

Our Economic Performance

Bouncing back strong as consumers make the switch to renewable energy

For more than 40 years, we have strived to manage our operations with utmost consideration for profit, people, and the planet. In 2018, prudent planning and project management enabled the company to maintain a strong financial position, bolstered by higher generated total energy sales and an expanded customer base. Going into 2019, we continue to strengthen our mitigation efforts to build resilience into the business, in a bid to better protect our assets and operations from extreme weather changes and other natural hazards.



Responsible financial management is part and parcel of our unwavering commitment to sustainability. In 2018, as part of our overall business strategy, EDC was delisted from the Philippine Stock Exchange (PSE) to provide the company greater flexibility over its dividend policies, as well as to support its long-term business growth. While we are no longer a publicly listed company, we still uphold our responsibility to our investors and shareholders, and we remain committed to delivering healthy cash flows and returns.

As such, we strive to maintain healthy cash flows through long-term contract agreements, which, in turn, strengthen our financial position to fund portfolio expansion, improve the profitability of our energy projects, and ensure regular strong returns for our shareholders. The continuous improvement of our treasury, financial, accounting, and budgeting systems not only enforces better fiscal control, but also promote good corporate governance and better risk management.

FINANCIAL CAPITAL

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES
Financing obtained through debt, equity, or grants	Annual Financial Statements (AFS)	Direct and indirect economic value for shareholders and other stakeholders	Healthy returns for shareholders and other stakeholders
Financing generated through operations or investments	Annual Stockholders' Meetings (ASM)		Long-term business growth and profitability
	Annual Performance Report		

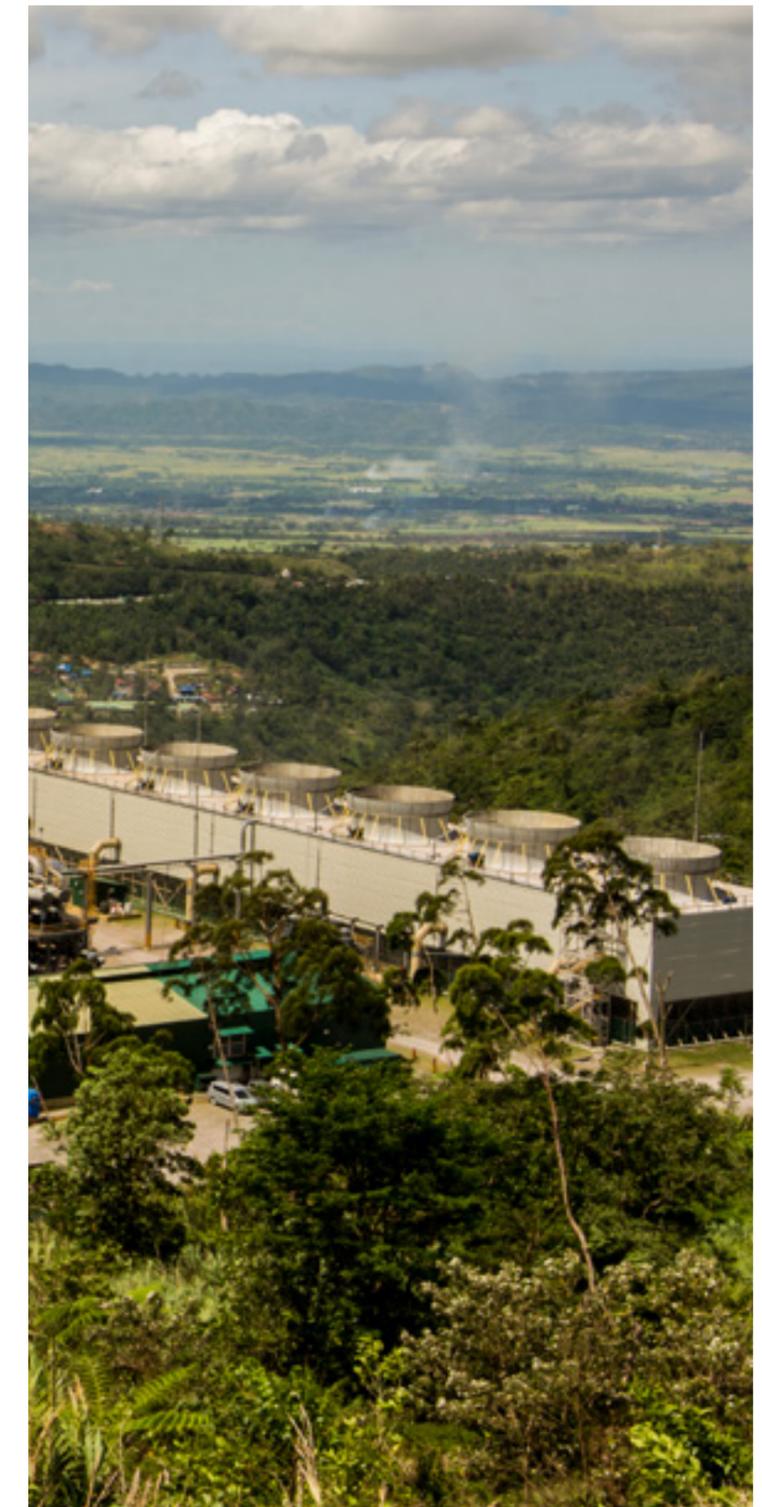
We also employ an extensive capital expenditure program and undertake equipment retrofit on major components to ensure optimum availability and reliability of all our power generating assets, including the climate-proofing of our cooling towers. We increase efficiency by optimizing our steam consumption, and improve reliability by using the latest technologies in steam turbine design. Across all our power plants, we have set the average target reliability factor at 97.8% and the average target availability at 95%.

COMING BACK STRONG

In 2018, prudent planning and proper management of costs enabled EDC to effectively maintain its strong financial

position, bolstered by the excellent performance of its individual business units. Following our strategic investments to build resilience into our operations, our business units not only met but exceeded our targets for power generation and recurring net income attributable (RNIA) in 2018.

In 2018, total core revenue amounted to PhP38 billion (with PRFRS 15 adoption), a 14.2% increase from the PhP33.3 billion in 2017. Had the Philippine Financial Reporting Standards (PFRS) 15 been applied in 2017, this would have resulted in a revenue of PhP34.5 billion. This strong financial performance is bolstered by a higher generated total energy sales of 8,945.3 gigawatt hours (GWh) , a 12.5% increase from our 7,951.4 GWh generated



total energy sales in 2017. If the PFRS 15 were applied in 2017, energy sales would have amounted to 8,437.9 GWh. This increase in total company revenue is also attributable to our expanded customer base. In 2018, we saw an increase in both the number of our customers, and the number of customer facilities that we serve.

In 2017, after our facilities in Leyte experienced setbacks due to natural calamities, we focused on our planned investments to strengthen the resilience of our business operations in the face of unpredictable weather changes and other natural hazards. Efficient project management allowed our Leyte facilities to return to service ahead of schedule. This, in turn, translated into an additional power generation of 402 GWh. These planned investments also supported facility improvements that increased our operational efficiency. As such, the completion of these key activities resulted in a 4% increase in our geothermal power generation, from 7,046 GWh in 2017 to 7,340.6 GWh in 2018.

Given that our power plants are located in areas vulnerable to landslides and typhoons, we invested over PhP313.8 million for 31 mitigation projects that will improve the resilience of our facilities in Negros, Leyte, and Bicol. This translates to over PhP4.7 billion value of risk mitigated.

Excellent project management also pushed our Preventive Maintenance System (PMS) activities to be completed ahead of schedule. This is in contrast to the prior track record of projects requiring additional days of up to 60% before being completed. As a result of this new business as usual, we saved on costs and avoided losses due to extensions amounting to PhP290.4 million.

Despite our efficient project management, some facilities still experienced a few complications in 2018. In our Leyte facilities, outages in Mahanagdong and Upper Mahiao resulted in a 5.8% unplanned outage factor, an increase from our 2% target.

Investigations into the tripping in Mahanagdong traced the problem back to defective work provided by a contractor. As

such, the key lesson here is for EDC to select the right contractors with strong capabilities for a required service. Other emergent issues in our Leyte facilities also resulted in opportunity loss of about PhP45 million. This will be an area of continuous focus and improvement in 2019 and beyond.

Generated Total Energy Sales

8,945.3 GWh

Avoided CO₂e
(based on EDC's 0.1 ton CO₂/MWh intensity)

7,782,411 tons

Net Generation Output

LOCATION	2018 NET GENERATION OUTPUT (in GWh)	RELIABILITY FACTOR (%)*	AVAILABILITY FACTOR (%)*
GEOTHERMAL			
BacMan	1,061.6	98.4%	96.0%
Unified Leyte	3,353.5	87.6%	86.8%
Tongonan, Palimpinon I and II	1,828.8	99.1%	95.8%
Mindanao I and II	791.8	99.5%	96.4%
Nasulo	304.9	99.9%	99.9%
HYDRO			
FG Hydro	275.0	99.99%	85.3%
WIND			
Burgos Wind	376.1	99.9%	98.1%
SOLAR			
Burgos Solar	9.8	96.3%	66.1%**
Rooftop Solar	5.6	n/a	74.82%**

*Weighted by capacity and do not include outage hours outside of management control (OMC).

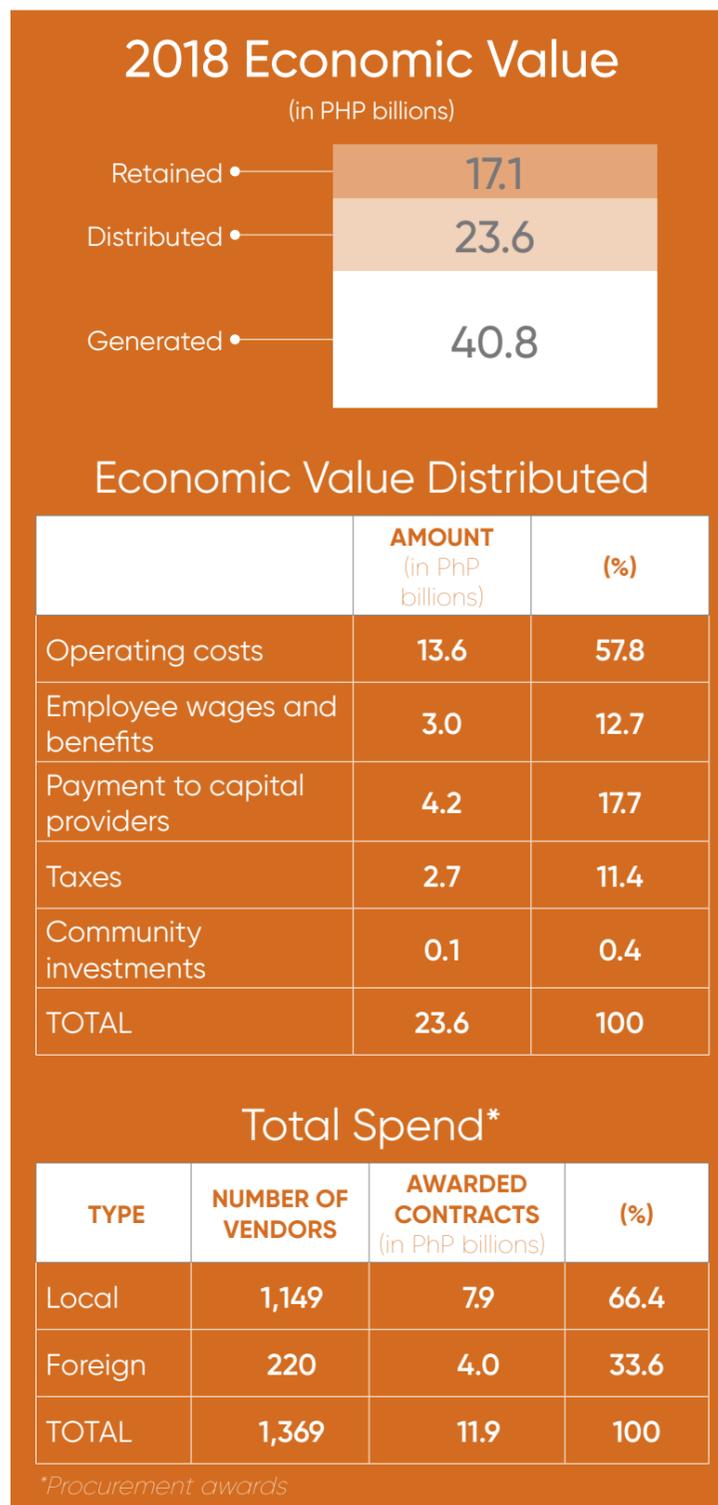
**Performance Ratio

In terms of contracted capacity, the full capacity of BacMan was contracted in 2018. EDC also gained an additional PhP900.6 million due to the re-contracting of a 40MW Ancillary Services Procurement Agreement (ASPA) for Nasulo and Palinpinon II, which shielded the business from exposure to the Wholesale Electricity Spot Market (WESM).

OUR MULTIPLIER EFFECT

As a leading renewable energy company, EDC is committed to provide healthy financial returns to our shareholders. However, our responsibility to share value goes beyond our financial performance.

Given the scale and the footprint of our operations nationwide, we are cognizant of the fact that our business does not exist in a vacuum—we are but a part of a bigger community, and our primary resources come from the environment that we also share with others. Our sustainability framework demonstrates this relationship clearly: our business only grows and thrives when the society and environment wherein we operate grows and thrives as well.



66.4%
or around PhP7.9 billion
 percentage of procurement on local suppliers at significant locations of operations

PhP33.3 million
 worth of contracts awarded to cooperatives and community associations

Through our strategic operations, environmental stewardship, and corporate social responsibility, we are able to create and share value and extend the benefits of our business to a wider range of stakeholders. This multiplier effect shows how we are able to create greater positive impact from our business operations, and contribute to sustainable development in the long term.

One clear example of our multiplier effect at work is through our supply chain, and through our direct and indirect contributions to the local economies wherein we operate. Continued economic prosperity in the areas where we operate provides a meaningful indicator of how well we contribute to the



local economy. As such, it is our policy to directly award the procurement of goods and services to local suppliers and contractors, and to prioritize qualified applicants from our primary partner barangays and host communities.

In 2018, we awarded PhP33.3 million worth of small- and large-scale contracts to cooperatives and community associations, which helps build their capabilities for economic conclusion. By employing local suppliers and contractors, we continue to boost the local economy and help create growth opportunities for local businesses.

EDC also supplies energy to 21 electric cooperatives and three private distribution utilities that power commercial and industrial business activities, as well as residences. This redounds to an ecosystem and supply chain of clean and renewable energy. This working relationship has inherent economic and environmental benefits as well.

We also recognize that our business is only made possible through the healthy and stable forest and watershed ecosystems

that support our geothermal resources. In 2018, we invested around PhP43.6million for our environmental programs geared towards reforestation, watershed management, waste management, and sanitation, among others.

Through our environmental programs, such as our BINHI Greening Legacy program, we not only help secure the natural resources that our operations needs, we also help generate significant environmental returns that have far-reaching benefits for the country and its citizens.

Similarly, we also invest heavily on strategic corporate social responsibility programs, with a particular focus on education, health, and livelihood. In 2018, our community investments amounted to around PhP127.8 million. These community investments do not just benefit EDC in terms of strengthening its social license to operate, they also help create economic and social opportunities for our host communities, our 47 primary partner barangays (PPBs), thereby empowering them towards community resilience and self-sufficiency.



MAKING THE SWITCH TO RENEWABLE ENERGY

The increasing number of companies making the switch to renewable energy is proof that, not only is it the smart choice for the climate and the environment, it is also a wise business investment.

As the leading renewable energy provider in the Philippines, EDC is in a position to help companies make the transition to clean and renewable energy. Beyond being a service provider, we also enable our clients and customers to make changes that will benefit



not only their business operations, but also the environment.

In 2018, we grew our customer base, in terms of customer facilities, to 97, a 15.5% increase from 84 in 2017. This is further proof that more businesses and institutions are now understanding the impact of their operations on the environment, and this realization prompts them to explore different options in terms of smarter energy choices.

Given EDC's leadership and longevity in the industry, it has the capability to help companies develop smart energy strategies. This can lead to reduced negative environmental impact of industrial and/or commercial operations, without sacrificing efficiency and productivity.

A prime example would be EDC's partnership with Continental Temic Electronics Philippines, global automotive parts company. In 2018, Continental Temic contracted EDC to supply its facilities in Calamba, Laguna with renewable energy. Continental Temic's agreement with EDC is for 2.7 megawatts

(MW) of geothermal power for a period of two years. "We chose EDC for its 100% renewable energy and for its sustainability programs, which are aligned with our company values," said Glenn Everett, General Manager of Continental Temic.

But it isn't just newcomers making the switch to renewable energy. Long-term partnerships and returning customers provide a stronger case for the effectivity and reliability of renewable energy.

General Milling Corporation (GMC), a leading integrated food manufacturing company, renewed its contract with First Gen Corporation (First Gen), the parent company of EDC. Under this new contract, First Gen, through EDC, will provide GMC's facility in Lapu-Lapu City, Cebu with renewable energy.

Beyond the benefits of clean energy, clients like GMC renew their contracts with EDC due to the high quality of service the company provides. "We chose to renew with First Gen and EDC because, aside from the pure renewable energy that they provide, we are

very satisfied with their service. It is just like a renewal of vows for us," said Joselito "Toto" Parco, Executive Vice President at GMC.

The De La Salle Health Science Institute (HSI), an academic institution, also renewed its contract with EDC to follow through with the next phase of its green initiative, which entails implementing energy solutions based on the results of an energy audit it conducted with EDC.

De La Salle Dasmaringas, another academic institution, installed a solar power system in various buildings inside its campus. The switch to solar energy helped the school realize a 4% reduction in energy consumption and in demand charges from the distribution utility.

These new and renewed partnerships are further proof that, not only are more companies making the switch to renewable energy, but that it is also a preferred energy solution that strengthens business operations without sacrificing the welfare of the environment.

FEATURE STORY

The Gold Standard

Receiving recognition for our sustainability performance



EDC continues to be recognized for its excellent performance, by both local and international organizations. Our commitment to the highest standards in all aspects of our performance would remain strong, even if there were no awards or recognitions--but we do see these as indicators of success and serve to inspire us to continue to excel.

OUR WINNING SUSTAINABILITY PRACTICE

We are particularly proud of the fact that our sustainability reporting practice has garnered for us the gold rank in the recently concluded Asia Sustainability Reporting Rating 2018 of the National Center for Sustainability Reporting (NCSR).

Formerly known as the Asia Sustainability Reporting Awards, the rating is given to companies that successfully communicate their annual sustainability performance through comprehensive reports aligned with the GRI Standards.

"Through a sustainability report, we can assess how far a company has contributed to the attainment of the Sustainable Development Goals (SDG)," says Ali Darwin, Chairman of the NCSR.

EDC was recognized along with holding company First Philippine Holdings (FPH), which garnered a platinum rank, and parent company, First Gen Corporation (First Gen), which in turn bagged a silver rank.

The gold and silver ranks are awarded based on alignment with the GRI Standards, while the platinum rank is awarded based on not just alignment with the GRI Standards but also on the disclosure of greenhouse gas (GHG) emissions, adherence with the SDG Compass, and assurance by a third party.

“These recognitions validate the extensive efforts we have been putting into ensuring we have sustainable operations,” says Federico R. Lopez, Chairman and Chief Executive Officer of FPH. “Climate change is the biggest threat to humanity, and sustainability has been weaved into our business operations as we do our part in mitigating the effects of climate change.”

EDC’s strong environmental, social, and governance (ESG) practices also allowed it to secure a position in the FTSE4Good Emerging Index. The index measures the performance of companies in emerging markets in accordance with the globally recognized ESG inclusion standards of the FTSE4Good Index, which is a series of stock market indices that create and assess responsible investment funds and products.

FTSE Russell, a British provider of stock market indices and associated data services, confirmed that EDC has been independently assessed according to the FTSE4Good Index. Results of the assessment revealed that EDC has satisfied the requirements of the FTSE4Good

Index and, as such, has received its certificate of membership into the FTSE4Good Emerging Index.

Since the FTSE4Good Emerging Index was launched in December 2016, EDC has been one of its constituents, together with other companies from over 20 emerging countries.



EXCELLENCE IN PUBLIC RELATIONS AND COMMUNICATIONS

EDC received one of the highest citations in the 54th Anvil Awards of the Public Relations Society of the Philippines (PRSP), along with six other honors in various categories, bringing the company’s win to a total of seven awards.

- EDC’s “**OMGeo**” travel vlog, an eco-tourism initiative that showcases the geothermal resources as well as other natural wonders in Negros Island, won a Platinum Anvil Award.
- EDC took home four Gold and two Silver awards for various projects in the PR programs category. These are for:
 1. The **BINHI National Greening Legacy Program** that engages stakeholders in saving threatened species of native Philippine trees;
 2. The **BINHI Youth Camp**, which is focused on developing youth eco-leaders in the Negros Island;
 3. **EDC CAREERS** (College Admission, Review, and Readiness) scholarship and professional guidance program;
 4. **Battle of the Brains-Negros** science quiz bee competition for high school students that aims to generate and sustain awareness on environmental and energy issues.

THE BEST IN HEALTH, SAFETY, AND THE ENVIRONMENT

SHAPES

EDC was recognized at the 14th Safety and Health Association of the Philippines Energy Sector, Inc. (SHAPES) Conference held last December 19, 2018, for excellent safety performance. In particular, the EDC BacMan Geothermal Production Field was recognized with the 2018 Corporate Safety and Health Excellence Award, while BacMan Geothermal Inc. BacMan Geothermal Power Plant, Energy Development Corporation, and Green Core Geothermal Inc. Tongonan Geothermal Power Plant were recognized for having achieved Zero Lost Time Accident (LTA) for the year.



DENR-Region VII Gawad Tugas

The Department of Environment and Natural Resources-Region 7 also recognized EDC's contributions in environmental protection. The Southern Negros Geothermal Project (SNGP) received the prestigious Gawad Tugas Award for the Clean Air and Water Category.

This is the second year EDC has received this honor from the DENR-Region VII. The Gawad Tugas award is given to organizations who have gone beyond compliance to protect the environment. EDC was one of 14 winners out of a total of 25 nominees.

2nd National Convention on the Philippine Environmental Impact Statement (EIS) System

EDC's Environmental Performance Report and Management Plan (EPRMP) for its Southern Negros Geothermal Project (SNGP) received the Exemplar Environmental Impact Assessment (EIA) Report Recognition at the 2nd National Convention on the Philippine Environmental Impact Statement (EIS) System held at the Manila Hotel on November 5-7, 2018.

A board of EIA reviewers, representing the academe and the DENR Environmental Management Bureau's Registry of Practitioners was responsible for evaluating the nominees. Out of a shortlist of 19 nominees across the country, EDC's EPRMP for SNGP, along with four others, had the distinction of being recognized for excellence in its preparation of the EIA report.

STRENGTHENING OUR BRAND OF EXCELLENCE

The Lopez Achievement Awards (LAA) is the annual search for the most exceptional achievements of individuals and teams within the Lopez Group of Companies. The awards are given to projects and programs that have contributed significantly to business objectives as evidenced by results and have demonstrated the Lopez values.

Our Leyte team won for "Incredible Resilience: EDC LGBU's Return to Service After 6.5 Magnitude Earthquake", in the operations management category. Our Negros team received two awards for "Beans of Hope: From *Kaingeros* to Green Warriors" in the public responsibility category, and "Mitigating Losses Through the ASPA Market: First Geothermal Facility to Successfully Implement Regulating Reserve Ancillary Services in the Philippine Power Market" in the business management category.