



Energy Development Corporation
38th Floor, One Corporate Centre Building, Julia Vargas corner Meralco Avenue
Ortigas Center, Pasig 1605, Philippines
Trunklines: +63 (2) 667-7332 (PLDT) / +63 (2) 755-2332 (Globe)

September 13, 2017

JOSE VALERIANO B. ZUÑO III
OIC-HEAD, Disclosures Department
The Philippine Stock Exchange, Inc.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Dear Mr. Zuño:

In connection with the voluntary tender offer of Philippines Renewable Energy Holdings Corporation for common shares of stock of Energy Development Corporation (EDC), please see the attached statement of the EDC Independent Directors.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Erudito S. Recio", is written over a faint, light blue rectangular stamp.

Erudito S. Recio
AVP, Head of Investor Relations &
Corporate Information Officer

cc: **VINA VANESSA S. SALONGA**
Head – Issuer Compliance and Disclosure Department (ICDD)
Philippine Dealing & Exchange Corp.



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12 September 2017

ENERGY DEVELOPMENT CORPORATION
38th Floor, One Corporate Centre Building
Julia Vargas cor. Meralco Ave., Ortigas Center
Pasig 1605, Philippines

Attention: Shareholders of Energy Development Corporation

Ladies and Gentlemen:

On 3 August 2017, Energy Development Corporation (“EDC”) received a notice from Philippines Renewable Energy Holdings Corporation (“PREHC”) that it filed a Tender Offer Report with the Securities and Exchange Commission (“SEC”) indicating that it will launch a voluntary tender offer to acquire a minimum of 6.6 billion common shares and up to a maximum of 8.9 billion common shares, representing approximately up to 31.7% of the total outstanding voting shares of EDC, from EDC’s shareholders, at a price of Php7.25 per common share (“Tender Offer Price”).

Based on our reading of the Tender Offer Report, we noted the following:

1. PREHC is a wholly-owned subsidiary of Philippines Energy Markets B.V. (“PEMB”), a company organized under the laws of the Netherlands. PEMB will be owned and held be a consortium of investors comprising funds managed by (a) Macquarie Infrastructure Management (Asia) Pty Limited, Singapore Branch, a member of Macquarie Infrastructure and Real Assets Managements, and (b) Arran Investments Pte Ltd, an affiliate of GIC Pte Ltd, by up to 60% and 40%, respectively.
2. Red Vulcan Holdings Corporation, a wholly owned subsidiary of First Gen Corporation (“First Gen”) will not participate in the tender offer and it will continue to hold the controlling interest in EDC.
3. First Gen and its wholly owned subsidiary, Northern Terracotta Power Corporation (“NTPC”), are entitled to, and will participate in the tender offer, and will tender a total of 1,978,119,700 common shares held by them. which collectively amounts to 10.6% of the outstanding common shares in EDC.
4. The Tender Offer Price represents a 21.8% premium over the last closing share price on 2 August 2017 of Php5.95 per common share, a 21.5% premium over the six-month volume weighted average price (“VWAP”) and 21.5% premium over the three-month VWAP of EDC’s common shares. PREHC engaged Punongbayan & Araullo, an independent financial advisor and an affiliate of Grant Thornton (“P&A”) to give a fairness opinion on EDC even though a fairness opinion is required only for mandatory tender offers. The IFA was of the opinion that the range of value of EDC’s common shares that is fair from a financial point of view is Php5.97 per common share to Php7.11 per common share as of 31 March 2017. The Tender Offer Price is above the range provided by the IFA.

While we did note P&A's fairness opinion report dated July 26, 2017 ("Fairness Opinion Report"), we decided to engage the services of BPI Capital Corporation to opine on the reasonableness of the Tender Offer Price, and to opine on the reasonableness of the methodologies and approaches used by P&A as described in the Fairness Opinion Report. BPI Capital Corporation has expressed an opinion that:

- a. the various approaches and valuation methods applied by P&A in determining the fair value of EDC are reasonably appropriate;
- b. the computations carried out by P&A in the various valuation methods, as presented in the Fairness Opinion Report, resulted in values that are arithmetically correct;
- c. the Php5.97 to Php 7.11 per common share value of EDC is fair; and
- d. the Php7.25 per share Offer Price offers a premium of 2% to 21% over P&A's range of values.

We also wish to point out that the Tender Offer Price is 5% higher compared to the three year VWAP ending July 31, 2017 of Php6.89 per share that covers the historical highest stock price of the Company which was registered in the first quarter of 2015.

After carefully considering the information available to the Board, including the information set out above, we are of the view that the tender offer price of PREHC is fair.

We further wish to note the following:

- (a) The opportunity to tender the common shares, the tender offer period, and the tender offer procedures are made available and applicable to all the common shareholders of EDC, regardless of the number of shares held by each of them.
- (b) In the event that the total number of tendered shares exceed the maximum number of shares that PREHC intends to acquire, we noted that all tendering shareholders will be scaled back on a pro rata basis. In light of these mechanics, it is also our view that all common shareholders (other than Red Vulcan, which will not participate in the tender offer) are given an equal opportunity to participate in the tender offer, and, in the event of a scale-back, all tendering shareholders, including First Gen and NTPC, will be scaled back on a pro rata basis; and,
- (c) Under the tender offer, shareholders have the right, but not the obligation, to tender their shares. If any shareholder does not agree with the Tender Offer Price or any of the other terms of the tender offer, such shareholder has the option not to participate in the tender offer.

Please note that while this letter expresses our view on the fairness of the tender offer price which is its sole purpose, it should not be relied upon by any shareholder as the sole basis for deciding whether to accept the tender offer from PREHC.

Very truly yours,

(Sgd)
FRANCISCO ED. LIM
Independent Director

(Sgd)
EDGAR O. CHUA
Independent Director

(Sgd)
MANUEL I. AYALA
Independent Director