,783	
16	Reyland B. Nepomuceno	Common	18,924,700	1.61%
17	Peter G. Nepomuceno	Preferred	18,059,500	1.54%
18	Geromin T. Nepomuceno	Common	17,031,700	1.45%
19	Martin Kyle C. Wilkerson	Common	12,964,300	1.42%
		Preferred	3,707,365	
20	Hilda V. Angeles	Common	15,873,000	1.35%

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

The table below list down the record and/or beneficial owners of more than 5% of the Company's voting shares as of the date of this Prospectus.

Name of Record Owner, Address, and Relationship with the Issuer	Type of Share Held	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Preferred / Common Shares Held	Percent of Total Issued and Outstanding Shares
Nicholas Carmelo P. Nepomuceno, Angeles City, Stockholder	Preferred	Nicholas Carmelo P. Nepomuceno	Filipino	14,829,458	5.20%
	Common		Filipino	46,173,600	
Taylor Amanda P.	Preferred	Taylor Amanda	Filipino	14,829,458	5.05%

Nepomuceno, Angeles City, <i>Stockholder</i>	Common	P. Nepomuceno	Filipino	44,377,100	
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SECURITY OWNERSHIP OF MANAGEMENT

The following table reflects the security ownership of the management and directors of the Company:

Name of Beneficial Owner	Title of Share Held	Number of Preferred / Common Shares and Nature of Beneficial Ownership	Citizenship	Percent Ownership of Type of Share
Maria Rita Josefina V. Chua* **	Common	8,698,400; direct ownership	Filipino	0.90%
Aldrin Erwin James T. Nepomuceno*	Common	7,023,800; direct ownership	Filipino	0.72%
	Preferred	1,977,261; direct ownership	Filipino	0.98%
Geromin T. Nepomuceno**	Common	17,031,700; direct ownership	Filipino	1.45%
Robert Gerard B. Nepomuceno**	Common	11,375,100; direct ownership	Filipino	0.97%
Arsenio N. Valdes**	Common	5,706,300; direct ownership	Filipino	0.49%
Richard Hubert N. Wilkerson**	Common	7,852,600; direct ownership	American	0.67%
Emmanuel Joseph N. Nepomuceno**	Common	23,614,300; direct ownership	Filipino	2.43%
	Preferred	6,536,836; direct ownership	Filipino	3.24%
Rafael N. Mapua**	Common	11,183,700; direct ownership	Filipino	0.95%
Ivanna G. de la Peña**	Common	1; direct ownership	Filipino	0.00%
Horacio E. Cebrero III**	Common	1; direct ownership	Filipino	0.00%

* *Executive Officer*

** *Director*

VOTING TRUST

There are no voting trust holders in respect of more than five percent (5%) of the Company's voting shares.

CHANGE IN CONTROL ARRANGEMENTS

There are no contracts, agreements, or arrangements with respect to the issued and outstanding shares which will result in a change in control of the Company.

RELATED PARTY TRANSACTIONS

An individual or entity is related to the Company if they are subject to common control or the party exercises control or significant influence over the Company. For transactions with related parties, the Company considers all relevant factors that are in the best interest of the Company and its stockholders.

In dealing with affiliates and other related parties, the Company ensures that all transactions remain above-board, fair, and equitable to all parties concerned, including the Company's stockholders. As much as possible, the Company only enters into transactions with affiliates and other related parties on an arm's length basis.

To arrive at the best terms and conditions for each transaction, the Company exerts efforts to determine the prevailing market price, terms, and conditions to use as the basis for its transactions with related parties.

RELATED PARTY TRANSACTIONS

In the last 2 years, the Company has entered into the following transactions with its director:

Date	Names of Related Party	Position or Interest in the Company	Type of Transaction	Amount of Transaction Value
01 January 2021 to 31 December 2022	Geromin T. Nepomuceno	Chairman of the Board, Stockholder	Technical Consultancy Agreement	₱5,066,664

A summary of the Company's transactions with its related parties as of and for the six (6) months ended 30 June 2023, and as of and for the year ended 31 December 2022, as disclosed in Note 20 of the 30 June 2023 audited financial statements, is presented below.

<u>Related Party Category</u>	<u>June 30, 2023</u>		<u>December 31, 2022</u>	
	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>
Related parties under common ownership:				
Purchase of electricity	₱ 115,031,253	₱ 19,286,385	₱ 249,400,254	₱ 16,316,408
Purchase of goods & other services	8,353,024	15,767	16,218,608	613,349
Sale of electricity	73,558,562	11,868,626	151,917,860	13,580,110
Retirement plan asset	6,000,000	133,629,612	12,000,000	120,781,180
Key Management Personnel –				
Compensation	11,819,662	-	21,149,910	-
Stockholders –				
Purchase of goods & other services	2,704,374	-	5,056,560	-

DESCRIPTION OF THE SHARES

The information contained in this Section relates to the Company's capital stock but does not purport to be complete and should be read with reference to the requirements under the Revised Corporation Code and the Company's Articles of Incorporation and ByLaws.

SHARE CAPITAL INFORMATION

At the time of the offer, the Company has an authorized capital stock of Two Billion Pesos (₱2,000,000,000.00) divided into Five Hundred Million (500,000,000) voting redeemable preferred shares with a par value of One Peso (₱1.00) per share, and One Billion Five Hundred Million (1,500,000,000) common shares with a par value of One Peso (₱1.00) per share. Out of its total authorized capital stock, One Billion One Hundred Seventy-Three Million One Hundred Nine Thousand Thirty-Two (1,173,109,032) shares, divided into Two Hundred One Million Six Hundred Eighty Thousand Six Hundred Thirty-Two (201,680,632) preferred shares and Nine Hundred Seventy-One Million Four Hundred Twenty-Eight Thousand Four Hundred (971,428,400) common shares are presently issued and outstanding.

The issued share capital of the Company is fully paid-up and is not being traded in any Exchange. The Company's shares have not been previously offered to the public. No shares are subject to outstanding options or warrants to purchase.

Pursuant to the EPIRA, the Company shall offer two hundred seven million twenty thousand (207,020,000) common shares to the public or 17.6% of its issued and outstanding common shares common shares and 15% of its total issued and outstanding capital stock after the offer.

OBJECTIVES AND PURPOSE

Primary Purpose

Under the Articles of Incorporation, the Company's primary purpose is to secure from the government or its instrumentalities electric franchises; to acquire from any person, firm, corporation or entity, rights and interests on electric franchises; and to construct, erect, build, purchase, issue or otherwise acquire, maintain, equip and operate electric power plans, electric lighting and heating plants, and other electrical machineries of all classes; to explore, develop or utilize Renewable Energy (RE) resources, operate RE system and facilities and/or generate electricity from RE resources, operate RE system and facilities and/or generate electricity from RE resources, to produce, accumulate, distribute, sell, hire or issue electricity, electromotive force to all persons, concerns, enterprises or buildings, public or private, and to collect, demand, receive and receipt of all revenues, moneys, charges and other considerations from said persons or customers for such supplies and services sold or rendered.

Secondary Purposes

The Company is also authorized to undertake the following activities:

1. To contract for the purchase, issue, hire or acquisition of such rights, issues, licenses, franchises, certificates, or permits as said corporation may desire or need for its purpose and for the conduct of its business;
2. To purchase, issue or otherwise acquire such grounds or buildings as the said corporation may need for offices, storage rooms, deposits, power plants, bodegas, substations, or other construction, as the said corporation may need;
3. To lay, construct and maintain electrical installation, cables, wires, lines and all necessary appurtenances and appliances for said purposes;
4. To engage the services of such workers, employees, or agents as may be desired or needed in the conduct of the business of said corporations; and, generally, to do any and all lawful things to carry out the objectives for which this corporation is formed;
5. To engage in the supply and aggregation of the demand for electric energy of consumers who have a choice of a supplier of electricity;
6. To engage in the billing, collections and provisions of customer services to such customers in their capacity as electricity consumers or to such others in their capacity as purchasers of electric energy;
7. To be involved in energy trading such as the purchase of electricity and other hedging activities undertaken relative to the sale of electric energy to customers included in the contestable market and customers who are not end-users;
8. To engage in the provisions, installation, commissioning, testing, repair, maintenance and reading of meters used to measure the delivery of electricity to end users included in the contestable market or other customers who are not end-users (whether such services are provided to those end-users or other customers, to suppliers or to any other person).

RIGHTS RELATING TO THE SHARES

Voting Rights

As of the time of this Prospectus, the Company has 2 classes of shares with full voting rights. Holders of both common and voting redeemable preferred shares of stock in the Company shall be entitled to vote, whether in person or in proxy, for each share standing in his name in the books of the Company at the time of the closing of the stock and transfer book for such meeting.

Each stockholder shall have the right to vote such number of shares of stock standing in his own name in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may vote such number of shares for as many persons as there are directors to be elected or cumulate his shares and give 1 candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned. However, holders of delinquent shares of stock shall not be entitled to exercise voting rights.

Moreover, under the Revised Corporation Code, the following matters can only be done with the approval of holders of at least 2/3 of the Corporation's outstanding capital stock:

- (a) Amendment of Articles of Incorporation;
- (b) Extension or shortening of the corporate term;
- (c) Increase or decrease of capital stock and incurring, creating, or increasing bonded indebtedness;
- (d) Delegation to the Board of Directors of the power to amend, repeal or adopt new ByLaws;
- (e) Sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the Company's assets;
- (f) Merger or consolidation of the Company with another corporation or corporations;
- (g) Investment of corporate funds in any other corporation or for a purpose other than the primary purpose for which the Company was organized;
- (h) Dissolving the Company;
- (i) Declaration or issuance of stock dividends;
- (j) Ratifying a contract between the Company and a director or officer where the vote of such director or officer was necessary for approval;
- (k) Entering into a management contract where a majority of directors of the managing corporation constitutes the majority of the board of the managed company or stockholders of both the managing and managed corporations represent the same interest and own or control more than one third (1/3) of the outstanding capital stock entitled to vote;

- (l) Removal of directors;
- (m) Ratification of an act of disloyalty by a director; and
- (n) Ratification of contracts between corporations with interlocking directors.

Right to Receive Dividends

Generally, dividends are payable to all stockholders on the basis of the outstanding shares of stock held by them, with each share being entitled to the same unit of dividend as any other share. Dividends are payable to stockholders whose names are recorded in the stock and transfer book as of the record date fixed by the Board of Directors.

However, under the Revised Corporation Code, preferred shares of stock may be given preference in the distribution of dividends and in the distribution of corporate assets in the case of liquidation, or such other preferences.

A corporation can only declare dividends to the extent that it has unrestricted retained earnings to cover the same, *i.e.*, such undistributed earnings that have not been earmarked for any managerial, contractual, or legal purposes, and which are free for distribution to the stockholders as dividends.

Dividends may be paid out in cash, property, or stock. In the case of stock dividends, a vote of the stockholders representing 2/3 of the outstanding capital stock shall be required.

In case of cash dividends due on delinquent shares of stock, the same shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from delinquent stockholders until the stock dividend has been fully paid.

According to the Company's Articles of Incorporation, holders of the voting redeemable preferred shares shall be entitled to receive cumulative dividends out of the unrestricted retained earnings of the Company, as declared by the Board of Directors and at the rate determined by the Board. Dividends shall be paid out to the holders of voting redeemable preferred shares before dividends are paid to the holders of common shares. Holders of the voting redeemable preferred shares shall not be any more entitled to participate with the common shareholders in any further dividends payable to the latter.

Preemptive Right

The Revised Corporation Code confers a pre-emptive right to stockholders, which entitles them to subscribe to all issues or other disposition of shares of any class by the

corporation in proportion to their respective shareholdings, except when the issuance is made in compliance with laws requiring stock offerings or minimum stock ownership by the public or to shares issued in good faith with the approval of the stockholders representing 2/3 of the outstanding capital stock in exchange for property needed for corporate purposes or in payment of a previously contracted debt. Stockholders who are entitled to exercise their preemptive right are allowed to waive the same through a written instrument to that effect.

Stockholders' preemptive rights may be denied or limited if provided in the Articles of Incorporation. In the Company's Articles of Incorporation, holders of the voting redeemable preferred shares shall have preemptive rights only as to any issuance or re-issuance of voting redeemable preferred shares, and holders of common shares shall have preemptive rights only as to any issuance or re-issuance of common shares.

Appraisal Rights

Under the Revised Corporation Code, a dissenting stockholder has the right of appraisal or the right to demand the payment of the fair value of his shares in the following instances:

- (a) In case an amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- (c) In case of merger or consolidation; and
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

In any of these circumstances, appraisal rights may be exercised by the dissenting stockholder by making a written demand within 30 days from the date on which the vote was taken on the corporate action. The failure to make the demand within the period shall be deemed a waiver of the appraisal rights.

The payment to the dissenting stockholder of the fair value of his shares will only be made if the corporation has unrestricted retained earnings to cover such amount. From the time the shareholder makes a demand for payment until the Corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of the share.

Derivative Rights

The Revised Corporation Code recognizes the right of a stockholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the Corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the Corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Right of Redemption

The Corporation's Articles of Incorporation provide that the voting redeemable preferred shares may be redeemed by the corporation at issue value upon 2/3 vote of the Board of Directors, ratified by the stockholders representing 2/3 of the outstanding capital stock.

Right to Proceeds Upon Dissolution or Liquidation

In the event of any dissolution or liquidation or winding up of the Corporation, holders of voting redeemable preferred shares shall be entitled to be paid in full, or pro rata insofar as the assets of the Corporation will permit, the issue value of each voting redeemable preferred share before any distribution is made to the holders of common shares.

Right of First Refusal

The Articles of Incorporation grants a Right of First Refusal primarily in favor of "Qualified Stockholders" as defined therein, and secondarily, in favor of the Corporation, in case of voluntary transfers of shares. The exercise of the Right of Refusal must comply with the procedure laid out in the Articles of Incorporation. Transfers of share/s to a nominee of an Offeror for the purpose of qualifying him as director and transfers from a Nepomuceno Stockholder, as defined therein, to his Family Branch Member/s likewise defined in the Articles of Incorporation, shall not be covered.

In case of involuntary dealings in the shares of stock, any of the remaining Qualified Stockholders shall have the right to redeem the shares that have been foreclosed, pledged, mortgaged, or otherwise encumbered. If said stockholders do not redeem such shares, the Corporation shall be entitled to purchase all or a portion of the unpurchased shares.

Any transfer made in violation of these conditions shall be null and void.

BOARD OF DIRECTORS

Unless otherwise provided by law, the corporate powers of the Company are exercised through the Board of Directors. The Board of Directors conducts the business and affairs of the Corporation and controls the corporation's properties.

Pursuant to the Articles of Incorporation, the Company shall have 9 directors, which may be increased to any number not exceeding fifteen (15). No person shall be elected or be competent to act as a director of the corporation unless he or she is a stockholder of record at the time of the election. If any director shall cease to be a stockholder of record, his or her term of office shall forthwith terminate and cease.

The Company's ByLaws restrict the nomination or election to the Board of Directors of any person engaged in any business or activity which competes with or is antagonistic to that of the Company or any of its subsidiaries or affiliates, unless waived by a vote of at least a majority of the members of the Board of Directors.

The Board of Directors shall be elected every year during the regular meeting of stockholders, at which stockholders representing at least a majority of the issued and outstanding capital stock of the Company may vote through remote communication or *in absentia*.

Individual directors shall have no power as such but can only act collectively with the rest of the Board, where a quorum is present. A majority of the directors as stated in the Articles of Incorporation, or at least five (5) directors at present, shall constitute a quorum to do business. The act of the majority of a quorum as present shall be valid as a corporate act.

In case of any vacancy in the Board of Directors other than by removal by the stockholders or by expiration of term, the vote of at least a majority of the remaining directors, if still constituting a quorum, may fill in such vacancy. Otherwise, the vacancy may be filled in during a regular meeting of the stockholders or a special meeting of the stockholders called for such purpose. The elected director shall only serve the remainder of the unexpired term of his predecessor.

Any vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or special meeting of stockholders called for the purpose.

In case of any increase in the Board of Directors between the annual elections of directors, the newly-created directorship shall be filled by an election at a regular or special stockholders' meeting called for the purpose, or in the same meeting authorizing the increase of directors, if so stated in the notice of the meeting.

According to the Company's ByLaws, the regular meetings of the Board of Directors shall be held once every quarter of the year on such dates and at such times and places as the Chairman of the Board, or in his absence, the President shall set, or upon the request of a majority of the directors, and shall be held at such places as may be designated in the notice.

Special meetings of the Company's Board of Directors shall be held whenever called by the Chairman of the Board, or by the President, or by any three of the Directors in writing sent to the Secretary of the Board.

At the first regular meeting of the Board of Directors after the time fixed for the annual meeting of stockholders each year, or at a special meeting called for the purpose after the annual meeting of the stockholders, the Board shall elect a Chairman of the Board, a President, a Chief Operating Officer, a Secretary, a Chief Finance Officer, and a Treasurer. Such officers shall be subject to removal at any time, with or without cause, by the vote of at least a majority of the Board of Directors at any regular or special meeting called for the purpose.

The Board of Directors may appoint Assistant Secretaries, an Assistant Treasurer, Vice Presidents, and such other subordinate officers as it may deem necessary. Such subordinate officers may be removed at any time by the vote of at least the majority of the Board of Directors, subject to any existing contract between the officer concerned and the Company.

SHAREHOLDERS' MEETINGS

Regular Stockholders' Meeting

The Revised Corporation Code requires corporations to hold an annual meeting of the stockholders for corporate purposes, including the election of directors. The ByLaws of the Company provide that the regular annual meeting of the stockholders shall be held every 3rd Tuesday of June each calendar year.

Special Stockholders' Meeting

Special meetings of stockholders may be called at any time by (i) the President; (ii) the Board of Directors, at its own instance; or (iii) at the written request of the stockholders representing at least a majority of the corporation's outstanding capital stock.

Notice of Stockholders' Meeting

Written notices of regular and special meetings shall be sent to all stockholders of record at their last known address at least twenty-one (21) days and one (1) week, respectively, prior to the date of the meeting. The notice may be sent by personal delivery, by mail, by courier, by electronic mail or in such other manner as the Securities and Exchange Commission may allow under its guidelines

Notice of any meeting may be waived, expressly or impliedly, by any stockholder or member. Attendance at a meeting shall constitute a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

When the meeting of the shareholders is adjourned to another time or place, a written notice of the adjourned meeting and the reason therefor shall be sent to all stockholders of record at least two (2) weeks prior to the date of the meeting. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

In case of postponement of stockholders' regular meetings, written notice thereof and the reason therefor shall be sent to all stockholders of record at least two (2) weeks prior to the date of the meeting, unless a different period is required under the bylaws, law or regulation.

Provided that all the stockholders of the Company are present and not one of them expressly states at the beginning of the meeting that the purpose of their attendance is to object to the transaction of any business because the meeting is improperly called or convened, all proceedings and any business transacted at the meeting of the stockholders improperly held or called shall be valid.

Quorum

A quorum at any meeting of the stockholders shall consist of a majority of the outstanding voting stock of the Corporation, represented either in person or by proxy, save for those cases wherein the Revised Corporation Code provides for a greater percentage. A stockholder or member who participates through remote communication or *in absentia* shall be deemed present for the purposes of determining quorum.

If no quorum is constituted, the meeting shall be adjourned until stockholders who own or hold the requisite number of shares shall be present or represented.

Voting

At all meetings and except in cases provided by statute or by the Company's ByLaws, stockholders may vote, in person, by proxy, through remote communication, or *in absentia*, the corresponding number of shares registered in their respective names on the books of the corporation.

Unless another voting majority is provided by statute or in the Company's ByLaws, a majority of the votes cast by the stockholders present in person or by proxy, shall be sufficient for the adoption of any resolution or the determination of any question.

Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy, duly given in writing, presented to and validated by the Corporate Secretary five (5) days before the date set for the meeting. In cases where the stockholder is a corporation, such proxy should be accompanied by or be in the form of a secretary's certificate attesting to the board resolution authorizing the

appointment of the corporation's representative or authorizing an officer to appoint the representative and to sign, execute, and file the proxy.

Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to and validated by the Corporate Secretary. In no case shall a proxy be valid for more than five (5) years at any one time.

Until and unless set aside by a court of competent jurisdiction, the decision of the Corporate Secretary as to the validity of the proxies shall be final and binding.

Share Certificates

Actual stock certificates signed by the President of the Company and counter-signed by its Corporate Secretary shall be issued to the subscribers of the Offer Shares.

Accounting and Auditing Requirements

As a stock corporation, the Company is required to file a copy of its audited financial statements with the SEC.

Under Republic Act No. 8799, otherwise known as the Securities Regulation Code, corporations whose securities are registered with the SEC but are not listed on the PSE are required to file their audited financial statements within 105 calendar days after the end of the fiscal year.

Under the Revised Corporation Code, the Board of Directors is required to present to the stockholders at every annual meeting a financial report of the operations of the Company for the preceding year.

PHILIPPINE TAXATION

The information contained hereunder is a general description of Philippine taxation related to the subscription and transfer of shares of stock of a corporation, which are based on the laws, regulations, rulings, income tax treaties, administrative practices, and judicial decisions in effect at the date of this Prospectus. There may be changes in subsequent legislation, judicial decisions, and administrative issuances that may affect the tax consequences to the prospective investor that the Company cannot predict or foresee at the time of this writing.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. The information below does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors.

The information likewise does not include a discussion on the tax aspects of acquiring, owning, holding, or disposing of the shares under the tax laws of other jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the shares in other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS.

As will be used hereunder, the term "resident alien" shall refer to an individual who is not a citizen of the Philippines but who resides therein. A "non-resident alien" shall refer to an individual who is neither a citizen of the Philippines nor residing therein. A non-resident alien who stays in the Philippines for an aggregate period of more than one hundred eighty (180) days during any calendar year shall be considered a non-resident alien engaged in trade or business. If the individual stays in the Philippines for an aggregate period of one hundred eighty (180) days or less, the individual is considered a non-resident alien not engaged in trade or business.

A "domestic corporation" is one created or organized under the laws of the Philippines. A "resident foreign corporation" applies to a foreign corporation engaged in trade or business within the Philippines. A "nonresident foreign corporation" applies to a foreign corporation not engaged in trade or business in the Philippines.

CORPORATE INCOME TAX

In general, a domestic corporation is subject to a tax of 25% of its taxable income from all sources within and without the Philippines. However, domestic corporations with net taxable income not exceeding Five Million Pesos (₱5,000,000.00) and with total assets

not exceeding One Hundred Million Pesos (₱100,000,000.00), excluding land on which the particular business entity's office, plant and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at 20%. The taxable income refers to gross sales less returns, discounts and allowances, and cost of goods sold, less all the allowance deductions under Section 34 of the NIRC, as amended. For a domestic corporation engaged in the sale of services, the taxable income shall refer to gross receipts less sales returns, allowances and discounts, less all the allowable deductions.

The passive income of a corporation shall be subject to a final tax in the following rates: (i) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines shall be taxed a final withholding tax rate of 20% of the gross amount of such income; (ii) interest income from a depository bank under the expanded foreign currency deposit system shall be subject to a final tax at the rate of 15% of such income; and (iii) sale, exchange, or disposition of lands and/or buildings shall be subject to a final tax of 6% of the selling price or fair market value of the real property, whichever is higher.

A minimum corporate income tax of 2% of the gross is imposed on a domestic and resident foreign corporation beginning the 4th taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the regular corporate income tax. Any excess of the minimum corporate income tax over the regular corporate income tax shall be carried forward and credited against the regular corporate income tax for the three (3) immediately succeeding taxable years.

TAX ON DIVIDENDS

Cash or property dividends actually or constructively received by individual stockholders who are either citizens or residents of the Philippines are subject to a final withholding tax of 10%.

Cash or property dividends received by a non-resident alien individual engaged in trade or business in the Philippines are subject to a final withholding tax at the rate of 20% of the gross amount, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at the rate of 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash or property dividends received by a domestic corporation or a resident foreign corporation from a domestic corporation shall not be subject to tax. Cash or property dividends received by a non-resident foreign corporation from a domestic corporation shall be subject to a reduced final tax of 25% under the CREATE Act. Dividends distributed by a domestic corporation to a non-resident foreign corporation may be

subject to a lower final withholding tax of 15%, subject to the condition that the country in which the nonresident foreign corporation is domiciled, shall allow a credit against the tax due from the nonresident foreign corporation taxes deemed to have been paid in the Philippines.

Stock dividends on the other hand shall not be subject to final withholding tax. However, the subsequent cancellation or redemption of such stocks shall be subject to tax insofar as it represents a distribution of earnings. The sale, exchange or disposition of shares received as stock dividends by the holder is subject either to a capital gains tax and documentary stamp tax or stock transaction tax.

DOCUMENTARY STAMP TAX

Original issuances of shares from the unissued portion of a corporation's authorized capital stock are subject to a documentary stamp tax of Two Pesos (₱2.00) on each Two Hundred Pesos (₱200.00) or a fractional part thereof of the par value of such shares of stock.

Secondary transfer of shares is subject to documentary stamp tax of One Peso and Seventy-Five Centavos (₱1.75) on each Two Hundred Pesos (₱200.00) or a fractional part thereof of the par value of such shares of stock transferred.

CAPITAL GAINS TAX

Under the TRAIN Law and CREATE Act, the capital gains tax for sale of shares not listed in the local Stock Exchange, whether sold by an resident or nonresident individual or domestic or foreign corporation, shall be at 15% of capital gains.

STOCK TRANSACTION TAX

Sale of shares listed in the local stock exchange are subject to a tax at a rate of 6/10 of 1% or 0.60% stock transaction tax based on the gross selling price or gross value of money sold, bartered, exchanged or otherwise disposed of.

ESTATE AND DONOR'S TAX

Shares issued by a domestic corporation shall be deemed to have its situs in the Philippines. Hence, any transfer thereof by way of succession or donation, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's tax, respectively.

Under the TRAIN Law, the estate and donor's tax shall now both be at a flat rate of 6% of the net estate or the total gifts in excess of Two Hundred Fifty Thousand Pesos (₱250,000.00). As regards donor's tax, the relationship of the donor to the donee shall no longer be material. Thus, a donation to a relative and to a stranger shall be taxed at the same rate.

LEGAL MATTERS

Certain Philippine legal matters in relation to the Offer will be passed upon by Villanueva Gabionza & Dy Law Offices, as the legal counsel of the Company, and by Atty. R. John Christopher Jimenez Salom, legal counsel to the Sole Underwriter.

The Company has also engaged the services of IGC Securities, Inc. and Penta Capital & Investment Corporation to provide independent financial advisory services and legal and tax opinions in relation to the Offer.

The aforesaid counsels and experts have no shareholdings in the Company or any right, whether legally enforceable or not, to nominate persons or to subscribe to shares of the Company. None of the aforesaid counsels and experts shall receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The audited financial statements (“AFS”) of the Company, for the years ended 30 June 2023, 31 December 2022, 31 December 2021, and 31 December 2020 appearing in this Prospectus have been audited by Punongbayan and Araullo or P&A Grant Thornton, independent auditor (or external auditor), as set forth in their reports in the AFS, appearing elsewhere in this Prospectus.

The Company’s Board of Directors approved the following professional services rendered to the Company by Punongbayan and Araullo and the related aggregate fees for each of the years ended 30 June 2023, 31 December 2022, 31 December 2021, and 31 December 2020, excluding fees directly related to the Offer (amounts in Philippine Peso):

AUDIT FEES

Nature	Fees paid to Auditor For the periods ended			
	30 June 2023	31 December 2022	31 December 2021	31 December 2020
Audit of Financial Statements	650,000	575,000	525,000	500,000

TABLE Y: Audit Fees

The fees presented above exclude out-of-pocket expenses incidental to the services of the foregoing independent auditors and VAT.

Except for the abovementioned services and the services rendered in relation to the Offer, the independent auditors provided no other type of services to the Company.

The Company has had no disagreements with its independent auditors on any matter of accounting principles or practices, financial statements disclosure, or auditing scope or procedure from the periods ended 2020 to 30 June 2023.