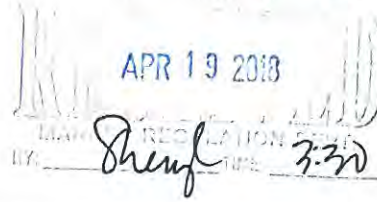


SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City, 1307



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

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

ATTENTION : **MR. JOSE VALERIANO B. ZUÑO III**
OIC - Head, Disclosure Department

via electronic mail
PHILIPPINE DEALING & EXCHANGE CORP.
Market Regulatory Services Group
37/F, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas, Makati City

ATTENTION : **MS. ERIKA GRACE C. ALULOD**
Head - Issuer Compliance and Disclosures Department

Gentlemen:

Attached is the SEC Form 20-IS (Definitive Information Statement 2017) of Aboitiz Equity Ventures, Inc. for your files.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES, INC.

By:

A handwritten signature in black ink, appearing to read "Manuel Alberto R. Colayco".

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

COVER SHEET

C E O 2 5 3 6

S.E.C. Registration Number

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

(Company's Full Name)

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

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

P H I L I P P I N E S

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

MANUEL ALBERTO R. COLAYCO

Contact Person

(02) 886-2338

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

20-IS

FORM TYPE

3rd Monday of

0 5 2 1

Month Day

Annual Meeting

N/A

Secondary License Type, if Applicable

SEC

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

ADVANCING BUSINESS AND COMMUNITIES



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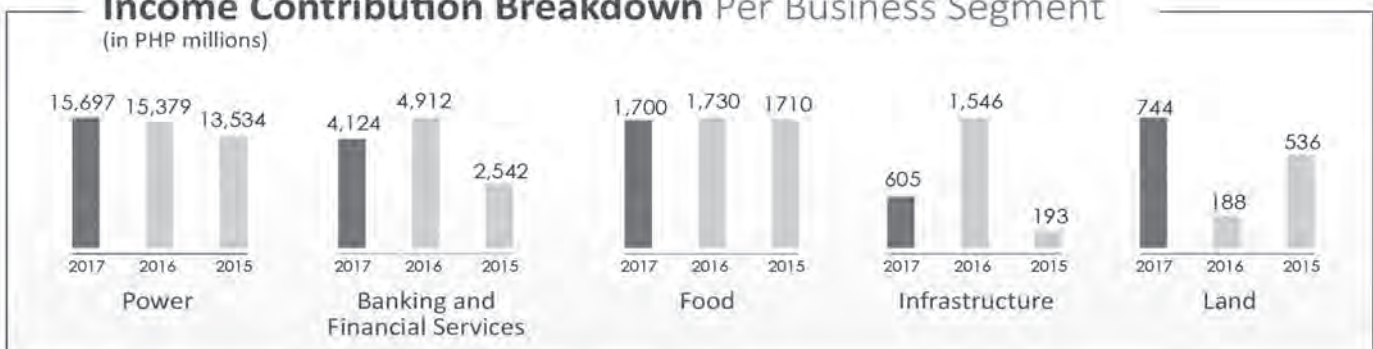
Financial Summary

(in PHP millions)	2015	2016	2017	% Change (2017 vs. 2016)
INCOME STATEMENT				
Revenues	111,260	116,415	150,422	29.2%
Operating costs & expenses	(83,842)	(87,494)	(113,846)	
Operating profit	27,418	28,921	36,576	26.5%
Equity in net earnings of associates	6,589	9,652	9,054	-6.2%
Other charges	(6,525)	(5,630)	(11,768)	109.0%
Income before income tax	27,482	32,943	33,862	2.8%
Provision for income tax	(4,325)	(4,290)	(4,583)	6.8%
Net Income before non-controlling interests	23,157	28,653	29,279	2.2%
Non-controlling interests	(5,478)	(6,180)	(7,670)	
Net income attributable to equity holders of parent	17,679	22,473	21,609	-3.8%
EBITDA	40,171	48,128	56,977	18.4%
FINANCIAL CONDITION*				
Total assets	340,118	466,308	492,244	5.6%
Total liabilities	193,133	292,332	299,661	2.5%
Non-controlling interests	28,764	33,700	37,573	11.5%
Equity attributable to equity holders of the parent	118,220	140,275	155,011	10.5%
RATIOS				
Per Share (Pesos)				
Earnings	3.18	4.02	3.84	-4.5%
Book Value	21.28	24.90	27.51	10.5%
Cash dividend to common	1.11	1.06	1.33	25.5%
Return on equity	17.1%	19.7%	16.0%	
Current ratio	2.84	2.51	1.56	
Debt/Equity	1.31	1.68	1.56	
Net debt/Equity	0.66	1.10	1.01	

* Certain 2016 balance sheet accounts were restated to consider the adjustments resulting from the finalization in 2017 of the purchase price allocation on the 2016 acquisition of GNPowder Mariveles Coal Plant Ltd. Co. (GMCP).

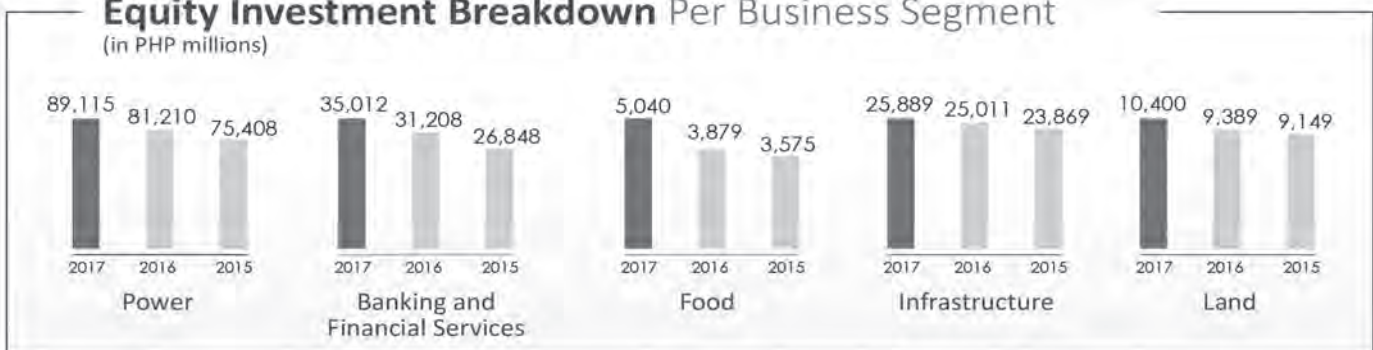
Income Contribution Breakdown Per Business Segment

(in PHP millions)



Equity Investment Breakdown Per Business Segment

(in PHP millions)



APR 19 2018

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NOTICE AND AGENDA OF ANNUAL MEETING OF STOCKHOLDERS

ABOITIZ EQUITY VENTURES, INC.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila 1634, Philippines

NOTICE is hereby given that the Annual Meeting of the Stockholders of ABOITIZ EQUITY VENTURES, INC. will be held on May 21, 2018, 4:00 p.m., at the Ballroom 2, 2nd Floor, Fairmont Makati, 1 Raffles Drive, Makati Avenue, Makati City, 1224 Philippines.

The Agenda* of the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Determination of Quorum
4. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on May 15, 2017
5. Presentation of the President's Report
6. Approval of the 2017 Annual Report and Financial Statements
7. Appointment of the Company's External Auditor for 2018
8. Ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management in 2017 up to May 21, 2018
9. Update to the Stockholders on the Amendment of the Company's By-Laws to Move the Date of the Annual Stockholders' Meetings from the 3rd Monday of May of every year to the 4th Monday of April of every year, and to Clarify the Venue of the Company's Annual Stockholders' Meetings
10. Election of the Members of the Board of Directors
11. Other Business
12. Adjournment

Only stockholders of record at the close of business hours on March 28, 2018 are entitled to notice of and to vote at this meeting. Registration will start at 2:00 p.m. on May 21, 2018 and will end at 3:45 p.m. of that day. Stockholders are requested to present any valid proof of identification, such as driver's license, passport, company ID or SSS/GSIS ID upon registration. Aside from personal identification, representatives of corporate stockholders and other juridical entities must also present a duly sworn Secretary's Certificate or any similar document showing his or her authority to represent the corporation or entity.

Stockholders who are unable to attend the meeting may execute a proxy in favor of a representative. In accordance with the Amended By-Laws of the Company, proxies must be submitted to the Office of the Corporate Secretary for inspection, validation, and recording at least seven (7) days prior to the opening of the Annual Stockholders' Meeting, or on or before the close of business hours on May 14, 2018, at the 18th Floor of NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila. The Proxy Verification Committee will inspect, examine and validate the sufficiency of the proxy forms received.

We enclose a sample proxy form for your convenience. No proxy solicitation is being made.

For the Board of Directors:


MANUEL ALBERTO R. COLAYCO
Corporate Secretary

*The rationale for each Agenda item subject to stockholders' approval is explained in Annex "A" and may also be viewed at AEV's website at www.aboitiz.com under Annual Stockholders' Meeting in the Investor Relations page.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

APR 19 2018
Shemp 3:30

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter: **ABOITIZ EQUITY VENTURES, INC.**
3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
4. SEC Identification Number: **CEO2536**
5. BIR Tax Identification Code: **003-828-269-000-V**
6. Address of principal office: **32ND STREET, BONIFACIO GLOBAL CITY
TAGUIG CITY, METRO MANILA
1634 PHILIPPINES**
7. Registrant's telephone number, including area code: **(02) 886-2800**
8. Date, time and place of the meeting of security holders:
 Date : **MAY 21, 2018**
 Time : **4:00 P.M.**
 Place : **BALLROOM 2, 2ND FLOOR FAIRMONT MAKATI,
1 RAFFLES DRIVE, MAKATI AVENUE, MAKATI CITY
1224 METRO MANILA, PHILIPPINES**
9. Approximate date when the Information Statement is first to be sent or given to security holders: **APRIL 26, 2018**
10. In case of Proxy Solicitations: **No proxy solicitation is being made.**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the Revised Securities Act (Information on number of shares and amount of debt is applicable only to corporate registrants):

Authorized Capital Stock: ₱10,000,000,000.00

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	₱1.00	9,600,000,000	₱9,600,000,000.00
Preferred	₱1.00	400,000,000	₱400,000,000.00
Total		10,000,000,000	₱10,000,000,000.00

No. of Common Shares Outstanding as of December 31, 2017 5,633,792,557

Amount of Debt Outstanding as of December 31, 2017 ₱262,013,440,585.00

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

The common stock of the Company is listed at the Philippine Stock Exchange, Inc. (PSE).

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time, and place of the 2018 Annual Stockholders' Meeting

Date of meeting : **May 21, 2018**
Time of meeting : **4:00 P.M.**
Place of meeting : **Ballroom 2, 2nd Floor Fairmont Makati,
1 Raffles Drive, Makati Avenue, Makati City
1224 Metro Manila, Philippines**

Approximate mailing date
of this statement : **April 26, 2018**

Complete mailing address
of the principal office of the
Registrant : **18th Floor, NAC Tower, 32nd Street
Bonifacio Global City
Taguig City, Metro Manila
1634 Philippines**

Item 2. Dissenter's Right of Appraisal

There are no matters or proposed actions included in the Agenda of the Meeting that may give rise to a possible exercise by the stockholders of their appraisal rights. Generally, however, the stockholders of Aboitiz Equity Ventures, Inc. (hereinafter referred to as AEV or the "Company" or the "Registrant") have the right of appraisal in the following instances: (a) in case any 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 as provided in the Corporation Code of the Philippines (Corporation Code); and (c) in case of merger or consolidation.

Any stockholder who wishes to exercise his appraisal right must have voted against the proposed corporate action. He must make a written demand on AEV, within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of such appraisal right. If the proposed corporate action is implemented or effected, AEV shall pay to such stockholder, upon surrender of the certificate/s of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and AEV cannot agree on the fair value of the shares, it shall be determined and appraised by three disinterested persons, one of whom shall be named by the stockholder, another by AEV, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by AEV within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless AEV has unrestricted retained earnings in its books to cover such payment. Upon payment by AEV of the agreed or awarded price, the stockholder shall forthwith transfer his shares to AEV.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) No current director or officer of AEV, or nominee for election as director of AEV, or any associate of any of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting, other than in the election to AEV's Board of Directors (Board).
- (b) No director has informed AEV in writing that he intends to oppose any action to be taken by AEV at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of March 28, 2018

Nationality	Class of Voting Shares	Number of Shares	Percentage
Filipino	Common	5,064,938,253	89.90%
Non-Filipino		568,854,304	10.10%
Total Number of Shares Entitled to Vote		5,633,792,557	100.00%

Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

(b) Record Date

All stockholders of record as of March 28, 2018 are entitled to notice of and to vote at AEV's Annual Stockholders' Meeting.

(c) Election of Directors and Cumulative Voting Rights

With respect to the election of directors, a stockholder may vote, in person or by proxy, the number of shares of stock standing in his own name on the stock and transfer books of the corporation. A stockholder may vote such number of shares for as many persons as there are directors to be elected. He may also cumulate said shares and give one candidate as many votes as the number of directors to be elected, or distribute the shares on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by the stockholder shall not exceed the total number of shares owned by him as shown in the books of AEV, multiplied by the number of directors to be elected; provided, further, that no delinquent stock shall be voted.

Section 5, Article I of the Amended By-Laws of AEV provides that voting upon all questions, at all meetings of the stockholders, shall be by shares of stock and not per capita. Moreover, Section 6 of the same Article states that stockholders may vote at all meetings either in person, or by proxy duly given in writing and presented to the Corporate Secretary for inspection, validation and recording at least seven days prior to the opening of the said meeting.

In accordance with Section C(1) of the Amended Guidelines for the Nomination and Election of Independent Directors (the "Guidelines"), which were approved by the AEV board on May 13, 2007 and disclosed to its stockholders, nominations for Independent Directors must be submitted to the Corporate Secretary from January 1, 2018 to February 15, 2018.

Paragraph 4, Section 1, Article II of the Amended By-Laws of AEV provides that nominations for the election of directors, other than Independent Directors for the ensuing year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the Annual Meeting of Stockholders, except as may be provided by the Board in appropriate guidelines that it may promulgate from time to time in compliance with law.

No discretionary authority to cumulate votes is solicited.

(d) No proxy solicitation is being made.

Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of the voting shares) as of March 28, 2018

Title of Class of Shares	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Class Owned
Common	1. Aboitiz & Company, Inc. (ACO)¹ Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City (Stockholder)	ACO ²	Filipino	2,735,600,915 (Record and Beneficial)	48.56%
Common	2. PCD Nominee Corporation (Filipino)³ 37 th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers. ⁴	Filipino	758,375,561 (Record)	13.46%
Common	3. PCD Nominee Corporation (Foreign)⁵ 37 th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers. ⁶	Non-Filipino	557,763,421 (Record)	9.90%
Common	4. Ramon Aboitiz Foundation, Inc. (RAFI)⁷ 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	424,538,863 (Record and Beneficial)	7.54%

¹ ACO, the major shareholder of Aboitiz Equity Ventures Inc., is a corporation wholly-owned by the Aboitiz family. No single stockholder, natural or juridical, owns 5% or more of the shareholdings of ACO.

² Mr. Erramon I. Aboitiz, ACO President and Chief Executive Officer, will vote for the shares of ACO in AEV in accordance with the directive of the Board of Directors of ACO.

³ PCD Nominee Corporation (Filipino and Foreign) is not related to AEV. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD participant.

⁴ AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign and Filipino) to be voted. Of the 748,064,473 shares held by PCD Nominee Corporation (Filipino), at least 295,864,536 shares or 5.25% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

⁵ Supra Note 3.

⁶ Supra Note 4.

⁷ Mr. Jon Ramon Aboitiz, Chairman of the Board and Chief Executive Officer of RAFI, will vote for the shares of RAFI in AEV in accordance with the directive of the RAFI Board of Trustees.

(2) Security Ownership of Management as of March 28, 2018 (Record and Beneficial)

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Direct or Indirect)		Citizenship	Percentage of Ownership
Jon Ramon Aboitiz Director/Chairman of the Board	Common	4,648	Direct	Filipino	0.00%
		129,200,932	Indirect		2.29%
Erramon I. Aboitiz Director/President and Chief Executive Officer	Common	1,001,000	Direct	Filipino	0.02%
		74,614,132	Indirect		1.32%
Enrique M. Aboitiz Director	Common	6,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Mikel A. Aboitiz Director	Common	10	Direct	Filipino	0.00%
		93,369,909	Indirect		1.66%
Justo A. Ortiz Director	Common	1	Direct	Filipino	0.00%
		0	Indirect		0.00%
Antonio R. Moraza Director	Common	1,000	Direct	Filipino	0.00%
		17,423,943	Indirect		0.31%
Raphael P. M. Lotilla Lead Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Jose C. Vitug Independent Director	Common	100	Direct	Filipino	0.00%
		72,020	Indirect		0.00%
Stephen T. CuUnjieng Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Sabin M. Aboitiz Executive Vice President and Chief Operating Officer	Common	14,377,050	Direct	Filipino	0.26%
		5,844,773	Indirect		0.10%
Manuel R. Lozano Senior Vice President/Chief Financial Officer/ Corporate Information Officer	Common	139,121	Direct	Filipino	0.00%
		82,691	Indirect		0.00%
Juan Antonio E. Bernad Senior Vice President	Common	730,351	Direct	Filipino	0.01%
		541,425	Indirect		0.01%
Xavier Jose Aboitiz Senior Vice President and Chief Human Resources Officer	Common	1,998,236	Direct	Filipino	0.04%
		20,670,295	Indirect		0.37%
Gabriel T. Mañalac Senior Vice President and Group Treasurer	Common	121,635	Direct	Filipino	0.00%
		0	Indirect		0.00%
Susan V. Valdez⁸ Senior Vice President and Chief Corporate Services Officer	Common	722,486	Direct	Filipino	0.01%
		0	Indirect		0.00%
M. Jasmine S. Oporto⁹ Senior Vice President for Governance and Compliance Team	Common	15,815	Direct	Filipino	0.00%
		82,892	Indirect		0.00%

⁸ Effective January 1, 2019, Ms. Susan V. Valdez will replace Mr. Xavier Jose Aboitiz as the Company's Chief Human Resources Officer.

⁹ On January 30, 2018, the Board of Directors appointed Mr. Manuel Alberto R. Colayco to replace Ms. M. Jasmine S. Oporto as Corporate Secretary and Chief Compliance Officer of AEV effective March 1, 2018.

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Direct or Indirect)		Citizenship	Percentage of Ownership
Robert McGregor Senior Vice President and Chief Strategy and Investment Officer	Common	176,333	Direct	British	0.00%
		0	Indirect		0.00%
Luis Miguel O. Aboitiz Senior Vice President	Common	25,612,775	Direct	Filipino	0.43%
		0	Indirect		0.45%
Horacio C. Elicano First Vice President and Chief Technology Officer/Data Privacy Officer	Common	255,882	Direct	Filipino	0.00%
		0	Indirect		0.00%
Melinda R. Bathan First Vice President and Comptroller	Common	105,120	Direct	Filipino	0.00%
		0	Indirect		0.00%
Annacel A. Natividad First Vice President and Chief Risk Officer	Common	9,290	Direct	Filipino	0.00%
		67,635	Indirect		0.00%
Manuel Alberto R. Colayco ¹⁰ First Vice President and Chief Legal Officer/ Corporate Secretary/Chief Compliance Officer	Common	32,034	Direct	Filipino	0.00%
		0	Indirect		0.00%
Jojo S. Guingao ¹¹ First Vice President for Digital Management	Common	15,481	Direct	Filipino	0.00%
		0	Indirect		0.00%
David Jude L. Sta. Ana ¹² First Vice President for Government Relations	Common	3,385	Direct	Filipino	0.00%
		0	Indirect		0.00%
Ms. Beverly B. Tolentino ¹³ First Vice President – CSU Finance Planning and Projects	Common	0	Direct	Filipino	0.00%
		31,000	Indirect		0.00%
Mailene M. de la Torre Assistant Vice President – Governance and Compliance and Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
TOTAL		387,329,600			6.87%

(3) Voting Trust Holders of 5% or More of Common Equity

No person holds, under a voting trust or similar agreement, more than five per centum (5%) of common equity.

(4) Changes in Control

There are no arrangements that may result in a change in control of AEV during the period covered by this report.

¹⁰ On January 30, 2018, the Board of Directors appointed Mr. Manuel Alberto R. Colayco to replace Ms. M. Jasmine S. Oporto as Corporate Secretary and Chief Compliance Officer of AEV effective March 1, 2018.

¹¹ Effective July 1, 2018, Mr. Jojo S. Guingao will assume an expanded role as First Vice President - Chief Digital Officer.

¹² Effective July 1, 2018, Mr. David Jude L. Sta. Ana will take on an expanded function as the Company's First Vice President and Chief External Affairs Officer.

¹³ Effective April 1, 2018, Ms. Beverly B. Tolentino will assume the position of First Vice President – CSU Finance Planning and Projects.

Item 5. Directors and Executive Officers

(a) Directors and Officers for 2017 - 2018

(1) Directors for 2017-2018

Below is a list of AEV’s directors for 2017 - 2018 with their corresponding positions and offices held in the past five (5) years. The directors assumed their directorship during AEV’s Annual Stockholders’ Meeting in 2017 for a term of one (1) year.

<p>JON RAMON ABOITIZ Chairman – Board of Directors Chairman – Board Corporate Governance Committee Member – Board Risk and Reputation Management Committee</p>	<p>Mr. Jon Ramon Aboitiz, 69 years old, Filipino, has served as Chairman of the Board of Directors of AEV since January 5, 2009. He has been the Chairman of the Board Corporate Governance Committee since February 11, 2009 and has been a member of the Board Risk and Reputation Management Committee since May 17, 2010.</p> <p>He began his career with the Aboitiz Group in 1970. From being manager of Aboitiz Shipping Corporation, he was promoted to President in 1976. He headed the Aboitiz Group's power business in 1989 and was President of Aboitiz & Company, Inc. (ACO) from 1991 to 2008. Mr. Aboitiz was President/Chief Executive Officer of AEV since 1994 until his retirement in December 2008.</p> <p>He is currently the Chairman of the Board of Directors of ACO and the Chairman of the Board of Trustees and the Chief Executive Officer of the Ramon Aboitiz Foundation, Inc. (RAFI). He also holds several positions in the following publicly listed companies: Vice Chairman of Aboitiz Power Corporation (AboitizPower) and Union Bank of the Philippines (UnionBank); a director of Bloomberry Resorts Corporation (Bloomberry) and International Container Terminal Services, Inc. (ICTSI); and the Chairman of UnionBank’s Executive Committee, Risk Management Committee and the Vice Chairman of its Corporate Governance Committee, including the latter’s Compensation Remuneration and Nomination Sub-Committees.</p> <p>Mr. Aboitiz is also a trustee of the Santa Clara University and the Association of Foundations. He is a member of the Board of Advisors of The Coca-Cola Export Corporation (Philippines) and Pilipinas Kao, Inc.</p> <p>He holds a Bachelor of Science degree in Commerce, Major in Management from the Santa Clara University, California, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p>ERRAMON I. ABOITIZ Director President & Chief Executive Officer Member – Board Risk and Reputation Management Committee</p>	<p>Mr. Erramon I. Aboitiz, 61 years old, Filipino, has served as President & Chief Executive Officer of AEV since January 5, 2009. He has been a director of AEV since May 9, 1994 and a member of the Board Risk and Reputation Management Committee since May 18, 2015. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of AEV from 1994 to December 2008.</p> <p>Mr. Aboitiz is a director and the Chief Executive Officer of AboitizPower, and a director of UnionBank, both publicly listed companies. He is currently the Chairman of the Board of Directors and Chief Executive Officer of Aboitiz Land, Inc. (AboitizLand). He is also a director and the President and Chief Executive Officer of ACO. He is the Chairman of the Board of Directors of the following companies, namely: Aboitiz Infracapital, Inc. (Aboitiz InfraCapital),</p>

	<p>San Fernando Electric Light & Power Co. Inc. (SFELAPCO), SN Aboitiz Power Group (SN Aboitiz Power), Manila-Oslo Renewable Enterprise, Inc. (MORE), Aboitiz Renewables, Inc. (ARI), Therma Power, Inc. (TPI), CRH Aboitiz Holdings, Inc. (CRH Aboitiz), and Vice Chairman of Republic Cement and Building Materials, Inc. (RCBM). He is also a director of Davao Light & Power Company, Inc. (Davao Light), Cotabato Light & Power Company (Cotabato Light), Apo Agua Infraestructura, Inc. (Apo Agua), Pilmico Foods Corporation (Pilmico), PETNET, Inc. (PETNET), Archipelago Insurance Pte. Ltd. (Archipelago Insurance), AEV International Pte. Ltd. (AEV International), and AboitizPower International Pte. Ltd. (AboitizPower International). Lastly, he is also the Chairman of the Board of Trustees of Aboitiz Foundation, Inc. (Aboitiz Foundation), and is a director of the Philippine Disaster Recovery Foundation.</p> <p>He holds a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p>ENRIQUE M. ABOITIZ Director Chairman – Board Risk and Reputation Management Committee</p>	<p>Mr. Enrique M. Aboitiz, 64 years old, Filipino, has served as a director of AEV since May 9, 1994, and has been a member of the Board Risk and Reputation Management Committee since February 11, 2009. He is also the Chairman of the Board of Directors of AboitizPower, a publicly listed company, and Vice-Chairman of ACO.</p> <p>Mr. Aboitiz graduated with a Bachelor of Science degree in Business Administration, Major in Economics, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p>MIKEL A. ABOITIZ Director Member – Board Audit Committee – Board Corporate Governance Committee</p>	<p>Mr. Mikel A. Aboitiz, 63 years old, Filipino, has served as a director of AEV since May 15, 2017 and was formerly Senior Vice President of AEV from 2004 to 2015. He is currently a member of AEV’s Board Audit Committee, and Board Corporate Governance Committee. He has been director of AboitizPower since February 13, 1998 and has been a member of the Board Audit Committee of AboitizPower since October 26, 2007, and of the Board Risk and Reputation Management Committee since May 19, 2014.</p> <p>He was formerly Vice Chairman of the Board of City Savings Bank, Inc. (CitySavings) from 2015 to 2016 and President and Chief Executive Officer from 2001 to 2014. He is currently a director of ACO and a trustee and Vice Chairman of RAFI.</p> <p>He holds a degree in Bachelor of Science, Major in Business Administration, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p>JUSTO A. ORTIZ Director Member – Board Audit Committee – Board Risk and Reputation Management Committee</p>	<p>Mr. Justo A. Ortiz, 60 years old, Filipino, has served as a director of AEV since 1994. He has been a member of the Board Audit Committee since 2006 and the Board Risk and Reputation Management Committee since February 11, 2009.</p> <p>He is currently the Chairman of the Board of Directors of UnionBank, a publicly listed company and has served as the banks’ Chief</p>

	<p>Executive Officer until December 31, 2017. Mr. Ortiz is a trustee of Insular Life of the Philippines; and a member of the Philippine Trade Foundation, Inc. and World Presidents Organization.</p> <p>Prior to joining UnionBank, he was the Managing Partner for Global Finance and the Country Executive for Investment Banking at Citibank N.A.</p> <p>He graduated magna cum laude with a Bachelor's Degree in Economics from the Ateneo de Manila University. He is not connected with any government agency or instrumentality.</p>
<p>ANTONIO R. MORAZA Director</p>	<p>Mr. Antonio R. Moraza, 61 years old, Filipino, has been a director of AEV since May 18, 2009. He is currently a director and the President and Chief Operating Officer of AboitizPower, a publicly listed company.</p> <p>He is also the Chairman of the Board of Directors of Abovant Holdings, Inc. (Abovant), Pilmico, Pilmico Animal Nutrition Corporation (PANC), Therma Visayas, Inc., Therma South, Inc. (TSI), Cebu Private Power Corporation (CPPC), Cotabato Light, Davao Light, and Pagbilao Energy Corporation (PEC). Mr. Moraza is likewise a director and Senior Vice President of ACO; President of Therma Power, Inc. (TPI); President and Chief Executive Officer of ARI; and a director of the SN Aboitiz Power Group, Southern Philippines Power Corporation (SPPC), STEAG State Power, Inc. (STEAG Power), Western Mindanao Power Corporation (WMPC), Redondo Peninsula Energy, Inc. (RP Energy), Therma Marine, Inc. (TMI), Therma Mobile, Inc. (TMO), Luzon Hydro Corporation (LHC), Hedcor Bukidnon, Inc. (Hedcor Bukidnon), Hedcor Sabangan, Inc. (Hedcor Sabangan), Hedcor Sibulan, Inc. (Hedcor Sibulan), and Hedcor Tudaya, Inc. (Hedcor Tudaya), Hedcor, Inc. (Hedcor). He holds directorship and management positions in GNPowder Mariveles Coal Plant Ltd. Co. (GMCP) and GNPowder Dinginin Ltd. Co. (GNPD) and its holding companies. He is also a director and President of TPI and trustee of Aboitiz Foundation.</p> <p>He holds a Bachelor's Degree in Business Management from the Ateneo de Manila University. He is not connected with any government agency or instrumentality.</p>
<p>RAPHAEL P. M. LOTILLA Lead Independent Director Member – Board Audit Committee</p> <ul style="list-style-type: none"> – Board Corporate Governance Committee – Board Risk and Reputation Management Committee – Board Related Party Transactions Committee 	<p>Mr. Raphael P.M. Lotilla, 59 years old, Filipino, has served as an Independent Director of AEV since May 21, 2012 and was elected as Lead Independent Director of AEV on May 15, 2017. He has been a member of the Board Audit Committee, the Board Corporate Governance Committee since May 21, 2012, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017.</p> <p>He is an Independent Director of Trans Asia Petroleum Corporation, a publicly listed company. He is an Independent Director of Petron Foundation, Inc., and First Metro Investment, Inc. He is also the Chairman of the Board of Trustees of the Center for the Advancement of Trade Integration and Facilitation and Asia-Pacific Pathways to Progress Foundation, Inc. Mr. Lotilla has previously served the Philippine government in various capacities - Secretary of Energy; President and Chief Executive Officer of Power Sector</p>

	<p>Assets and Liabilities Management Corporation; Deputy Director-General of the National Economic and Development Authority; Ex-Officio Chairman of the Philippines National Oil Company; Vice Chairman of the Boards of the National Power Corporation and the National Transmission Corporation, among others.</p> <p>Mr. Lotilla earned his Bachelor of Science in Psychology and Bachelor of Arts in History degrees from the University of the Philippines, and finished his Bachelor of Laws degree from the same university where he became a Professor of Law. He holds a Master of Laws degree from the University of Michigan Law School, U.S.A. He currently serves as a member of the Board of Trustees of the Philippine Institute for Development Studies.</p>
<p>JOSE C. VITUG Independent Director Chairman – Board Audit Committee Member – Board Corporate Governance Committee – Board Risk and Reputation Management Committee – Board Related Party Transactions Committee</p>	<p>Justice Jose C. Vitug (ret.), 83 years old, Filipino, has served as an Independent Director of AEV since May 16, 2005. He is Chairman of the Board Audit Committee of AEV since May 18, 2009, member of the Board Corporate Governance Committee since February 11, 2009, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017.</p> <p>Ret. Justice Vitug is an Independent Director of ABS-CBN Holdings Corporation, a publicly listed company. He is also a Board Member and Law Dean of the Angeles University Foundation, Chairman of the Board of Trustees of Angeles University Foundation Medical Center and a Graduate Professor of the College of Law of San Beda College.</p> <p>Ret. Justice Vitug was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal, and Senior Member of the Senate Electoral Tribunal. He was also the Chairman of the Philippines Stock Exchange, Inc. Ret. Justice Vitug is a Professorial Lecturer of the Philippine Judicial Academy.</p> <p>He graduated cum laude from the Manuel L. Quezon University (MLQU) with a Bachelor’s Degree in Law. He holds a Master of Laws degree from the MLQU and a Master’s Degree in National Security Administration from the National Defense College of the Philippines. He was a Fellow of the Commonwealth Judicial Institute of Canada. He also holds an Honorary Doctorate Degree of Law from the Angeles University Foundation. He is not connected with any government agency or instrumentality.</p>
<p>STEPHEN T. CuUNJIENG Independent Director Chairman – Board Related Party Transactions Committee Member – Board Corporate Governance Committee – Board Risk and Reputation Management Committee – Board Audit Committee</p>	<p>Mr. Stephen T. CuUnjieng, 58 years old, Filipino, has served as Independent Director of AEV since May 17, 2010. He is the Chairman of the Board Related Party Transactions Committee since May 15, 2017 and has been a member of the Board Audit Committee of AEV since May 16, 2011, the Board Corporate Governance Committee since May 21, 2012, and the Board Risk and Reputation Management Committee since May 17, 2010.</p> <p>He has a long and extensive experience in investment banking with a number of major international investment banks. He has led several high profile transactions in the Philippines and Asia and won 14 Deals of the Year awards since 2005. He is currently Chairman for Asia of Evercore, an investment bank listed with the New York Stock Exchange (NYSE). He holds the following positions in publicly listed</p>

companies: Adviser to the Board of SM Investments Corporation; and Independent Director of Century Properties Group.

Mr. CuUnjieng is on the Executive Board for Asia of the Wharton School of Business of the University of Pennsylvania in Philadelphia, PA, USA. He held positions as Vice Chairman, Managing Director and Director of Macquarie, a company listed with the Australian Securities Exchange, Merrill Lynch, a company listed with the NYSE, and Salomon Brothers, among others.

He graduated from the Ateneo de Manila University with a Degree in Bachelor of Arts and also has a Bachelor's Degree in Law (with honors) from the Ateneo Law School. He has a Master's Degree in Business Administration from the Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.

Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination and election of the Independent Directors is in accordance with Rule 38 of the Securities Regulation Code (the "SRC Rule 38"), AEV's Amended By-Laws, and AEV's Guidelines. The Guidelines were approved by the AEV Board on February 10, 2003 and disclosed to all stockholders. Thereafter, the AEV Board approved the Amended Guidelines for the Nomination and Election of Independent Directors (the "Amended Guidelines") on March 23, 2017, which was disclosed to all stockholders.

Nominations for Independent Directors were opened beginning January 1, 2018 and the table for nominations was closed on February 15, 2018, in accordance with Section C(1) of the Amended Guidelines.

SRC Rule 38 further requires that the Board Corporate Governance Committee meet to pre-screen all nominees and submit a Final List of Nominees to the Corporate Secretary so that such list will be included in the Company's Preliminary and Definitive Information Statements. Only nominees whose names appear on the Final List shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Candidates has been prepared. The name of the person or group of persons who nominates an Independent Director shall be identified in such report including any relationship with the nominee.

In approving the nominations for Independent Directors, the Board Corporate Governance Committee considered the guidelines on the nominations of Independent Directors prescribed in SRC Rule 38, the Amended Guidelines and AEV's Revised Manual on Corporate Governance (the "Manual"). The Manual was approved by the AEV Board on March 23, 2017 and disclosed to its stockholders. Board Corporate Governance Committee took over the functions of the Board Nominations and Compensation Committee pursuant to an amendment of the Manual in 2009. The Chairman of the Board Corporate Governance Committee is Mr. Jon Ramon Aboitiz. The voting members are Messrs. Mikel A. Aboitiz, Raphael P.M. Lotilla, Stephen T. CuUnjieng, and Ret. Justice Jose C. Vitug, while the ex-officio non-voting members are M. Jasmine S. Oporto¹⁴, and Mr. Xavier Jose Y. Aboitiz.

No nominations for Independent Director shall be accepted at the floor during the stockholders' meeting at which such nominee is to be elected. However, Independent Directors shall be elected at the stockholders' meeting during which other members of the Board are to be elected.

Ret. Justice Jose C. Vitug, Mr. Manuel R. Salak III, and Mr. Raphael P. M. Lotilla are the nominees for Independent Directors of AEV. Mr. Salak is being nominated for the first time. They are neither officers nor employees of the Company or any of its Affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of an Independent Director. Attached as Annexes "B-1", "B-2", and "B-3" are the Certifications of Qualification of Ret. Justice Vitug, Mr. Salak III, and Mr. Lotilla, respectively.

AEV stockholders, Jay Cesar Ocubillo, Josephine Pabriga, and Zenaida M. Cabansag, have nominated Ret. Justice Jose C. Vitug, Mr. Manuel R. Salak III, and Mr. Raphael P.M. Lotilla, respectively, as the Company's Independent Directors. None of the nominating stockholders have any relation to Ret. Justice Vitug, Mr. Salak III, and Mr. Lotilla.

¹⁴ Mr. Manuel Alberto R. Colayco replaced Ms. M. Jasmine S. Oporto as ex-officio non-voting member of AEV's Board Corporate Governance Committee on March 1, 2018.

Other Nominees for Election as Members of the Board of Directors

As conveyed to the Corporate Secretary, the following will also be nominated as members of the Board for the ensuing year 2018-2019:

- Jon Ramon Aboitiz**
- Erramon I. Aboitiz**
- Enrique M. Aboitiz**
- Antonio R. Moraza**
- Mikel A. Aboitiz**
- Sabin M. Aboitiz**

Pursuant to Paragraph 4, Section 1, Article II of the Amended By-Laws of AEV, nominations for members of the Board other than Independent Directors for the ensuing year must be submitted in writing to the Corporate Secretary at least fifteen (15) working days prior to the Annual Stockholders’ Meeting on May 21, 2018, or not later than April 27, 2018.

All other information regarding the positions and offices held by the above-mentioned nominees, except for Messrs. Sabin M. Aboitiz and Manuel R. Salak III, are integrated in Item 5 (a) (1) above. Messrs. Aboitiz and Salak III are being nominated to the Board for the first time.

Below are the profiles of Messrs. Sabin M. Aboitiz and Manuel R. Salak III, including their positions and offices held for the past five (5) years.

<p>SABIN M. ABOITIZ</p>	<p>Mr. Sabin M. Aboitiz, 53 years old, Filipino, was appointed AEV’s Executive Vice President and Chief Operating Officer of AEV on December 18, 2015. He was First Vice President of AEV from May 2014 to May 2015 and Senior Vice President from May to December 2015.</p> <p>He is the Chairman of Weather Philippines Foundation, Inc. (WeatherPhilippines) and Filagri, Inc. (Filagri). He is also Chairman and President of AEV Aviation, Inc. (AEV Av); and a director and President/Chief Executive Officer of PANC, Pilmico, and Aboitiz InfraCapital. Mr. Aboitiz is a trustee of Aboitiz Foundation, and is also a director of UnionBank, a publicly listed company, ACO, RCBM, MORE, APRI, CRH Aboitiz, Apo Agua, and PETNET; a director and President of AEV CRH Holdings, Inc. (AEV CRH); and Vice Chairman of AboitizLand. He is also an Alternate Director of AboitizPower International, and AEV International.</p> <p>He holds a degree in Business Administration - Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p>MANUEL R. SALAK III</p>	<p>Mr. Manuel R. Salak III, 58 years old, Filipino, was nominated as an Independent Director of AEV for the first time. Mr. Salak is currently the Senior Strategic Advisor of ING Philippines, the Founder and Managing Principal of Alpha Primus Partners, and a member of the Board of Trustees of the Asian Institute of Management.</p> <p>Mr. Salak previously served as the Managing Director, Head of Clients Coverage and Corporate Finance – Asia of ING Bank N.V. from 2008 to 2017, Managing Director and Country Head Philippines of ING Bank N.V. from 1999 to July 2000, and Managing Director and Head of Corporate & Investment Banking of ING Barings Philippines from 1999 to 2000.</p>

	<p>Mr. Salak earned his Bachelor of Science Degree in Economics (Honorable Mention) from the Ateneo de Manila University and completed his Master's degree in Business Management from the Asian Institute of Management. Mr. Salak also completed several executive and management courses, such as the Senior Executive Management Course and ING Business Manager Program from the ING Business School, Hamskerk, Netherlands, the Institut Européen d'Administration des Affaires (INSEAD) Leadership Development Workshop in Singapore, and the Advanced Management Program from Harvard Business School in Boston U.S.A. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.</p>
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Officers for 2017-2018

Below is a list of AEV officers for 2017-2018 with their corresponding positions and offices held for the past five (5) years. Unless otherwise indicated hereunder, the officers assumed their positions during AEV's organizational meeting in 2017 for a term of one (1) year.

<p>JON RAMON ABOITIZ Chairman – Board of Directors Chairman – Board Corporate Governance Committee Member – Board Risk and Reputation Management Committee</p>	<p>Mr. Jon Ramon Aboitiz, 69 years old, Filipino, has served as Chairman of the Board of Directors of AEV since January 5, 2009. He has been the Chairman of the Board Corporate Governance Committee since February 11, 2009 and has been a member of the Board Risk and Reputation Management Committee since May 17, 2010.</p> <p>He began his career with the Aboitiz Group in 1970. From being a manager of Aboitiz Shipping Corporation, he was promoted to President in 1976. He headed the Aboitiz Group's power business in 1989 and was President of ACO from 1991 to 2008. Mr. Aboitiz was President/Chief Executive Officer of AEV since 1994 until his retirement in December 2008.</p> <p>He is currently the Chairman of the Board of Directors of ACO and the Chairman of the Board of Trustees and the Chief Executive Officer of the RAFI. He also holds several positions in the following publicly listed companies: Vice Chairman of AboitizPower and UnionBank; a director of Bloomberry and ICTSI; and the Chairman of UnionBank's Executive Committee, Risk Management Committee and the Vice Chairman of its Corporate Governance Committee, including the latter's Compensation Remuneration and Nomination Sub-Committees.</p> <p>Mr. Aboitiz is also a trustee of the Santa Clara University and the Association of Foundations. He is a member of the Board of Advisors of The Coca-Cola Export Corporation (Philippines) and Pilipinas Kao, Inc.</p> <p>He holds a Bachelor of Science degree in Commerce, Major in Management from the Santa Clara University, California, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p>ERRAMON I. ABOITIZ Director President and Chief Executive Officer Member – Board Risk and Reputation Management Committee</p>	<p>Mr. Erramon I. Aboitiz, 61 years old, Filipino, has served as President and Chief Executive Officer of AEV since January 5, 2009. He has been a director of AEV since May 9, 1994 and a member of the Board Risk and Reputation Management Committee since May 18, 2015. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of AEV from 1994 to December 2008.</p>

	<p>Mr. Aboitiz is a director and the Chief Executive Officer of AboitizPower, and a director of UnionBank, both publicly listed companies. He is currently the Chairman of the Board of Directors and Chief Executive Officer of Aboitiz Land. He is also a director and the President and Chief Executive Officer of ACO.</p> <p>He is the Chairman of the Board of Directors of the following companies, namely: Aboitiz InfraCapital, SFELAPCO, SN Aboitiz Group, MORE, ARI, TPI, CRH Aboitiz, and Vice Chairman of RCBM. He is also a director of Davao Light, Cotabato Light, Apo Agua, Pilmico, PETNET, Archipelago Insurance, AEV International, and AboitizPower International. Lastly, he is also the Chairman of the Board of Trustees of Aboitiz Foundation, and is a director of the Philippine Disaster Recovery Foundation.</p> <p>He holds a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p>SABIN M. ABOITIZ Executive Vice President and Chief Operating Officer</p>	<p>Mr. Sabin M. Aboitiz, 53 years old, Filipino, was appointed as Executive Vice President and Chief Operating Officer of AEV on December 18, 2015. He was First Vice President of AEV from May 2014 to May 2015 and Senior Vice President from May to December 2015.</p> <p>He is the Chairman of WeatherPhilippines and Filagri. He is also Chairman and President of AEV Av; and a director and President/Chief Executive Officer of PANC, Pilmico, and Aboitiz InfraCapital. Mr. Aboitiz is a trustee of Aboitiz Foundation, and is also a director of UnionBank, a publicly listed company, ACO, RCBM, MORE, APRI, CRH Aboitiz, Apo Agua, and PETNET; a director and President of AEV CRH; and Vice Chairman of AboitizLand. He is also an Alternate Director of AboitizPower International, and AEV International.</p> <p>He holds a degree in Business Administration - Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p>MANUEL R. LOZANO Senior Vice President/ Chief Financial Officer/ Corporate Information Officer Ex-Officio Member — Board Risk and Reputation Management Committee</p>	<p>Mr. Manuel R. Lozano, 47 years old, Filipino, has been Senior Vice President/Chief Financial Officer/Chief Information Officer of AEV since May 18, 2015. He is also an Ex-Officio Member of the Board Risk and Reputation Management Committee since May 18, 2015.</p> <p>He is currently Treasurer of ACO, Aboitiz Construction International, Inc., and PETNET; trustee and Treasurer of Aboitiz Foundation; Chief Financial Officer and Treasurer of Apo Agua; Chairman of the Board and Chief Executive Officer of Lima Water Corporation; Director, Treasurer and Chief Financial Officer of Aboitiz InfraCapital; Director and Vice President of AEV Av; Director of AEV CRH, AEV International, Archipelago Insurance, PANC, Pilmico, RCBM, UnionBank; and Alternate Director of Pilmico International Pte. Ltd. (Pilmico International) and AboitizPower International.</p> <p>He was First Vice President and Chief Financial Officer/Corporate Information Officer of AboitizPower from 2014 to 2015; Chief Financial Officer of AboitizPower Generation from 2008 to 2013.</p>

	<p>Before he joined the Aboitiz Group, he was the Chief Financial Officer and a director of Paxys, Inc., a publicly listed company focused on the business process outsourcing industry and other IT-related sectors within the Asia Pacific region. He was also a director of Corporate Finance & Investment at NGL Pacific Ltd., a Regional Operating Headquarter related to the Usaha Tegas group of Malaysia. He also held various positions in financial institutions including Jardine Fleming & CLSA.</p> <p>He earned his Bachelor of Science in Business Administration degree from the University of the Philippines - Diliman and his Master's Degree in Business Administration from The Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.</p>
<p>JUAN ANTONIO E. BERNAD Senior Vice President</p>	<p>Mr. Juan Antonio E. Bernad, 61 years old, Filipino, has been Senior Vice President of AEV since April, 6, 1995. He was AEV's Senior Vice President - Electricity Regulatory Affairs from 2004 to 2007 and Senior Vice President - Chief Financial Officer from 1995 to 2004.</p> <p>He is Executive Vice President for Strategy and Regulation of AboitizPower, a publicly listed company, since 2009, and has served AboitizPower in several capacities, as a director from 1998 to May 18, 2009, as Executive Vice President/Chief Financial Officer/Treasurer from 1998 to 2003, and as Executive Vice President for Regulatory Affairs/Chief Financial Officer from 2004 to 2007.</p> <p>Mr. Bernad is also a director and Executive Vice President - Regulatory Affairs of Davao Light; a director and Chief Financial Officer/Treasurer of Hijos; and a director and Senior Vice President of Visayan Electric Company, Inc. (VECO); and a director of Cotabato Light, AEV Av, and SFELAPCO. He is also Vice Chairman of the National Renewable Energy Board (NREB), representing private distribution utilities.</p> <p>He has an Economics degree from the Ateneo de Manila University and a Master's Degree in Business Administration from The Wharton School of the University of Pennsylvania in Pennsylvania, U.S.A. He is not a director of any publicly listed company.</p>
<p>XAVIER JOSE ABOITIZ¹⁵ Senior Vice President and Chief Human Resources Officer Ex-Officio Member – Board Corporate Governance Committee</p>	<p>Mr. Xavier Jose Aboitiz, 58 years old, Filipino, has been the Senior Vice President and Chief Human Resources Officer of AEV since May 17, 2004. He is an Ex-Officio Member of the Board Corporate Governance Committee since May 17, 2010.</p> <p>Mr. Aboitiz currently holds various positions within the Group, namely: Senior Vice President and a member of the Board of Advisers of ACO; a director of Pilmico, Davao Light, Cotabato Light, Propriedad del Norte, Inc. (PDNI) and Subic Enerzone Corporation; a director, President and Chief Executive Officer of Cebu Praedia Development Corporation (CPDC); and a trustee of Aboitiz Foundation and the Philippine Business for Social Progress. Previously, he was a director of CitySavings from 2010 up to March 2013.</p>

¹⁵ Effective January 1, 2019, Ms. Susan V. Valdez will replace Mr. Xavier Jose Aboitiz as the Company's Chief Human Resources Officer.

	<p>Mr. Aboitiz has worked in various capacities in different companies of the Aboitiz Group since 1983. He took up Business Administration – Finance at Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.</p>
<p>GABRIEL T. MAÑALAC Senior Vice President and Group Treasurer</p>	<p>Mr. Gabriel T. Mañalac, 61 years old, Filipino, currently serves as Senior Vice President and Group Treasurer of AEV since January 5, 2009. He joined AEV as Vice President for Treasury Services in 1998 and was promoted to First Vice President for Treasury Services in 2004.</p> <p>He also serves as Senior Vice President and Group Treasurer of AboitizPower, a publicly listed company, since May 17, 2010. He is also Vice President and Treasurer of Davao Light, and Treasurer of Cotabato Light.</p> <p>Mr. Mañalac graduated cum laude with a Bachelor of Science in Finance degree and a Bachelor of Arts in Economics degree from De La Salle University. He obtained his Master’s Degree in Business Administration in Banking and Finance from the Asian Institute of Management and was awarded the Institute’s Scholarship for Merit. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.</p>
<p>SUSAN V. VALDEZ¹⁶ Senior Vice President and Chief Corporate Services Officer Ex-Officio Member – Board Risk and Reputation Management Committee</p>	<p>Ms. Susan V. Valdez, 57 years old, Filipino, was appointed Chief Corporate Services Officer of AEV on December 18, 2015. She served as AEV’s Senior Vice President and Chief Reputation and Risk Management Officer from 2013 to 2015, and was First Vice President – Chief Reputation Officer of AEV in September 2011. She is currently an Ex-Officio member of the Board Risk and Reputation Management Committee since May 21, 2012.</p> <p>Ms. Valdez also hold positions in other companies within the Group. She is the Senior Vice President/Chief Reputation and Risk Management Officer of AboitizPower, a publicly listed company, since December 14, 2011, and was appointed as Senior Vice President on May 18, 2015. Ms. Valdez is also a trustee, President and Member of the Executive Committee of Aboitiz Foundation; a trustee and President of WeatherPhilippines; and a director of Archipelago Insurance and Weather Solutions, Inc.</p> <p>Before joining AEV, she was the Executive Vice President and Chief Executive Officer of the 2GO Freight Division of Aboitiz Transport System Corporation (ATSC) (now 2GO Group, Inc., a publicly listed company) for eight years. She was also President and Chief Executive Officer of Aboitiz One, Inc. (now ATS Express, Inc.) and Aboitiz One Distribution, Inc. (now ATS Distribution, Inc.) for two years. Prior to heading the freight and supply chain business of ATSC, she was its Chief Finance Officer and Chief Information Officer for eight years.</p>

¹⁶ Effective January 1, 2019, Ms. Susan V. Valdez will replace Mr. Xavier Jose Aboitiz as the Company’s Chief Human Resources Officer.

	<p>Ms. Valdez is a Certified Public Accountant, and graduated cum laude from St. Theresa’s College with a degree of Bachelor of Science in Commerce, Major in Accounting. She earned her Master’s degree in Business Management from the University of the Philippines, and completed a program on Management Development at Harvard Business School. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.</p>
<p>M. JASMINE S. OPORTO Senior Vice President for Governance and Compliance Team (until March 31, 2018) Chief Compliance Officer/ Corporate Secretary (until February 28, 2018) Ex-Officio Member - Board Corporate Governance Committee (until February 28, 2018)</p>	<p>Ms. M. Jasmine S. Oporto, 58 years old, Filipino, acted as Corporate Secretary and Chief Compliance Officer for AEV from May 17, 2004 up to February 28, 2018, and as Senior Vice President for Governance and Compliance Team for AEV until March 31, 2018. She also acted as Corporate Secretary of AboitizPower from January 16, 2007 and Compliance Officer from December 2012 up to February 28, 2018.</p> <p>Ms. Oporto was also Vice President - Legal of Davao Light; Corporate Secretary of Aboitiz InfraCapital, AEV CRH, Therma Mariveles Holdings, Inc. (TMHI), Therma Dinginin Holdings, Inc. (TDHI), MORE, the SN Aboitiz Power Group; and Assistant Corporate Secretary of VECO and CRH Aboitiz.</p> <p>Prior to joining AEV, Ms. Oporto worked in various capacities at the Hong Kong office of Kelley Drye & Warren, LLP, a New York-based law firm, and the Singapore-based consulting firm Albi Consulting Pte. Ltd. She is a teaching fellow of the Institute of Corporate Directors (ICD), after completing the Professional Director’s Program. She also completed the mandatory accreditation course of the Bangko Sentral ng Pilipinas (BSP) on Corporate Governance and Risk Management for Board of Trustees/Directors. Ms. Oporto is an accredited provider of Harrison Assessment Talent Solutions. She is an associate member of the GRC Institute of Australia. In addition, she has attended various seminars on corporate governance and compliance, including Compliance and Regulatory Management, Scenario Planning for Strategy, Management of Legal Risk and Services, and the Corporate Secretary Training of Trainers Program conducted by the International Finance Corporation and ICD. She was awarded Corporate Secretary of the Year in 2014 and 2015 by the Corporate Governance Asia, Hong Kong.</p> <p>Ms. Oporto obtained her Bachelor of Laws degree from the University of the Philippines Diliman and is a member of both the Philippine and New York bars. She is not connected with any government agency or instrumentality. She has not acted as a director of a publicly listed company.</p>
<p>ROBERT MCGREGOR Senior Vice President and Chief Strategy and Investment Officer</p>	<p>Mr. Robert McGregor, 58 years old, British, is Senior Vice President - Chief Strategy and Investment Officer (CSIO) of AEV since November 27, 2014. He is concurrently Executive Director - Investments of AboitizPower, a publicly listed company, since September 24, 2015 and a director of PETNET and Aboitiz InfraCapital. He joined AEV as Senior Vice President - Chief Strategy Officer in May 2014 before his appointment as CSIO in November 2014.</p> <p>Mr. McGregor brings with him a wealth of experience in management, investment banking, and private equity investing with almost 38 years of experience in energy markets. He has extensive experience in</p>

	<p>corporate strategy, marketing and business planning in oil, gas, and electricity industries in the United Kingdom. He moved to Hong Kong in 1997 and enjoyed an 11-year career in regional investment banking, before moving to Singapore to take up partnership in Actis, an emerging-market private equity company. In 2012, he returned to Hong Kong with Hongkong and Shanghai Banking Corporation Limited as an investment banker.</p> <p>Mr. McGregor completed his Honours Degree in Applied Chemistry from The University of Strathclyde, United Kingdom and obtained his Master's Degree in Business Administration from the same university. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.</p>
<p>LUIS MIGUEL O. ABOITIZ Senior Vice President</p>	<p>Mr. Luis Miguel O. Aboitiz, 53 years old, Filipino, was appointed Senior Vice President of AEV on May 18, 2015. He was First Vice President of AEV from 2004 to May 2015. He joined AEV in 1995 as Vice President. Since January 2016, he has been the Executive Vice President and Chief Operating Officer - Corporate Business Group of AboitizPower, a publicly listed company.</p> <p>He previously served as AboitizPower's Senior Vice President - Power Marketing and Trading from 2009 to 2015. Mr. Aboitiz is currently a director and First Vice President of ACO; a trustee of Aboitiz Foundation; a director of Abovant, STEAG Power, ARI, TPI, Pilmico, PANC, TSI, TLI, PEC, CPDC, Aseagas Corporation, Aboitiz InfraCapital, Hedcor, Hedcor Sibulan, Hedcor Sabangan, and Hedcor Bukidnon. He holds directorship and management positions in GMCP and GNPD and its holding companies. He is also a member of the Board of Trustees of the Philippine Independent Power Producers Association, Inc. (PIPPA). He also serves as Chairman of the Board of AP Renewables, Inc. (APRI); director and President of MORE. He is also a director of UnionBank, a publicly listed company, and Semi-conductor and Electronics Industries of the Philippines, Inc (SEIPI).</p> <p>He graduated from Santa Clara University, California, U.S.A. with a Bachelor of Science degree in Computer Science and Engineering and took his Masters degree in Business Administration at the University of California in Berkeley, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p>HORACIO C. ELICANO First Vice President and Chief Technology Officer/Data Privacy Officer</p>	<p>Mr. Horacio C. Elicano, 58 years old, Filipino, has been First Vice President and Chief Technology Officer/Data Privacy Officer since May 15, 2017. He was the First Vice President and Chief Technology Officer of AEV since January 5, 2009.</p> <p>Before he joined AEV, he was Managing Director of Catapult Communications. He was also Chief Technology Officer of Paysetter International, Inc. from 2001 to 2007 and of Chikka Asia, Inc. from 2001 to 2005. Prior to that, he logged 20 years in the banking industry with Citibank and UnionBank.</p> <p>He is a Bachelor of Science in Electrical Engineering graduate of the University of the Philippines. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.</p>

<p>MELINDA R. BATHAN First Vice President and Comptroller</p>	<p>Ms. Melinda R. Bathan, 58 years old, Filipino, has been First Vice President and Comptroller of AEV since May 21, 2012. She was previously AEV's Vice President - Controller from 2004 until 2012. Aside from her position in AEV, she is also a director and Treasurer of CPDC.</p> <p>Ms. Bathan graduated summa cum laude from St. Theresa's College with a Bachelor of Science degree in Commerce, major in Accounting, and is a Certified Public Accountant. She completed her Master's degree in Management, with honors, from the University of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.</p>
<p>ANNACEL A. NATIVIDAD First Vice President and Chief Risk Officer</p>	<p>Ms. Annacel A. Natividad, 48 years old, has been First Vice President and Chief Risk Officer of AEV since July 1, 2016. She was Vice President - Risk Management of AEV since July 2013.</p> <p>Before joining AEV, Ms. Natividad was with ATSC (now 2GO Group, Inc., a publicly listed company) where she was Vice President - Chief Finance Officer and Risk Management Head since June 2007. She was also the Chief Finance Officer of various companies such as Scanasia Overseas, Inc., Kerry-ATS Logistics, Inc., Hapag- Lloyd Philippines, Inc., Aboitiz Project TS Corporation and Sea Merchants, Inc.</p> <p>Ms. Natividad holds a Bachelor of Science in Commerce degree from the University of Santo Tomas and earned her Master's degree in Business Administration from De La Salle University. Ms. Natividad also completed the Management Acceleration Program from INSEAD. Ms. Natividad is a Certified Public Accountant and Certified Governance, Risk and Compliance Professional. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.</p>
<p>MANUEL ALBERTO R. COLAYCO First Vice President and Chief Legal Officer Corporate Secretary and Chief Compliance Officer (effective March 1, 2018) Ex-Officio Member - Board Corporate Governance Committee (effective March 1, 2018)</p>	<p>Mr. Manuel Alberto R. Colayco, 48 years old, Filipino, was appointed as AEV's Corporate Secretary and Chief Compliance Officer effective March 1, 2018. He is concurrently the First Vice President and Chief Legal Officer of AEV since July 11, 2016.</p> <p>Mr. Colayco has practiced in the areas of corporate law, mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as an independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf & Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher & Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc & De Los Angeles from 1996 to 2000.</p>

	<p>Mr. Colayco earned his undergraduate and Juris Doctor degrees from the Ateneo de Manila University. He also has a Master of Laws degree from the New York University School of Law, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.</p>
<p>JOJO S. GUINGAO¹⁷ First Vice President for Digital Management</p>	<p>Mr. Jojo S. Guingao, 52 years old, Filipino, has been the First Vice President for Digital Management of AEV since July 18, 2016.</p> <p>He has over 20 years experience working for software companies in the Silicon Valley building global technology services organization. Mr. Guingao has experience in software development, IT consulting and strategy, enterprise implementation, project management and professional services. Before joining AEV, Mr. Guingao was Vice President of Customer Success at Navagis Inc, a Google Cloud Partner in San Francisco, CA. He also held senior management positions in various global software companies including Critigen, ESRI, and Autodesk Inc.</p> <p>Mr. Guingao graduated from Mapua Institute of Technology with a Bachelor’s Degree in Electronics and Communications Engineering. He completed his Master’s degree in Business Administration from the California State University-East Bay. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.</p>
<p>DAVID JUDE L. STA. ANA¹⁸ First Vice President for Government Relations</p>	<p>Mr. David Jude L. Sta. Ana, 51 years old, Filipino, has been First Vice President for Government Relations of AEV since September 1, 2016.</p> <p>Mr. Sta. Ana has experience in broadcast, digital and print media, with focus on major news coverage, crisis management, planning, and operations. Prior to joining AEV, he was the Head for News Operations of TV5 Network Inc., where he handled the day to day operations of the Philippines’ third largest television network, including news gathering and content generation for its television, radio and digital platforms. Mr. Sta. Ana also served as news director handling the control, operational and administrative responsibilities for news gathering for two of the country’s major broadcast organizations, namely ABS-CBN Broadcasting Corporation and GMA Network, Inc., a publicly listed company.</p> <p>Mr. Sta Ana earned his Bachelor’s Degree in Journalism from the University of the Philippines – Diliman. He also completed the Newsroom Operation and Newsroom Management Training conducted by the U.S. Radio and Television News Directors Association in Los Angeles, California, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.</p>
<p>MS. BEVERLY B. TOLENTINO First Vice President – CSU Finance Planning and Projects (effective April 1, 2018)</p>	<p>Ms. Beverly B. Tolentino has been appointed as First Vice President - CSU Finance Planning and Projects effective April 1, 2018. Ms. Tolentino is currently the First Vice President and Chief Financial Officer-Power Generation Group of Aboitiz Power Corporation, a position she has held since December 4, 2015 and which she will hold until March 31, 2018. Ms. Tolentino has extensive local and international experience</p>

¹⁷ Effective July 1, 2018, Mr. Jojo S. Guingao will assume an expanded role as First Vice President - Chief Digital Officer.

¹⁸ Effective July 1, 2018, Mr. David Jude L. Sta. Ana will take on an expanded function as the Company's First Vice President and Chief External Affairs Officer.

	<p>in general management, finance leadership and controllership roles. She held key positions in the SN Power Group from 2011 to 2014, including Managing Director and Group Business Controller of SN Power Invest Netherlands BV.</p> <p>Ms. Tolentino graduated cum laude from Ateneo de Davao University with a Bachelor of Science degree in Commerce, Major in Accounting, and is a Certified Public Accountant. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.</p>
<p>MAILENE M. DE LA TORRE Assistant Vice President – Governance and Compliance and Assistant Corporate Secretary (effective January 1, 2018)</p>	<p>Ms. Mailene M. de la Torre, 36 years old, Filipino, was appointed Assistant Corporate Secretary last November 24, 2016 and Assistant Vice President - Governance and Compliance of AEV effective January 1, 2018. She was previously Senior Associate General Counsel for Governance and Compliance of AEV since November 2016, and was Associate General Counsel for Legal and Corporate Services from May 2010 up to October 2014. She is concurrently Assistant Corporate Secretary of AboitizPower since her appointment last November 24, 2016.</p> <p>Ms. de la Torre is also the Corporate Secretary of various Subsidiaries of the Aboitiz Group, including ARI, APRI, CPPC, EAUC, BEZ, LEZ, Lima Water Corporation (LWC), MEZ, SEZ, Hedcor Bukidnon, Hedcor Sabangan, Hedcor Sibulan, Hedcor Tudaya, Hedcor, LHC, PANC, PFC, PEC, TMI, TMO, TSI, TPI and TVI, Aboitiz InfraCapital, AEV CRH and PETNET as well as Assistant Corporate Secretary for CRH Aboitiz, ACI, Aboitiz Construction International, Inc., AEV Av, TDHI, TMHI, AboitizLand, Cotabato Light, Davao Light, MORE, SN Aboitiz Power Group, Tsureishi Heavy Industries (Cebu), Inc. (THICI), and VECO.</p> <p>Ms. de la Torre has practice in the areas of compliance and corporate governance, corporate secretarial and corporate housekeeping, acquisitions, joint ventures, and litigation. Prior to joining the Aboitiz Group, she was an Associate at Esguerra & Blanco Law Office from 2007 to 2010.</p> <p>She graduated cum laude with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the ICD, after completing the Professional Director’s Program. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.</p>

Period in which the Directors Should Serve

The directors shall serve for a period of one (1) year.

Term of Office of a Director

Pursuant to the Company's Amended By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election for a term of one (1) year and until his successor is duly qualified and elected, unless he resigns, dies, or is removed prior to such election.

Any vacancy in the Board other than by removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his predecessor in office.

(2) Significant Employees

AEV considers the contribution of every employee important to the fulfillment of its goals.

(3) Family Relationships

Messrs. Erramon, Enrique, Sabin, and Xavier Jose Aboitiz are brothers and are thus related to each other within the fourth civil degree of consanguinity. Messrs. Mikel A. Aboitiz and Jon Ramon Aboitiz are brothers as well. Other than these, no other officers or directors are related within the fourth degree of consanguinity.

(4) Involvement in Certain Legal Proceedings as of March 31, 2018

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current members of the Board or its executive officers is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five (5) years until March 31, 2018, which would put to question his/her ability and integrity to serve AEV and its stockholders.

(5) Certain Relationships and Related Transactions

AEV and its Subsidiaries (the "Group"), in their regular conduct of business, have entered into related party transactions consisting of professional and technical services, rental, money market placements, and power sales and purchases. These are made on an arm's length basis.

ACO, the parent company of AEV, and certain associates have service contracts with either AEV or AboitizPower (parent companies) for corporate center services rendered, such as human resources, internal audit, legal, treasury and corporate finance, among others. These services are obtained from AEV and AboitizPower to enable the Group to realize cost synergies. The parent companies maintain a pool of highly qualified professionals with business expertise specific to the businesses of the Group. Transactions are priced on an arm's length basis, and covered with service level agreements to ensure quality of service.

ACO and certain associates are leasing office spaces from CPDC, a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of one (1) year.

Power generation subsidiaries sell to certain power associates based on their respective power supply agreements. Meanwhile, power distribution subsidiaries purchase from certain generation associates based on existing power purchase agreements.

A wholly-owned construction and steel fabrication subsidiary of ACO renders its services to the Group for the construction of new power plants and residential units.

The Group has cash deposits and money market placements with UnionBank and CitySavings, AEV's banking associates. These are earning interest at prevailing market rates.

AEV extends temporary cash advances to certain subsidiaries for working capital requirements. These advances bear interest at prevailing market rates.

The Company's retirement benefit fund (the "Fund") is in the form of a trust being maintained and managed by ACO. The Fund has investments in the equities of the Company and one of its subsidiaries.

The above related party transactions are discussed extensively in Note 34 of Company's 2017 consolidated financial statements.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AEV employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are determined and brought to the attention of management.

(6) Parent Company

The parent and the ultimate parent of the company is Aboitiz & Company, Inc. (ACO). As of March 28, 2018, ACO owns 48.56% of the voting shares of AEV.

(b) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No director has resigned nor declined to stand for re-election to the Board since the date of AEV's last Annual Stockholders' Meeting because of a disagreement with AEV on matters relating to its operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

(a) Summary of Compensation of Executive Officers

Information as to the aggregate compensation paid or accrued to AEV's Chief Executive Officer and four (4) most highly compensated executive officers, as well as other directors and officers during the last two (2) completed fiscal years and the ensuing fiscal year are as follows:

Name of Officer and Principal Position	Year	Salary	Bonus	Other Compensation
CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS				
1. ERRAMON I. ABOITIZ - President and Chief Executive Officer				
2. XAVIER JOSE ABOITIZ - Senior Vice President and Chief Human Resources Officer				
3. ROBERT MCGREGOR - Senior Vice President and Chief Strategy and Investment Officer				
4. LUIS MIGUEL O. ABOITIZ - Senior Vice President				
5. SUSAN V. VALDEZ - Senior Vice President and Chief Corporate Services Officer				
All above named officers as a group	Actual 2017	₱136,623,646.00	₱13,336,441.00	₱12,340,509.00
	Actual 2016	₱125,975,000.00	₱11,945,000.00	₱11,259,050.00
	Projected 2018	₱150,286,011.00	₱14,670,085.00	₱13,574,560.00
All other directors and officers as a group unnamed	Actual 2017	₱127,927,219.00	₱16,520,604.00	₱51,474,185.00
	Actual 2016	₱86,683,908.00	₱9,403,918.00	₱52,045,653.00
	Projected 2018	₱140,719,941.00	₱18,172,664.00	₱56,621,603.00

The 2014 Amended By-Laws of the Company as approved by the SEC on May 15, 2014 defined corporate officers as follows: the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, Chief Operating Officer(s), the Treasurer, the Corporate Secretary, the Assistant Corporate Secretary, and such other officers as may be appointed by the Board of Directors. For the year 2017, the Company's Summary of Executive Compensation covers the compensation of officers as reported under Item 5 (a)(1) of this Information Statement.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from the Company, the above-mentioned officers do not receive any other compensation in the form of warrants, options, and/or profit-sharing.

There is no compensatory plan or arrangement between the Company and any executive in case of resignation or any other termination of employment or from a change-in-control of the Company.

(b) Compensation of Directors

(1) Standard Arrangements

Prior to the 2015 Annual Stockholders’ Meeting, all of AEV’s directors received a monthly allowance of ₱100,000.00, except for the Chairman of the Board who received a monthly allowance of ₱150,000.00. On May 18, 2015, the stockholders approved an increase in the directors’ monthly allowance to ₱120,000.00 for the members of the Board, and ₱180,000.00 for the Chairman of the Board.

In addition, each director and the Chairmen of the Board and the Board Committees received a per diem for every Board or Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱100,000.00	₱150,000.00

Type of Meeting	Committee Members	Chairman of the Committee
Committee Meeting	₱80,000.00	₱100,000.00

(2) Other Arrangements

Other than payment of the directors’ per diem and monthly allowance as stated, there are no standard arrangements pursuant to which directors of the Company are compensated or are to be compensated, directly or indirectly, for any services provided as a director.

(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no compensatory plan or arrangement between AEV and any executive officer that results or will result from the resignation or any other termination of employment or from a change in the management control of AEV.

(d) Warrants and Options Outstanding

To date, AEV has not granted any stock option to its directors or officers.

Item 7. Independent Public Accountant

The accounting firm of SyCip Gorres Velayo & Co. (SGV) has been AEV’s Independent Public Accountant for the last 24 years. Ms. Ma. Veronica Andresa R. Pore is AEV’s current audit partner, and has served as such starting 2017. AEV complies with the requirements of Section 3(b) (ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period.

Representatives of SGV will be present during the Annual Stockholders’ Meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions, if needed.

There was no event in the past 24 years where AEV and SGV (or the handling partner) had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Item 8. Compensation Plans

No action is to be taken during the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken during the Annual Stockholders' Meeting with respect to authorization or issuance of any securities other than for exchange of outstanding securities.

Recent Issuance of Registered Debt Securities

(a) Ten Billion Fixed Rate Retail Bonds Issued in November 2013

On September 26, 2013, the Board of Directors of AEV approved the issuance of fixed-rate retail bonds up to the aggregate amount of ₱10 bn with tenors of seven (7) and ten (10) years (the "2013 Bonds"). AEV appointed First Metro Investment Corporation (FMIC) as Issue Manager and Lead Underwriter, Metropolitan Bank and Trust Company (MBTC) - Trust Banking Group as the Trustee, China Banking Corporation as Co-Manager and Philippine Depository & Trust Corporation (PDTC) as the Registry and Paying Agent for the transaction. The bonds received the highest possible rating of PRS "Aaa" from Philippine Rating Services Corporation (PhilRatings).

SEC issued the Order of Registration and a Certificate of Permit to Sell Securities on November 11, 2013, and were offered to the public on the same day until November 15, 2013. The 2013 Bonds were issued in two series, the seven-year bonds with a fixed interest rate of 4.4125% per annum, and the ten-year bonds with a fixed interest rate of 4.6188% per annum. Interest is paid quarterly in arrears every May 21, August 21, November 21, and February 21 of each year for each subsequent interest payment date at which the bonds are outstanding. Of the aggregate amount of ₱10 bn, ₱8 bn were subsequently listed with the Philippine Dealing & Exchange Corporation (PDEX) on November 21, 2013.

The Company has the option, but not the obligation, to redeem in whole any series of the outstanding bonds, on the following dates or the immediately succeeding banking day if such date is not a banking day: (i) for the seven (7)-year bonds on the fifth year and one quarter, and on the sixth year from the issue date; and (ii) for the ten (10)-year bonds on the seventh year, on the eighth year, and on the ninth year from the issue date.

AEV has been paying interest to its bond holders since February 21, 2014.

(b) Twenty Five Billion Fixed Rate Retail Bonds Issued in July 2015

On March 26, 2015, AEV's Board of Directors approved the issuance of fixed-rate retail bonds in the aggregate amount of up to ₱25 bn, inclusive of oversubscription (the "2015 Bonds"). SEC issued the Order of Registration and Certificate of Permit to Offer Securities for Sale on July 27, 2015. The 2015 Bonds were then offered to the public on July 28, 2015 until July 31, 2015.

The first tranche, equivalent to ₱24, bn was issued in 2015 in three series, as follows:

Series	Maturity Date	Interest Rate Per Annum
Series A	Five Years and Three Months	4.4722%
Series B	Seven Years	5.0056%
Series C	Twelve Years	6.0169%

Same as the 2013 Bonds, PhilRatings gave the bonds the highest possible rating of "PRS Aaa". AEV engaged BPI Capital Corporation (BPI Capital) as the Issue Manager, BPI Asset Management and Trust Group as the Trustee, and PDTC as the Registrar of the Bonds. BPI Capital and FMIC are the Joint Lead Underwriters for the transaction. BDO Capital and Investment Corporation, China Banking Corporation and Development Bank of the Philippines are the

Co-Lead Underwriters, while Land Bank of the Philippines, RCBC Capital Corporation and United Coconut Planters Bank were also appointed as Participating Underwriters.

The bonds were listed with PDEX on August 5, 2015 for secondary market trading.

Interest on the bonds is paid quarterly in arrears every August 6, November 6, February 6, and May 6 of each year for each subsequent interest payment date at which the bonds are outstanding. AEV has been paying interest to its bond holders since November 6, 2015.

Use of Proceeds

AEV received the aggregate [net] proceeds of ₱8 bn from the offer and sale of 2013 bonds and ₱24 bn from the offer and sale of 2015 bonds. The proceeds of these bond issuances were fully utilized as of December 31, 2016. The breakdown of the use of proceeds is set out below:

₱8 bn Retail Bonds (2013)

	Projected Usage (Per Prospectus)	Actual Usage
AboitizLand - JV with Ayala Land, Inc.	₱1,499,600,000.00	₱1,350,000,000.00
AboitizLand - Additional landbank purchases	500,000,000.00	590,000,000.00
AboitizLand - Purchase of Lima Land Shares	1,545,500,000.00	1,546,000,000.00
AboitizLand - Purchase of Lima Land Shares	-	985,000,000.00
Sub-total	3,545,100,000.00	4,471,000,000.00
Payment of Existing Short-term Debt to Finance:		
Capital Infusion into AEV Aviation	500,000,000.00	500,000,000.00
Purchase of UnionBank shares in 2012	1,030,000,000.00	1,030,000,000.00
Purchase of UnionBank shares in 2013	1,768,000,000.00	1,768,000,000.00
Sub-total	3,298,000,000.00	3,298,000,000.00
Aseagas - Liquid Bio Methane Project	622,437,041.00	295,472,520.00
Bond Issuance Costs	79,603,125.00	86,113,658.00
Warchest	454,859,834.00	-
TOTAL	₱8,000,000,000.00	₱8,150,586,178.00

₱24 bn Retail Bonds (2015)

	Projected Usage (Per Prospectus)	Actual Usage*
Capital Infusion into Aboitiz Land, Inc.	₱9,892,000,000.00	₱10,000,000.00
Capital Infusion into Apo Agua Infraestructura, Inc.	2,055,000,000.00	14,000.00
Capital Infusion into Aseagas Corporation	311,000,000.00	222,500,000.00
Capital Infusion into PETNET, Inc.	765,000,000.00	125,000,000.00
Full repayment of existing long-term debt to fund purchase of UBP shares in 2010 & 2011	1,188,000,000.00	1,188,000,000.00
Bond Issuance Costs	214,076,625.00	219,925,521.28
Acquisition of a stake in the Philippine business of Lafarge S.A.	9,574,923,375.00	22,234,560,478.72
TOTAL	₱24,000,000,000.00	₱24,000,000,000.00

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

Item 10. Modification or Exchange of Securities

No action is to be taken during the Annual Stockholders' Meeting with respect to modification of any class of securities of AEV, or the issuance or authorization for issuance of one class of securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

No action is to be taken during the Annual Stockholders' Meeting with respect to any matter specified in Items 9 or 10.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken during the Annual Stockholders' Meeting with respect to any transaction involving: (i) merger or consolidation into or with any other person or of any other person into or with AEV; (ii) acquisition by AEV or any of its security holders of securities of another person; (iii) acquisition of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial part of the assets of AEV; or (v) liquidation or dissolution of AEV.

Item 13. Acquisition or Disposition of Property

No action is to be taken during the Annual Stockholders' Meeting with respect to acquisition or disposition of any property of AEV.

Item 14. Restatement of Accounts

No action is to be taken during the Annual Stockholders' Meeting with respect to restatement of any asset, capital or surplus account of AEV.

D. OTHER MATTERS**Item 15. Action with Respect to Reports**

- (a) Approval of the Minutes of the 2017 Annual Meeting of Stockholders dated May 15, 2017 (A summary of the Minutes is attached as Annex "C");
- (b) Approval of the 2017 Annual Report of Management and Financial Statements of the Company; and
- (c) General ratification of the acts of the Board and the Management from the date of the last Annual Stockholders' Meeting up to May 21, 2018. These acts are covered by resolutions of the Board of Directors duly adopted during the normal course of trade or business of the Company.

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter that does not require the submission to a vote of security holders.

Ratification of the acts of the Board of Directors, corporate officers, and management in 2017 up to May 21, 2018 refers only to acts done in the ordinary course of business and operations of AEV, which have been duly disclosed to the SEC, the PSE, and the PDEX as may be required in accordance with the applicable laws. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure, undertaken at every annual stockholders' meeting of AEV.

Below is a summary of board resolutions approved during the period May 15, 2017 to March 22, 2018:

Regular Board Meeting, May 15, 2017

- (a) Authority of the Company to Participate in the Pre-qualification and Bidding Process for the Airport Development and Operations and Maintenance Project;
 - (i) General Authority to Participate in the Bidding Process for the Operations and Maintenance of the Unbundled Regional Airports Development Project as a Consortium Member, together with Aboitiz InfraCapital, Inc.;
- (b) Creation of Position of Data Privacy Office and Appointment of Mr. Horacio C. Elicano as the Data Privacy Officer;
- (c) Appointment of Officers Authorized to Transact with the Philippine Depository & Trust Corporation;
- (d) Renewal of the Appointment of Authorized Representatives to Attend and Represent the Company during the Annual or Special Stockholders' Meeting of its Investee Companies;
- (e) Renewal of the Authority to Enter into Non-Disclosure Agreements, Letters of Instruction, Memoranda of Agreement and Other Preliminary Agreements Involving Potential Acquisitions or Transactions and Appointment of Authorized Representatives;
- (f) Renewal of the Authority to Purchase, Sell, or Deal in Any Manner Any of its Motor Vehicles and to Appoint Representatives of the Company;
- (g) Authority of the Company to Enter into Transactions with BDO Rental, Inc. and to Allow its Subsidiaries as Co-users of the Company's Credit Facilities with BDO Rental, Inc.; and
- (h) Incorporation of Weather Solutions, Inc.

Regular Board Meeting, July 27, 2017

- (a) Authority of the Company to Infuse Additional Equity into AEV International Pte. Ltd.;
- (b) Authority of the Company to Update its Authorized Representative for its Transactions with the Land Transportation Authority; and
- (c) Updating of Authorized Representatives of the Company to File Reports to the PSE, PDEX, and SEC.

Regular Board Meeting, September 28, 2017

- (a) Authority of the Company to Update its Authorized Signatories and Close its Account with Various Banks;
- (b) Authority of the Company to Infuse Additional Equity into Aboitiz Land, Inc.;
- (c) Authority of the Company to Authorize Mr. Horacio C. Elicano to Sign Contracts Related to Information Technology Transactions;
- (d) Updating of Authorized Signatories for the Company's Subscriptions with Utility Providers;
- (e) Authority to Sign Security and Security-Related Contracts for the Company's Corporate Offices; and
- (f) Authority of the Company to Renew its Credit Line with Hospitals.

Regular Board Meeting, November 23, 2017

- (a) Authority of the Company to Apply for Accreditation as a Continuing Professional Development Provider for Certified Public Accountants and to Appoint Mr. Bethuel Tanupan as the Company's CPD Director.

Regular Board Meeting, January 30, 2018

- (a) Authority of the Company to Re-activate and Thereafter Close and Terminate the Company's Various Bank Accounts;
- (b) Authority of the Company to Revoke Mr. William Paradies' Authority to Sign for the Company's Various Bank accounts;
- (c) Authority to Appoint Ms. Veronica So as Authorized Signatory for all the Accounts and Credit Facilities, Investments for the Company's Various Bank Accounts;
- (d) Authority of the Company to Infuse Additional Equity into its Subsidiaries;
- (e) Change of Officers:
 - (i) Resignation of Ms. M. Jasmine S. Oporto as Corporate Secretary effective March 1, 2018 and Appointment of Mr. Manuel Alberto R. Colayco as her Replacement; and

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- (ii) Resignation of Ms. M. Jasmine S. Oporto as Chief Compliance Officer effective March 1, 2018 and Appointment of Mr. Manuel Alberto R. Colayco as her Replacement.
 - (f) Change of Retirement Fund Trustees;
 - (g) Updating of Authorized Signatories to File Reports with the PSE, PDEx, and SEC; and
 - (h) Authority to Sign the Share Purchase Agreement for the Sale of the 51% Stake Owned by the Company in PETNET, Inc. to City Savings Bank, Inc. and Union Properties, Inc.

Special Board Meeting, March 8, 2018

- (a) Approval of the 2017 Audited Financial Statements;
- (b) Approval of the Agenda, Venue, and Record Date of the Stockholders Entitled to Vote for the 2018 Annual Stockholders' Meeting;
- (c) Appointment of Luis Cañete and Company as the Board of Election Inspector for the 2018 Annual Stockholders' Meeting;
- (d) Endorsement of SyCip Gorres Velayo & Co. as the Company's External Auditor for 2018;
- (g) Amendment of the Company's By-Laws to Change the Date of the Annual Stockholders Meeting and to Clarify the Venue of its Annual Stockholders' Meetings;
- (f) Authority to Reverse a Portion of the Company's Retained Earnings Appropriated for the Funding of Additional Capital Infusions to its Subsidiaries;
- (g) Authority of the Company to appropriate a Portion of the Company's Retained Earnings for Planned Capital Infusion to Subsidiaries; and
- (h) Authority of the Company to Lend to its Subsidiary by way of Shareholder Advances.

Regular Board Meeting, March 22, 2018

- (a) Authority of the Company to Re-activate and Update its Existing Signatories for the Accounts Maintained with BDO Unibank, Inc. – MC Home Depot Branch;
- (b) Authority of the Company to Transact with Sumitomo Mitsui Banking Corporation – Manila Branch; and
- (c) Approval of the Proposed Reorganization of the Company's Corporate Structure, and the Delegation to the President and Chief Executive Officer to Approve and Implement the Final Reorganizational Plan, as well as to Determine its Effectivity Date.

Item 17. Amendment of Charter, By-Laws or Other Documents

No action requiring stockholders' approval is to be taken in respect to the amendment of the Company's Charter, By-Laws or other documents.

During the Annual Stockholders' Meeting, the Company will update its stockholders on the amendment of the Company's By-Laws to move the date of the Annual Stockholders' Meetings from the third Monday of May of every year to the fourth Monday of April of every year, and to clarify the venue of the Company's Annual Stockholders' Meetings.

Pursuant to the Board's delegated power under Article VII of the Amended By-Laws to amend, repeal, or alter in whole or in part, the Company's By-Laws, or adopt new By-Laws, the Board of Directors, in its Special Board Meeting held on March 8, 2018, approved the amendment of the Company's By-Laws to change the Company's Annual Stockholders' Meetings date from the third Monday of May of every year to the fourth Monday of April of every year, and to clarify that the venue of the Annual Stockholders' Meetings may be at any city or municipality in Metro Manila in accordance with Section 51 of the Corporation Code.

The change in the Annual Stockholders' Meetings date will ensure that the Company's financial reports and information statements are published within the first quarter following the end of the previous fiscal year, in accordance with best corporate governance practices.

Item 18. Other Proposed Actions

- (a) *Approval of the 2017 Annual Report and Financial Statements.* The proposal is intended to present to the stockholders the results of the Company's operations in 2017, in accordance with Section 75 of the Corporation Code.

The Company's audited financial statements as of December 31, 2017 will be integrated and made part of the Company's 2017 Definitive Information Statement (the "2017 Information Statement"). The Information Statement is distributed to the stockholders of the Company at least fifteen (15) days prior to the Annual Stockholders' Meeting, and the same will be posted at the Company's website at www.aboitiz.com.

A resolution approving the 2017 Annual Report and Audited Financial Statements shall be presented to the stockholders for approval.

- (b) *Appointment of the Company's External Auditor for 2018.* The proposal is intended to allow AEV to appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors have endorsed SGV as the external auditor for 2018 for the shareholders to appoint.

The profile of the external auditor is disclosed in the 2017 Preliminary and Definitive Information Statements and in the Company's website.

A resolution for the appointment of the Company's external auditor for 2018 shall be presented to the stockholders for approval.

- (c) *Ratification of Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2017 up to May 21, 2018.* The proposal is intended to allow the stockholders to ratify the acts of the Board of Directors and Officers of the Company as a matter of procedure or policy.

The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board of Directors, corporate officers, and management in the ordinary course of business. The board resolutions are enumerated in the 2017 Information Statement. The Company also regularly discloses material transactions approved by the Board. These disclosures are available for viewing and can be downloaded at the Company's website at www.aboitiz.com.

A resolution to ratify the acts, resolutions, and proceedings of the Board of Directors, corporate officers, and management in 2017 up to the date of the Annual Stockholders' Meeting shall be presented to the stockholders for approval.

Item 19. Voting Procedures

- (a) **Votes Required for Matters Submitted to Stockholders for Approval and Election of Directors**

Section 4, Article I of the Amended By-Laws of AEV states that a quorum for any meeting of stockholders shall consist of the majority of the outstanding capital stock of AEV. Majority of such quorum shall decide on any question in the meeting, except those matters in which the Corporation Code requires a greater proportion of affirmative votes.

Regarding the election of members of the Board, nominees who receive the highest number of votes shall be declared elected, pursuant to Section 24 of the Corporation Code.

For other matters submitted to the stockholders for approval a vote by a majority of the shares entitled to vote present or represented during the meeting shall be necessary to approve the proposed actions.

(b) The Method by which the Votes will be Counted

In the election of directors, the nine (9) nominees with the most number of votes shall be declared elected. If the number of nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be voted in favor of the nominees. If there is an objection to the motion to elect all the nominees, voting will be done by ballots.

In the election of directors, the stockholder may choose to do any of the following:

- (i) Vote such number of shares for as many person(s) as there are directors to be elected;
- (ii) Cumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares; or
- (iii) Distribute his shares on the same principle as option (ii) among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The method of counting the votes shall be in accordance with the general provisions of the Corporation Code. The counting of votes shall be done by the representatives of the Office of the Corporate Secretary, who shall serve as members of the Election Committee. The voting shall be witnessed and the results verified by a duly appointed Independent Board of Election Inspectors, Luis Cañete & Company, an accounting firm.

Other than the nominees' election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise, in any way of the matters to be taken up during the meeting. AEV has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the Annual Stockholders' Meeting.

This Information Statement in SEC Form 20-IS is given free of charge to the stockholders prior to the Annual Stockholders' Meeting of the Company. AEV stockholders may likewise request for a copy of the Annual Report in SEC Form 17-A which will be given free of charge upon written request. Please write to:

Investor Relations Office
Aboitiz Equity Ventures, Inc.
NAC Tower, 32nd Street
Bonifacio Global City
Taguig City, Metro Manila
1634 Philippines
email: aev_investor@aboitiz.com

Attention: Mr. Francisco Victor "Judd" G. Salas

This Information Statement and the Annual Report in SEC Form 17-A are also posted at AEV's website: www.aboitiz.com.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on **APR 06 2018**

ABOITIZ EQUITY VENTURES, INC.

By:



MANUEL ALBERTO R. COLAYCO
Corporate Secretary *RA*

DEFINITION OF TERMS

Aboitiz Foundation	Aboitiz Foundation, Inc.
Aboitiz Group	ACO and the companies or entities in which ACO has beneficial interest and over which ACO, directly or indirectly, exercises management control, including, without limitation, AEV, AboitizPower, AboitizLand, Pilmico, Aboitiz InfraCapital and their respective Subsidiaries and Affiliates
Aboitiz InfraCapital	Aboitiz InfraCapital, Inc. (formerly: AEV Infracapital, Inc.)
AboitizLand	Aboitiz Land, Inc.
AboitizPower or AP	Aboitiz Power Corporation
AboitizPower Group	Aboitiz Power Corporation and its Subsidiaries
AboitizPower International	AboitizPower International Pte. Ltd.
Abojob Group	Refers to Aboitiz Jepsen Company, Inc., Aboitiz Jepsen Manpower Solutions, Inc., and Jepsen Maritime, Inc.
Abovant	Abovant Holdings, Inc.
ACI	Aboitiz Construction, Inc. (formerly Aboitiz Construction Group, Inc.)
ACO	Aboitiz & Company, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV, the Company, the Issuer or the Registrant	Aboitiz Equity Ventures, Inc.
AEV Av	AEV Aviation, Inc. (formerly Davco Holdings, Inc.; Spin Realty Corporation)
AEV CRH	AEV CRH Holdings, Inc.
AEV Group or the Group	AEV and its Subsidiaries
AEV International	AEV International Pte. Ltd.
Affiliate	With respect to any Person, any other Person directly or indirectly Controlled or is under common Control by such Person
Ambuklao-Binga Hydroelectric Power Complex	Refers to SN Aboitiz Power-Benguet's 105-MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet
AMLA	Anti-Money Laundering Act
AP Solar	AP Solar Tiwi, Inc.
APA	Asset Purchase Agreement
APDS	Automatic Payroll Deduction System
Apo Agua	Apo Agua Infraestructura, Inc.
APRI	AP Renewables Inc.
APX 1	Aboitiz Power Distributed Energy, Inc.
APX 2	Aboitiz Power Distributed Renewables, Inc.

Archipelago Insurance	Archipelago Insurance Pte. Ltd.
ARI	Aboitiz Renewables, Inc. (formerly Philippine Hydropower Corporation)
ARR	Annual Revenue Requirement
AS	Ancillary Services
Aseagas	Aseagas Corporation
ASPA	Ancillary Services Procurement Agreement
Associate	Refers to an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies
ATM	Automated Teller Machine
ATSC	Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc.)
Bakun AC Plant	Refers to the 70-MW Bakun AC run-of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur
BCQ	Bilateral Contract Quantity
BEZ	Balamban Enerzone Corporation
BIR	Bureau of Internal Revenue
BOC	Bureau of Customs
BOI	The Philippine Board of Investments
BOT	Build-Operate-Transfer
BPO	Business Process Outsourcing
Brownfield	Refers to power generation projects that are developed on sites which had previous developments
BSP	Bangko Sentral ng Pilipinas
Bunker C	Refers to the thickest of the residual fuels that is produced by blending any oil remaining at the end of the oil refining process with a lighter oil
Business Unit	A Subsidiary or an Affiliate of AEV
BWSI	Balibago Waterworks System, Inc.
CA	Court of Appeals
CASA	Current Account/Savings Account
CBA	Collective Bargaining Agreement
CBAA	Central Board of Assessment Appeals
Cebu Energy	Cebu Energy Development Corporation
CG Report	Refers to the Company's Corporate Governance Report
CIPDI	Cebu Industrial Park Developers, Inc.
CitySavings or CSB	City Savings Bank, Inc.
Cleanergy	Cleanergy, Inc. (formerly Northern Mini-Hydro Corporation)

Coal Group	Composed of the following Business Units: Therma Luzon, Inc., Therma South, Inc., Therma Visayas, Inc., GNPower Mariveles Coal Plant Ltd. Co., GNPower Dinginin Ltd. Co., Pagbilao Energy Corporation, Redondo Peninsula Energy, Inc., STEAG State Power, Inc., and Cebu Energy Development Corporation, which own and/or operate coal-fired power plants
COC	Certificate of Compliance
Code	Refers to the Company's Code of Ethics and Business Conduct
Contestable Customer	Refers to an electricity end-user who has a choice of a supplier of electricity, as may be determined by the ERC in accordance with Republic Act 9136 or the EPIRA
Contestable Market	Refers to the electricity end-users who have a choice of a supplier of electricity, as may be determined by the ERC in accordance with Sec. 4(h) of the EPIRA
Control	A term which refers to possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over 50% of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person; "Controlling" and "Controlled" have corresponding meanings
Corporation Code	Corporation Code of the Philippines
Cotabato Light	Cotabato Light & Power Company
CPDC	Cebu Praedia Development Corporation
CPDEI	Cebu District Property Enterprise, Inc.
CPPC	Cebu Private Power Corporation
CRH Aboitiz	CRH Aboitiz Holdings, Inc.
CSEE	Contract for the Supply of Electric Energy
CTA	Court of Tax Appeals
DAU	Declaration of Actual Use
Davao Light	Davao Light & Power Company, Inc.
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DOE	Department of Energy
DOLE	Department of Labor and Employment
DOTr	Department of Transportation

Distribution Companies or Distribution Utilities	Refers to the companies within the AboitizPower Group engaged in Power Distribution, such as BEZ, Cotabato Light, Davao Light, LEZ, MEZ, SEZ, SFELAPCO and VECO. "Distribution Company" or "Distribution Utility" may refer to any one of the foregoing companies.
EAUC	East Asia Utilities Corporation
ECC	Environmental Compliance Certificate
Enerzone Companies	A term collectively referring to BEZ, LEZ, MEZ and SEZ and other Distribution Utilities of the AboitizPower Group operating within special economic zones
EPC	Engineering, Procurement, and Construction
EPIRA	RA 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," as amended from time to time, and including the rules and regulations issued thereunder
EPPA	Electric Power Purchase Agreement
ERC	Energy Regulatory Commission
Filagri	Filagri, Inc.
Filagri Holdings	Filagri Holdings, Inc.
FIT	Feed-in-Tariff
FIT-All	Feed-in-Tariff Allowance
Food Group	A term collectively referring to Pilmico, PANC, Filagri, Pilmico International, Pilmico Vietnam Trading and PVF; the Company's Business Units engaged in the food business
GCGI	Green Core Geothermal Incorporated
Generation Companies	Refers to the companies within the AboitizPower Group engaged in Power Generation; "Generation Companies" may refer to any one of these companies.
Global Formosa	Global Formosa Power Holdings, Inc.
Global Power	Global Business Power Corporation of the Metrobank Group
GNPower Mariveles or GMCP	GNPower Mariveles Coal Plant Ltd. Co.
GNPower Dinginin or GNPD	GNPower Dinginin Ltd. Co.
Government	The Government of the Republic of the Philippines
Greenfield	Refers to power generation projects that are developed from inception on previously undeveloped sites
GRES	Geothermal Renewable Energy Service Contracts

Grid	As defined in the Implementing Rules and Regulations of the EPIRA, it is the high voltage backbone system of interconnected transmission lines, substations and related facilities located in each of Luzon, Visayas, and Mindanao or as may be otherwise determined by the ERC in accordance with Section 45 of the EPIRA
GSIS	Government Service Insurance System
Guidelines	AEV's Amended Guidelines for the Nomination and Election of Independent Directors
GWh	Gigawatt-hour, or 1,000,000 kilowatt-hours
Hedcor	Hedcor, Inc.
Hedcor Sabangan	Hedcor Sabangan, Inc
Hedcor Sibulan	Hedcor Sibulan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
Hijos	Hijos de F. Escañó, Inc.
ILP	Interruptible Load Program
IMEM	Interim Mindanao Electricity Market
IPPA	Independent Power Producer Administrator
IPO	Initial Public Offering
ISMS	Information Security Management System
Joint Venture	Refers to a type of joint agreement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually-agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require anonymous consent of the parties sharing control
JVACC	J.V. Angeles Construction Company
kV	Kilovolt, or 1,000 volts
kW	Kilowatt, or 1,000watts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing 1,000 watts in one hour
Land Group	A term collectively referring to AboitizLand and the Company's Business Units engaged in the real estate
LBAA	Local Board of Assessment Appeals
LEZ	Lima Enerzone Corporation (formerly Lima Utilities Corporation)
LHC	Luzon Hydro Corporation
LimaLand	Lima Land, Inc.
LTC	Lima Technology Center
LWC	Lima Water Corporation
Maaraw San Carlos	Maaraw Holdings San Carlos, Inc.

Magat Plant	Refers to the 360-MW HEPP of SN Aboitiz Power – Magat, located at the border provinces of Isabela and Ifugao
Manual	Refers to the Company's Manual of Corporate Governance
Maris Plant	The 8.5 MW run-of-river Maris Main Canal 1 Hydroelectric Power Plant
Mariveles Project	2x316MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines
MCIAA	Mactan - Cebu International Airport Authority
MEPZ I	Mactan Export Processing Zone I
MEPZ II	Mactan Export Processing Zone II
Meralco	Manila Electric Company
MEZ	Mactan Enerzone Corporation
MOA	Memorandum of Agreement
MORE	Manila-Oslo Renewable Enterprise, Inc.
MW	Megawatt, or one mn watts
MWh	Megawatt-hour
MWP	Megawatt-peak
MVA	Megavolt Ampere
NGCP	National Grid Corporation of the Philippines
NIA	National Irrigation Authority
NPC	National Power Corporation
NPPC	Naga Power Plant Complex, the 55 MW land-based gas turbine power plant located in Colon, Naga City, Cebu
NWRB	National Water Resources Board
NYSE	The New York Stock Exchange
Oil Group	Refers to the following companies: East Asia Utilities Corporation, Cebu Private Power Corporation, Therma Marine, Inc., Therma Mobile, Inc., Southern Philippines Power Corporation, and Western Mindanao Power Corporation, which own and operate Bunker C-fired power plants
Open Access	Retail Competition and Open Access
PA	Provisional Authority
Pagbilao Plant or Pag1 and Pag2	Refers to the 700-MW (2x350 MW) coal-fired thermal power plant located in Pagbilao, Quezon
PANC	Pilmico Animal Nutrition Corporation (formerly Fil-Am Foods, Inc.)
PAN-JSC	Pilmico Animal Nutrition Joint Stock Company
PBI	Pilmico Bioenergy, Inc.
PBR	Performance-Based Rate-Setting Regulation
PCC	Philippine Competition Commission
PCRM	Pricing and Cost Recovery Mechanism
PDEx	Philippine Dealing & Exchange Corp., the fixed-income securities market which provides an electronic trading platform of exchange for fixed-income securities

PDNI	Propiedad del Norte, Inc.
PDTC	Philippine Depository and Trust Corporation
PEC	Pagbilao Energy Corporation
PEMC	Philippine Electricity Market Corporation
Person	Means an individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof
PETNET	PETNET, Inc.
PEZA	Philippine Economic Zone Authority
Philippine Pesos or ₱	The lawful currency of the Republic of the Philippines
PhilRatings	Philippine Rating Services Corporation
Pilmico	Pilmico Foods Corporation
Pilmico International	Pilmico International Pte. Ltd.
Pilmico Vietnam Trading	Pilmico Viet Nam Trading Company Ltd.
PIPPA	Philippine Independent Power Producers Association, Inc.
PPA	Power Purchase Agreement
PPP	Public-Private Partnership
Prism Energy	Prism Energy, Inc.
PSA	Power Supply Agreement
PSALM	Power Sector Assets and Liabilities Management Corporation
PSC	Power Supply Contract
PSE	The Philippine Stock Exchange, Inc.
PSPA	Power Supply and Purchase Agreement
PVF	Pilmico Vietnam Feeds Joint Stock Company
QMS	Quality Management System
RA	Republic Act
RCBM	Republic Cement and Building Materials, Inc.
RCII	Republic Cement Iligan, Inc.
RCLR	Republic Cement Land & Resources, Inc.
RCMI	Republic Cement Mindanao, Inc.
RCSI	Republic Cement Services (Philippines), Inc.
REM	Retail Electricity Market
Renewable Energy Act or RE Law	RA 9513, otherwise known as the Renewable Energy Act of 2008
REPA	Renewable Energy Payment Agreement
RES	Retail Electricity Supplier
RESA	Retail Electricity Suppliers Association of the Philippines, Inc.
RESC	Renewable Energy Service Contracts
RORB	Return-on-Rate base
RP Energy	Redondo Peninsula Energy, Inc.
RPT	Real Property Tax

RSC	Retail Supply Contracts
RTC	Regional Trial Court
Run-of-river hydroelectric plant	Refers to a hydroelectric power plant that generates electricity from the natural flow and elevation drop of a river
RTT	Right-to-Top
Sacasun	San Carlos Sun Power, Inc.
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SC	The Supreme Court of the Philippines
SEC	The Securities and Exchange Commission of the Philippines
SEZ	Subic EnerZone Corporation
SFELAPCO	San Fernando Electric Light and Power Co., Inc.
Sibulan Project	Refers to the two run-of-river hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur
SN Aboitiz Power - Benguet	SN Aboitiz Power - Benguet, Inc. (formerly SN Aboitiz Power Hydro, Inc.)
SN Aboitiz Power Group	Refers to the group of companies formed out of the strategic partnership between AboitizPower and SN Power, and refers to MORE and its Subsidiaries, including, SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Gen, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Magat, Inc.
SN Power	SN Power AS, a consortium between Statkraft AS and Norfund of Norway
SN Power Group	Refers to the group formed by Statkraft AS and Norfund, and is composed of, among others, SN Power AS and Agua Imara AS. It is the leading Norwegian hydropower group with operations in Asia, Africa, and Latin America
SPC	SPC Power Corporation
SPPC	Southern Philippines Power Corporation
SRC	RA 8799 or the Securities Regulation Code of the Philippines
STEAG Power	STEAG State Power Inc.
Subsidiary	In respect of any Person, refers to any entity: (i) who has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect its returns
TCIC	Taiwan Cogeneration International Corporation
TeaM Energy	Team Energy Corporation
Team Philippines	Team Philippines Industrial Power II Corporation

THC	Tsuneishi Heavy Industries (Cebu), Inc.
THI	Tsuneishi Heavy Industries (Cebu), Inc.
Tiwi-MakBan Geothermal Facilities	Refers to the geothermal facilities composed of twelve (12) geothermal plants and one (1) binary plant, located in the provinces of Batangas, Laguna and Albay
TLI	Therma Luzon, Inc.
TMI	Therma Marine, Inc.
TMO	Therma Mobile, Inc.
TPI	Therma Power, Inc.
TPVI	Therma Power - Visayas, Inc.
TransCo	National Transmission Corporation and, as applicable, the National Grid Corporation of the Philippines or NGCP which is the Transco concessionaire
TSA	Transmission Service Agreement
TSI	Therma South, Inc.
TVI	Therma Visayas, Inc. (formerly Vesper Industrial and Development Corporation)
ULGEI	Unified Leyte Geothermal Energy, Inc.

ULGPP	Unified Leyte Geothermal Power Plant
UnionBank or UBP	Union Bank of the Philippines
US\$	The lawful currency of the United States of America
VAT	Value Added Tax
VEC	Vivant Energy Corporation
VECO	Visayan Electric Company, Inc.
VIGC	Vivant Integrated Generation Corporation
Vivant Group	Refers to Vivant Corporation and its subsidiaries
WAM	Work and Asset Management
WCIP	West Cebu Industrial Park, Inc.
WCIP-SEZ	West Cebu Industrial Park-Special Economic Zone
WeatherPhilippines	WeatherPhilippines Foundation, Inc.
WESM	Wholesale Electricity Spot Market
WMPC	Western Mindanao Power Corporation
Western Union	Western Union Company

PART 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

The Registrant, Aboitiz Equity Ventures, Inc. (AEV), is the public holding and management company of the Aboitiz Group, one of the largest conglomerates in the Philippines. Incorporated on September 11, 1989, the Company was originally known as Cebu Pan Asian Holdings, Inc. Its name was changed to Aboitiz Equity Ventures, Inc. on December 29, 1993, and its ownership was opened to the general public through an Initial Public Offering (IPO) of its common shares in 1994. Since then, the Company has expanded its portfolio into a wide range of businesses.

As part of its efforts to streamline its operations and focus on its core businesses of power, banking, food, real estate, and infrastructure, AEV completed the divestment of its interests in the shipping and shipping-related businesses by disposing of all its investments in Aboitiz Jebsen Company, Inc., Aboitiz Jebsen Manpower Solutions, Inc., and Jebsen Maritime, Inc. (collectively the “Abojob Group”) to PTC Holdings Corporation, Behike Holdings, Inc., Valdicava Holdings, Inc., Jebsen Invest A.S., and Furunes Holdings, Inc in 2012. The total purchase price of AEV’s interests in the Abojob Group is equivalent to US\$8.3 mn.

In 2013, AEV transferred its corporate headquarters from Cebu to Metro Manila. The transfer, including the corresponding amendment to the Company’s corporate documents, was approved by the stockholders during the May 20, 2013 Annual Stockholders’ Meeting. AEV’s current principal office address is at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila. AEV and its Subsidiaries still maintain administrative and liaison offices in Cebu.

On November 8, 2013, the Securities and Exchange Commission (SEC) approved AEV’s application for the issuance of fixed-rate corporate retail bonds (the “2013 Bonds”) with an aggregate principal amount of up to ₱10 bn. The 2013 Bonds, which received the highest possible rating of “PRS Aaa” rating from the Philippine Rating Services Corporation (PhilRatings), were issued simultaneously in two (2) series, the seven (7)-year bonds with a fixed-interest rate of 4.4125% per annum, and the ten (10)-year bonds with a fixed-interest rate of 4.6188% per annum. The 2013 Bonds are also listed with the Philippine Dealing & Exchange Corporation (PDEX), the Philippine fixed-income securities market which provides an electronic trading platform of exchange for fixed- income securities.

On August 28, 2014, the Board of Directors approved the sale of up to 50 mn of AEV’s common shares held in treasury. The shares were sold in tranches at prevailing market prices through the facilities of the PSE. The Board of Directors delegated to management the authority to determine the timing of the sale of treasury shares. The Company also disposed a total of 63,331,000 treasury shares through private placement, thereby increasing the Company’s issued and outstanding shares from 5,565,461,557 to 5,633,792,557 as of March 31, 2017.

On March 26, 2015, AEV’s Board of Directors approved the issuance of fixed-rate retail bonds in the aggregate amount of up to ₱25 bn, inclusive of oversubscription (the “2015 Bonds”). SEC issued the Order of Registration and Certificate of Permit to Offer Securities for Sale for the 2015 Bonds on July 27, 2015, and the same were then offered to the public on July 28, 2015 until July 31, 2015.

The first tranche equivalent to ₱24 bn was issued in three (3) series, as follows:

Series	Maturity Date	Interest Rate Per Annum
Series A	Five Years and Three Months	4.4722%
Series B	Seven Years	5.0056%
Series C	Twelve Years	6.0169%

Same as the 2013 Bonds, PhilRatings gave the 2015 Bonds the highest possible rating of “PRS Aaa” and were also registered with PDEX.

Currently, AEV's core businesses, conducted through its various Subsidiaries and Associates, can be grouped into six (6) main categories: (a) power generation, distribution, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; (e) infrastructure; and (f) portfolio investments (parent company/others).

The Company is continually in the lookout for possible business opportunities that will augment and complement its core businesses.

Power Generation, Distribution, and Retail Electricity Supply

AEV's power Business Unit, Aboitiz Power Corporation (AboitizPower) is a publicly listed holding company that, through its Subsidiaries and Affiliates, is a leader in the Philippine power industry and has interests in a number of privately-owned generation companies and distribution utilities. In July 2007, ownership in AboitizPower was opened to the public through an IPO of its common shares in the Philippine Stock Exchange (PSE). AEV owns 76.88% of the outstanding capital stock of AboitizPower as of March 28, 2018.

The Aboitiz Group's involvement in the power industry began when members of the Aboitiz family acquired 20% ownership interest in Visayan Electric Company, Inc. (VECO) in the early 1900s. The Aboitiz Group's direct and active involvement in the power distribution industry can be traced to the 1930s when Aboitiz & Company, Inc. (ACO) acquired Ormoc Electric Light Company and its accompanying ice plant, Jolo Power Company, and Cotabato Light & Power Company (Cotabato Light). In July 1946, the Aboitiz Group strengthened its position in power distribution in Southern Philippines when it acquired Davao Light & Power Company, Inc. (Davao Light), which is now the third largest privately-owned electric utility in the Philippines in terms of customers and annual gigawatt hour (GWh) sales.

In December 1978, ACO divested its ownership interests in Ormoc Electric Light Company and Jolo Power Company to allow these companies to be converted into electric cooperatives, which was the policy being promoted by former President Ferdinand Marcos. ACO sold these two (2) companies and scaled down its participation in the power distribution business in order to focus on the more lucrative franchises held by Cotabato Light, Davao Light, and VECO.

In response to the Philippines' pressing need for adequate power supply, the Aboitiz Group became involved in power generation, becoming a pioneer and industry leader in hydroelectric energy. In 1978, the Aboitiz Group incorporated Hydro-Electric Development Corporation (HEDC). HEDC carried out feasibility studies (including hydrological and geological studies), hydroelectric power installation and maintenance, and also developed hydroelectric projects in and around Davao City. On June 26, 1990, the Aboitiz Group also incorporated Northern Mini-Hydro Corporation (now Cleanergy, Inc.), which focused on the development of mini-hydroelectric projects in Benguet province in northern Luzon. By 1990, HEDC and Cleanergy had commissioned and were operating fourteen (14) plants with combined installed capacity of 36 MW. In 1996, the Aboitiz Group led the consortium that entered into a Build-Operate-Transfer (BOT) agreement with the National Power Corporation (NPC) to develop and operate the 70-MW Bakun AC hydroelectric plant in Ilocos Sur ("Bakun AC Plant").

AboitizPower was incorporated on February 13, 1998 as a holding company for the Aboitiz Group's investments in power generation and distribution. However, in order to prepare for growth in the power generation industry, AboitizPower was repositioned in the third quarter of 2003 as a holding company that owned power generation assets only. The divestment by AboitizPower of its power distribution assets was achieved through a property dividend declaration in the form of AboitizPower's ownership interests in the different power distribution companies. The property dividend declaration effectively transferred direct control over the Aboitiz Group's power distribution business to AEV. Further, in 2005, AboitizPower consolidated its investments in mini-hydroelectric plants in a single company by transferring all of HEDC's and Cleanergy's mini-hydroelectric assets to Hedcor, Inc. (Hedcor).

In December 2006, AboitizPower and its partner, Statkraft Norfund Power Invest AS of Norway, through SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat), submitted the highest bid for the 360-MW Magat hydroelectric plant ("Magat Plant") auctioned by the Power Sector Assets and Liabilities Management (PSALM) Corporation. The price offered was US\$530 mn. PSALM turned over possession and control of the Magat Plant to SN Aboitiz Power-Magat on April 26, 2007.

In a share swap agreement with AEV on January 20, 2007, AboitizPower issued a total of 2,889,320,292 of its common shares in exchange for AEV's ownership interests in the following Distribution Utilities:

- (a) An effective 55% equity interest in VECO, the second largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales and the largest distribution utility in the Visayas region;
- (b) 100% equity interest in each of Davao Light and Cotabato Light. Davao Light is the third largest privately owned distribution utility in the Philippines in terms of customers and annual GWh sales;
- (c) An effective 64% ownership interest in Subic EnerZone Corporation (SEZ), which manages the Power Distribution System (PDS) of the Subic Bay Metropolitan Authority (SBMA); and
- (d) An effective 44% ownership interest in San Fernando Electric Light and Power Co., Inc. (SFELAPCO), which holds the franchise to distribute electricity in the city of San Fernando, Pampanga, in Central Luzon and its surrounding areas.

In February 2007, AboitizPower, through its wholly-owned Subsidiary, Therma Power, Inc. (TPI), entered into a Memorandum of Agreement (MOA) with Taiwan Cogeneration International Corporation (TCIC) to collaborate in the building and operation of an independent coal-fired power plant in the Subic Bay Freeport Zone, called the Subic Coal Project. In May 2007, Redondo Peninsula Energy, Inc. (RP Energy) was incorporated as the project company that will undertake the Subic Coal Project. In July 2011, Meralco PowerGen Corporation (MPGC), TCIC, and TPI entered into a Shareholders' Agreement to formalize their participation in RP Energy. MPGC took the controlling interest in RP Energy, while TCIC and TPI maintained the remaining stake equally.

On April 20, 2007, AboitizPower acquired 50% of the outstanding capital stock of East Asia Utilities Corporation (EAUC) from El Paso Philippines Energy Company, Inc. (El Paso Philippines). EAUC operates a Bunker C-fired plant with a capacity of 50 MW within the Mactan Export Processing Zone I (MEPZ I) in Mactan Island, Cebu. On the same date, the Company also acquired 60% of the outstanding common shares of Cebu Private Power Corporation (CPPC) from EAUC. CPPC operates a 70-MW Bunker C-fired plant in Cebu City. On June 14, 2016, in line with its target to increase its attributable net sellable capacity to 4,000 MW by 2020, AboitizPower, through TPI, acquired the remaining 50% interest in EAUC from El Paso Philippines.

On June 8, 2007, as part of the reorganization of the power-related assets of the Aboitiz Group, AboitizPower acquired from its Affiliate, Aboitiz Land, Inc. (AboitizLand), a 100% interest in Mactan Enerzone Corporation (MEZ), which owns and operates the Power Distribution System in MEPZ II in Mactan, Cebu, and 60% interest in Balamban Enerzone Corporation (BEZ), which owns and operates the Power Distribution System in West Cebu Industrial Park-Special Economic Zone (WCIP-SEZ) in Balamban, Cebu. AboitizPower also consolidated its ownership interests in SEZ by acquiring the combined 25% interest in SEZ held by AEV, SFELAPCO, Okeelanta Corporation (Okeelanta), and Pampanga Sugar Development Corporation (PASUDECO). These acquisitions were made through a Share Swap Agreement, which involved the issuance of the Company's 170,940,307 common shares issued at the IPO price of ₱5.80 per share in exchange for the foregoing equity interests in MEZ, BEZ, and SEZ.

Ownership in AboitizPower was opened to the public through an IPO of its common shares in July 2007. Its common shares were officially listed in the PSE on July 16, 2007.

In August 2007, AboitizPower, together with Vivant Energy Corporation (VEC), signed a MOA with Global Business Power Corporation (Global Power) of the Metrobank group for the construction and operation of a 3x82-MW coal-fired power plant in Toledo City, Cebu ("Cebu Coal Project"). TPI and Vivant Integrated Generation Corporation (VIGC) thereafter formed Abovant Holdings, Inc. (Abovant) as the investment vehicle of their 44% equity interest in Cebu Energy Development Corporation (Cebu Energy), the project company of the Cebu Coal Project. AboitizPower owns a 60% equity interest in Abovant and effectively holds a 26.4% beneficial interest in Cebu Energy.

On November 15, 2007, AboitizPower closed the purchase of the 34% equity ownership in STEAG State Power Inc. (STEAG Power), owner and operator of a 232-MW coal-fired power plant located in PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. AboitizPower won the competitive bid to buy the 34% equity in STEAG Power from Evonik Steag GmbH (formerly known as Steag GmbH) in August 2007. The total purchase price for the 34% equity in STEAG Power is US\$102 mn, inclusive of interests.

On November 28, 2007, SN Aboitiz Power–Benguet, Inc. (SN Aboitiz Power–Benguet), the consortium between AboitizPower and SN Power AS of Norway, submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Complex, then consisting of the 75-MW Ambuklao hydroelectric power plant (HEPP) located in Bokod, Benguet and the 100-MW Binga HEPP located in Itogon, Benguet. The price offered was US\$325 mn.

In 2007, AboitizPower entered into an agreement to buy the 20% equity of Team Philippines Industrial Power II Corporation (Team Philippines) (formerly: Mirant (Phils.) Industrial Power II Corp.) in SEZ for ₱92 mn. Together with Davao Light's 35% equity in SEZ, this acquisition brought AboitizPower's total equity in SEZ to 100%.

In 2008, AboitizPower bought the 40% equity ownership of Tsuneishi Holdings (Cebu), Inc. (THC) in BEZ for approximately ₱178 mn. The acquisition brought AboitizPower's total equity in BEZ to 100%.

On May 26, 2009, AP Renewables Inc. (APRI), a wholly-owned Subsidiary of AboitizPower, took over the ownership and operations of the 289-MW Tiwi geothermal power facility in Albay and the 458-MW Makiling-Banahaw geothermal power facility in Laguna (collectively referred to as the "Tiwi-MakBan Geothermal Facilities") after winning the competitive bid conducted by PSALM on July 30, 2008. Currently, the Tiwi-MakBan Geothermal Facilities have a sustainable capacity of approximately 693.2 MW.

Therma Luzon, Inc. (TLI), a wholly-owned Subsidiary of AboitizPower, won the competitive bid for the appointment of the Independent Power Producer Administrator (IPPA) of the 700-MW (2x350 MW) contracted capacity of the Pagbilao Coal-Fired Power Plant on August 28, 2009 ("Pagbilao Plant"). It assumed dispatch control of the Pagbilao Plant on October 1, 2009, becoming the first IPPA in the country. As IPPA, TLI is responsible for procuring the fuel requirements of, and for selling the electricity generated by the Pagbilao Plant. The Pagbilao Plant is located in Pagbilao, Quezon.

AboitizPower, through its wholly-owned Subsidiary, Therma Marine, Inc. (TMI), assumed ownership over Mobile 1 and Mobile 2, both barge-mounted diesel-powered generation plants, on February 6, 2010 and March 1, 2010, respectively. TMI acquired these power barges from PSALM for US\$30 mn through a negotiated bid concluded on July 31, 2009. Each of the power barges has a generating capacity of 100 MW. Mobile 1 and Mobile 2 are moored at Barangay San Roque, Maco, Compostela Valley and Nasipit, Agusan del Norte, respectively. Prior to AboitizPower's acquisition of the barges, Mobile 1 was referred to as Power Barge (PB) 118 while Mobile 2 was referred to as PB 117.

On May 27, 2011, Therma Mobile, Inc. (TMO), a wholly-owned Subsidiary of AboitizPower, acquired four barge-mounted floating power plants located at Navotas Fishport, Manila, including their respective operating facilities, from Duracom Mobile Power Corporation and East Asia Diesel Power Corporation. The barge-mounted floating power plants have a total installed capacity of 242 MW. The barges had undergone rehabilitation in July 2011, and started commercial operations on November 12, 2013 at a capacity of 100 MW. The current dependable capacity of 204 MW of the barges was attained and proven in a successful capacity test in April 2015.

To meet the demands of AboitizPower's growing business, it transferred its corporate headquarters from Cebu City to Metro Manila. The transfer to its present principal office address was approved by the stockholders during the May 20, 2013 Annual Stockholders' Meeting, and the amended Articles of Incorporation was approved by the SEC on July 16, 2013. AboitizPower's current principal office address is at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

In 2013, Aboitiz Energy Solutions, Inc. (AESI) won 40 strips of energy corresponding to 40 MW capacity of Unified Leyte Geothermal Power Plant (ULGPP). The notice of award was issued to AESI on January 29, 2014. This allowed AESI to sell 40 MW of geothermal power from ULGPP beginning January 1, 2015.

On March 31, 2014, Therma Power Visayas, Inc. (TPVI) was declared the highest bidder for the privatization of the Naga Power Plant Complex (NPPC) located in Colon, Naga City, Province of Cebu. SPC Power Corporation (SPC), the other bidder, exercised its right-to-top under the Naga Power Plant Land-Based Gas Turbine Land Lease Agreement, and PSALM declared SPC as the winning bidder. Senator Sergio R. Osmeña III filed a petition for certiorari and prohibition to enjoin PSALM from implementing SPC's right-to-top, and to declare the said right-to-top null and void. PSALM, SPC, and TPVI were impleaded as respondents. In its September 28, 2015 Decision, the Supreme Court cancelled the award to SPC on the finding that SPC's right-to-top is void for lack of interest or right to the object over which the right to top is to be exercised. The Supreme Court has denied the motions filed by SPC with finality and issued an Entry of Judgement on January 9, 2017. SPC filed with the Supreme Court a Motion for Leave to File and

Admit Motion for Reconsideration dated December 9, 2016 and a Supplemental Motion/Petition for Release to the *en banc* dated January 16, 2017. These were denied by the Supreme Court in a Resolution dated April 26, 2017.

On May 15, 2014, TPI entered into a Joint Venture Agreement with TPEC Holdings Corporation to form Pagbilao Energy Corporation (PEC). PEC is the project company that owns and operates the 400-MW Pagbilao Unit 3 (“Pag3”), located in the same site as the existing 700-MW Pagbilao Units 1 and 2 coal-fired thermal power plants in Pagbilao, Quezon. PEC started commercial operations in March 2018.

On June 19, 2014, AboitizPower acquired 100% ownership interest in Lima Utilities Corporation, now Lima Enerzone Corporation (LEZ), from Lima Land, Inc. (Lima Land), a wholly-owned Subsidiary of AboitizLand. LEZ is the electricity distribution utility serving the Lima Technology Center (LTC) located in Lipa City, Batangas. LEZ manages a 50-megavolt ampere (MVA) substation with dual power supply system connected through a 69-kilovolt (kV) transmission line of the NPC. The LEZ substation is directly connected to the Grid in Batangas City with an alternate connection to the MakBan geothermal line.

On August 28, 2014, AboitizPower through its Subsidiary, TPI, signed a Shareholders’ Agreement allowing VIGC and the Vivant Group to own no more than 20% of the issued and outstanding shares of Therma Visayas, Inc. (TVI), the project company for the construction of the 2x150 MW circulating fluidized bed (CFB) coal-fired power plant in Barangay Bato, Toledo City, Cebu. Construction of Units 1 and 2 is underway with targeted commercial operations targeted in 2018.

On August 29, 2014, the SEC approved AboitizPower’s application for the issuance of fixed-rate corporate retail bonds with an aggregate principal amount of up to ₱10 bn (the “2014 Bonds”). The 2014 Bonds, which received the highest possible rating of “PRS Aaa” rating from PhilRatings, were issued simultaneously in two series, the seven (7)-year bonds with a fixed-interest rate of 5.205% per annum, and the twelve (12)-year bonds with a fixed-interest rate of 6.10% per annum. The 2014 Bonds are listed with the PDEX.

On August 18, 2015, AboitizPower, through its holding company for renewable assets, Aboitiz Renewables, Inc. (ARI), entered into a Shareholders' Agreement with Sun Edison Philippines Helios BV (Sunedison Philippines) to jointly explore, develop, construct, and operate utility scale solar photovoltaic power generation projects in the Philippines. Their project vehicle, San Carlos Sun Power, Inc. (Sacasan), has undertaken the acquisition, development, and exploration of the 59-Megawatt peak (MWp) solar photovoltaic power generation project in San Carlos City, Negros Occidental. Subsequently, Sunedison, Inc. (SUNE), the parent company of Sunedison Philippines, filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. ARI thereafter filed default notices against Sunedison Philippines on July 15, 2016, and on December 29, 2016, acquired Sacasan’s loan from BDO Unibank, Inc. (BDO). On December 4, 2017, AboitizPower International acquired SunE Solar B.V.’s (SunE Solar) equity interest in Sunedison Philippines, resulting in the divestment by SUNE and its subsidiaries' participation in the Sacasan Project.

On September 18, 2015, TSI declared full commercial operations of the first of its two 150-MW units of the planned 300-MW CFB coal-fired power plants in Davao del Sur. TSI’s Unit 1 delivered contracted power to more than twenty customers consisting of electric cooperatives and distribution utilities all over Mindanao. TSI’s Unit 2 started full commercial operations on February 2, 2016.

In 2015, AboitizPower explored the following potential projects in pursuit of its undertaking to expand its business in Asia: a 127-MW hydropower generation project along the Lariang River in Central Sulawesi, Indonesia, and a 2x55 MW Greenfield geothermal plant in East Java Province, Indonesia. On January 31, 2017, after reviewing its overall capital commitments, AboitizPower decided to exit from the latter project and allow its partner, PT Medco Power Indonesia, to proceed with the project.

On October 3, 2016, TPI was selected as the preferred bidder for the competitive tender process undertaken by certain investment funds affiliated with The Blackstone Group L.P. for the indirect sale of all of their partnership interests in GNPowder Mariveles Coal Plant Ltd. Co. (GNPowder Mariveles or GMCP) and GNPowder Dinginin Ltd. Co. (GNPowder Dinginin or GNPD). On October 4, 2016, the Purchase and Sale Agreements for the acquisition was finalized, and the acquisition was completed on December 27, 2016, Philippine time, upon receipt of the approvals from the Philippine Competition Commission (PCC) and the Philippine Board of Investments (BOI). On August 29, 2017, GMCP signed a Notes Facility Agreement with a consortium of lenders in the amount of up to US\$800 mn. The proceeds of the notes will be used by GMCP to refinance its existing loans and for other general corporate purposes. On December 12, 2017, GNPD achieved financial close for the project financing of the second unit of its

2x668MW super-critical coal fired power plant in Dinginin, Bataan. TPI is also restructuring its share ownership in GNPD and GMCP, through the transfer of direct ownership of GNPD and GMCP from the offshore subsidiaries of TPI to TPI itself, and the eventual dissolution and liquidation of the offshore intermediary subsidiaries that own the GNPD and GMCP shares. As of March 31, 2018, TPI directly owns 66.01% of the partnership interest in GMCP and 50% of the partnership interest in GNPD.

On March 23, 2017, the Board of Directors of AboitizPower approved the issuance of fixed-rate corporate retail bonds in the aggregate amount of up to ₱30 bn ("2017 Bonds"), registered under the shelf registration program of the SEC to be issued in tranches. On May 16, 2017, PhilRatings assigned an issue credit rating of "PRS Aaa" with Stable Outlook for the first tranche of the 2017 Bonds. SEC issued the Order of Registration and Certificate of Permit to Offer Securities for Sale on June 19, 2017. On July 3, 2017, an aggregate amount of ₱3 bn Series "A" Bonds was issued with a fixed interest rate of 5.3367% per annum. The Series "A" Bonds, which will mature on July 3, 2027, were listed with PDEX, allowing for the 2017 bonds to be traded in the secondary market.

On January 15, 2018, Aseagas Corporation (Aseagas), a wholly-owned Subsidiary of AboitizPower, announced that it will permanently cease operations of its 8.8-MW biomass plant in Lian, Batangas ("Aseagas Plant"). Aseagas has earlier suspended its commissioning due to the unavailability of the supply of organic effluent wastewater from its supplier, Absolut Distillers, Inc. Aseagas also prepaid its outstanding loan with the Development Bank of the Philippines amounting to ₱3.7 bn. Despite the closure of the Aseagas plant, AboitizPower expects to remain on track to add some 500 MW of attributable capacity in 2018, mainly from baseload and hydropower plants, pursuant to the AboitizPower's 2020 target of 4,000 MW of net attributable capacity.

In 2018, AboitizPower is set to enter the rooftop solar business through Aboitiz Power Distributed Energy, Inc. (APX1) in order to further expand the renewable energy portfolio under its Cleanergy brand. AboitizPower's Cleanergy portfolio includes its geothermal, run-of-river hydro, and large hydropower facilities. AboitizPower first ventured into the solar market in 2016 with Sacasun. To date, AboitizPower has 1,272 MW of net sellable capacity, through its partners, under its Cleanergy brand. AboitizPower is pushing for a balanced mix strategy — maximizing Cleanergy while taking advantage of the reliability and cost efficiency of thermal power plants.

Financial Services

(a) Banking

AEV's financial services group is composed of Union Bank of the Philippines (UnionBank) and its subsidiaries, and PETNET, Inc. (PETNET), a money-transfer company. UnionBank is a publicly listed universal bank. It was incorporated on August 16, 1968 and was originally known as Union Savings and Mortgage Bank. The Bank's common shares were listed in the PSE on June 29, 1992. It was granted the license to operate as a universal bank in the same year, on July 15, 1992. UnionBank became the thirteenth and youngest universal bank in the country to be listed in the PSE after operating as a commercial bank for only ten (10) years. In January 2013, the Company and its Subsidiary, Pilmico Foods Corporation (Pilmico) accepted the offer of UnionBank to purchase all of their outstanding shares in City Savings Bank, Inc. (CitySavings), a Cebu-based thrift bank. On the other hand, PETNET is the largest Western Union Company (Western Union) agent network in the Philippines.

Unionbank's principal shareholder groups include AEV; Social Security System, a government-owned and -controlled corporation that provides social security to workers in the private sector; and Insular Life Assurance Co., Ltd., one of the leading and largest Filipino-owned life insurance companies in the Philippines.

UnionBank has undertaken two bank mergers, first with International Corporate Bank (Interbank) in 1993 and then with International Exchange Bank (iBank) in 2006, catapulting it as one of the ten (10) largest universal banks in the Philippines based on asset size.

On April 26, 2007, UnionBank embarked on a primary offering of 90 mn new common shares in order to strengthen its capital adequacy ratio in anticipation of Basel II requirements, thereby enhancing its financial flexibility. The offering expanded the shareholder base by 16.3% and raised additional equity worth over ₱5.1 bn. These new shares were listed in the PSE on May 10, 2007.

On October 14, 2009, UnionBank issued ₱3.75 bn worth of unsecured subordinated debt, eligible as Lower Tier 2 capital, with an interest rate of 7.375% per annum. It exercised the call option feature of the debt instrument on January 14, 2014 after obtaining approval from the BSP on November 22, 2013.

On January 8, 2013, UnionBank's Board of Directors approved the purchase of CitySavings, a premier thrift bank which specializes in granting teacher's loans under the Department of Education's (DepEd) Automatic Payroll Deduction System (APDS). The transaction was approved by the Monetary Board of the BSP on March 21, 2013. The acquisition of CitySavings was and remains aligned with UnionBank's business plans and long-term strategy of building businesses based on consumers.

On October 20, 2013, UnionBank raised a total of ₱3.0 bn from its initial offering of Long-Term Negotiable Certificates of Deposits (LTNCDs). The LTNCDs carry a coupon rate of 3.50% per annum, payable quarterly beginning January 18, 2014. Proceeds of the issuance were utilized to improve the Bank's deposit maturity profile and support business expansion plans.

On October 16, 2014, an amendment to UnionBank's Articles of Incorporation was approved by the SEC, whereby the authorized capital stock increased from ₱6.7 bn to ₱23.1 bn, divided into approximately 1.3 bn common shares with par value of ₱10.00 each and 100 mn preferred shares with par value of ₱100.00 each. UnionBank likewise obtained BSP approval for the payment of 65% stock dividends, which was used to fund the 25% subscription relating to the increase in capital stock. Record date and payment date for the aforesaid dividend declaration were set on November 18, 2014 and December 4, 2014, respectively.

On November 20, 2014, UnionBank issued ₱7.2 bn of Basel III-compliant Tier 2 Unsecured Subordinated Notes with a coupon rate of 5.375% per annum, due February 20, 2025, and callable on February 20, 2020.

On August 16, 2016, UnionBank signed a Cooperation Agreement with Lombard Odier & Co., a leading global wealth and asset manager, to expand its wealth and asset management businesses. The Bank and Lombard Odier plan to offer estate planning solutions and launch a global and diversified multi-asset fund customized to UnionBank's high-net-worth and ultra-high-net-worth clients' requirements. In July 2017, the Capital Accumulation Global Fund of Funds, a US dollar-denominated fund of funds that is invested in various mutual funds and exchange traded funds in the global markets, was launched.

On December 15, 2016, UnionBank's subsidiaries, Union Properties Inc. and CitySavings received approval from the Monetary Board of the BSP to finalize the joint-acquisition of the majority stake in First-Agro Industrial Rural Bank (FAIRBank). Established in 1999 to serve the microfinance community, FAIRBank provides banking and microfinance services and loan products to micro, small, and medium enterprises, and micro housing institutions.

On January 27, 2017, UnionBank and its subsidiary, CitySavings, entered into a bancassurance partnership with Insular Life Assurance Company, Ltd. On April 4, 2017, the BSP granted UnionBank and CitySavings the authority to engage in cross-selling activities with Insular Life across its network.

On November 22, 2017, UnionBank announced the issuance of US\$400 mn in Fixed Rate Senior Notes, as the debut drawdown under the Bank's Medium Term Note Programme. On November 27, 2017, the Bank launched an upsize of US\$100 mn. This brings its total Senior Notes issuance to \$500 million, issued at par with a yield of 3.369% per annum, maturing November 29, 2022. The said bonds were rated Baa2 by Moody's, identical to the issuer rating given to UnionBank, and were listed in the Singapore Stock Exchange.

On February 26, 2018, City Savings agreed to acquire 33.73% of the outstanding capital of Philippine Resources Savings Bank Corporation from International Finance Corporation, an Isabela-based bank engaged in extending motorcycle, agri-machinery, and teachers' salary loans. The sale is subject to approval by the PCC and by the BSP.

(b) Other Financial Services

On June 1, 2015, AEV acquired 51% equity stake in PETNET, more widely known by its retail brand name "pera Hub", has over 2,800 outlets nationwide which offers a variety of cash-based services including remittance, currency exchange, and bills payment. In the third quarter of 2015, PETNET, as an outsourced service provider of CitySavings,

started facilitating and accepting applications for DepEd salary loans. In December 2015, it likewise provided the same services to CitySavings for Government Service Insurance System (GSIS) pension loans.

On February 9, 2018, AEV agreed to sell its 51% equity ownership in PETNET to CitySavings and Union Properties, Inc. The sale and the resulting consolidation of PETNET as part of the UnionBank Group is seen to unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET. The sale is subject to the approval by the PCC and by the BSP.

Food Manufacturing

AEV through its food manufacturing Business Units, Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, and Pilmico International Pte. Ltd., is engaged in the business of flour, hog and layer farms, animal feeds, and by products.

(a) Feeds and Flour

Incorporated on August 8, 1958, Pilmico began as a joint venture of the Aboitiz Group, the Lu Do Group, the Soriano Group and the Pillsbury Group of the United States of America (U.S.A.). The Lu Do, Soriano, and Pillsbury Groups eventually sold all their shareholdings to AEV.

In September 2008, Pilmico commenced commercial operations of its new 115,000 metric-ton (MT) Feed Mill 1 located within its flour mill complex in Iligan City. In October 2010, Pilmico completed the construction of its Iligan Feed Mill 1 Line 2, doubling its capacity to produce high quality animal feeds. This allowed Pilmico to meet the growing demand for animal feeds in the Visayas and Mindanao regions, to achieve operating cost efficiencies and yield improvements.

In order to address additional raw material requirements and feeds volume caused by the expansion of feed mills, Pilmico expanded its port facilities, as well as its unloading and storage capabilities, in Iligan: the port expansion in 2012 to accommodate Panamax vessels, and Inter-Island Pier 2 in 2015. This resolved the bottleneck in the delivery of raw materials to Iligan and the distribution of feeds to the other parts of Visayas and Mindanao.

In April 2016, Pilmico's Iligan Feed Mill 2 commenced commercial operations. This additional 124,800 MT in feed mill capacity answered the growing demand of feeds in the Visayas and Mindanao regions. In addition, Pilmico also completed a powermix line in 2016 in support of the growing poultry business.

Anchoring on Pilmico's core strength as a flour miller, Pilmico had taken the opportunity to grow the flour business internationally. In June 2014, Pilmico established its first Southeast Asian representative office in Jakarta Selatan, Indonesia, followed by the creation of another representative office in Ho Chi Minh City, Vietnam in March 2015. Pilmico's international expansion allowed it to build its market in the Indochina region, deepen its reach in the ASEAN market, and increase its competitiveness in the flour milling industry.

Through these representative offices, Pilmico was also able to establish its flour export business, successfully distributing its flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia. Further efforts will be made by Pilmico to strengthen its presence in the ASEAN region.

In 2017, Pilmico broke ground in building new warehousing and silo storage to support volume growth in the feeds and flour businesses. This is slated for completion in second quarter of 2018.

(b) Hog and Layer Farms

In June 1997, Pilmico entered into the swine production and animal feeds business through Pilmico Animal Nutrition Corporation (PANC) (formerly Fil-Am Foods, Inc.). PANC was a joint venture with Tyson International Holding Co. (Tyson), a subsidiary of Tyson Foods, and PM Nutrition Company, Inc. (PMNC), an affiliate of Purina Mills, Inc. In October 2002, Pilmico acquired the shareholdings of Tyson and PMNC, thus making PANC its wholly-owned Subsidiary. At present, Pilmico, together with another wholly-owned Subsidiary, Filagri Holdings, Inc., owns 100% of PANC.

In January 1999, PANC began commercial operations of its feed mill plant located in Capas, Tarlac to cater to the growing demand of feeds in Luzon. During the second half of 1999, PANC started its swine operations with a sow level of 4,750 heads.

In November 2008, PANC constructed a biogas system which converts hogs' waste to biogas, making its farms partially self-sufficient for their electricity requirements. In 2009, PANC first expanded its farms, which brought the company's sow level to 6,500 heads. By 2012, the farms' capacity was once again ramped up to increase its sow level to 8,360 heads, which was achieved in early 2015. This increased the average monthly hog sales volume to 13,000 heads.

In December 2015, PANC started its layer farms operations. The layer farm facility was completed and became fully-operational by December 2016. This layer farm facility can hold up to 173,000 egg-laying chickens that would translate to 4 million eggs per month.

To support the growing Luzon commercial feeds volume as well as the rising internal layer and swine farm requirements, PANC successfully completed its Tarlac's Feed Mill 2. This resulted in an additional 124,800 MT in feed mill capacity.

In 2017, PANC successfully completed the increase of its sow level to 14,000, twice the size of its farms business from its first expansion in 2012. At this 14,000 sow level, monthly sales volume reached 22,000 heads. This made PANC as one of the biggest commercial producers of market hogs in the country.

To continually grow the farms business, PANC intends to increase its sow level to 20,000 by 2020.

(c) International Animal and Aqua Feeds

In 2014, AEV began its expansion into the Vietnamese market via the aqua feeds and animal feeds segment through Pilmico International Pte. Ltd. (Pilmico International), the Company's Singapore-based Affiliate. Pilmico International acquired 70% of the total outstanding shares in Vin Hoan 1 Feed JSC (VHF), one of the largest aqua feed producers in Vietnam. This allowed the Food Group to expand its feeds business in Vietnam and build its market base internationally. After completion of the acquisition, VHF was thereafter renamed as Pilmico VHF. Under its share purchase agreement, Pilmico International has the obligation to purchase the remaining 30% of the outstanding shares of Pilmico VHF within a period of five (5) years. Thus, on August 1, 2017, Pilmico International acquired an additional 15% equity interest, for a total of 85% ownership stake in Pilmico VHF. Pilmico VHF was thereafter renamed as Pilmico Vietnam Feeds Joint Stock Company (PVF).

In October 2016, Pilmico International purchased 100% ownership interest in Pilmico Viet Nam Trading Company Ltd. (Pilmico Vietnam Trading). Pilmico Vietnam Trading will be the vehicle used for the importation and distribution of Pilmico products in the Vietnam market.

In 2017, Pilmico International further expanded its core feeds business in Vietnam through the acquisition of 70% equity interest in Europe Nutrition Joint Stock Company (Eurofeed).

Real Estate

Incorporated on June 2, 1964, AboitizLand (formerly Central Visayan Warehousing Co., Inc.) is the real estate arm of the Aboitiz Group. It is engaged in the design and development of distinct communities for residential, industrial, and commercial use.

AboitizLand currently has eight (8) residential projects in the selling phase across three different product types: lot only, house and lot, and condominiums. It is the developer and operator of three economic zones: (a) the Mactan Economic Zone II (MEZ II) in Barangay Basak, Mactan, Lapu Lapu City; (b) the West Cebu Industrial Park (WCIP) in Balamban, Cebu, through its Subsidiary, Cebu Industrial Park Developers Inc. (CIPDI); and (c) the Lima Technology Center in Malvar, Batangas. It also has four (4) commercial projects, namely: (a) The Persimmon Plus in Mabolo, Cebu City; (b) the iMEZ Building, (c) Pueblo Verde; and (d) The Outlets at Pueblo Verde, all of which are located in Barangay Basak, Mactan, Lapu-Lapu City.

In 2013, AboitizLand acquired a 60% majority stake in LimaLand, the owner and operator of the Lima Technology Center, a 590-hectare PEZA-registered industrial park located in Batangas. AboitizLand was able to fully acquire LimaLand following the purchase of the remaining 40% ownership interest in February 2014.

In January 2014, AboitizLand and Ayala Land Inc. (Ayala Land) entered into a joint venture for the development of a 15-hectare property located in Subangdaku, Mandaue City, Cebu. In 2015, its project company, Cebu District Property Enterprise, Inc. (CDPEI), began the development of the property into a city center. The proposed city center has residential and commercial spaces with retail and office components, and with direct access to major roads and public transport facilities.

In the first half of 2017, AboitizLand launched Seafront Residences, a 43-hectare beachside community located in San Juan, Batangas, and Foressa Mountain Town, a 250-hectare mountain town community located in Balamban, Cebu.

AboitizLand expects to launch additional projects in 2018, which will contribute to the growing portfolio of both its residential and commercial segments.

Infrastructure

Incorporated on January 13, 2015, Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital) (formerly: AEV Infracapital, Inc.) is the investment vehicle in all infrastructure related investments of the Aboitiz Group.

In February 2015, AEV pre-qualified for the bidding of the operation and maintenance of the existing LRT Line 2 (“LRT2”) system. The Company, in partnership with SMRT International Pte. Ltd (SMRT), is participating in the bid through a consortium referred to as the Aboitiz-SMRT Transport Solutions Consortium. SMRT is a wholly-owned subsidiary of SMRT Corporation Ltd., a multi-modal transport service provider in Singapore offering rail, bus, and taxi services. SMRT is the largest rail operator in Singapore, operating three of the five metro lines and a light rail system. As of date, the implementing agencies, the Department of Transportation (DOTr) and the Light Rail Transit Authority (LRTA), postponed the bid process indefinitely until further notice.

On March 17, 2015, Apo Agua Infraestructura, Inc. (Apo Agua), a joint venture company with J.V. Angeles Construction Company (JVACC), entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with Davao City Water District (DCWD). The proposed joint venture includes the construction of both a hydroelectric-powered bulk water treatment facility and the conveyance system needed to deliver treated bulk water to numerous DCWD delivery points. Following the execution of the Engineering, Procurement, and Construction (EPC) contract with JVACC on February 6, 2018, construction is expected to commence during the first half of 2018.

On September 15, 2015, the Company and CRH plc through their investment vehicles, through AEV CRH Holdings, Inc. (AEV CRH), CRH Aboitiz Holdings, Inc. (CRH Aboitiz), closed the acquisition of the Lafarge S.A.'s Philippine assets, which included four Luzon-based cement manufacturing plants located in Bulacan, Norzagaray, Teresa, and Batangas; an integrated plant in Iligan, Mindanao; a cement grinding mill in Danao City, Cebu; and associated limestone quarries. CRH plc is a global leader in the manufacture and supply of a diverse range of building materials and products for the modern built environment.

The Company, through Team Trident consortium, also filed prequalification documents for the Public-Private Partnership (PPP) bid to finance, design, construct, operate, and maintain the Laguna Lake Expressway-Dike Project. Team Trident is a consortium involving AEV, Ayala Land, Megaworld Corporation (Megaworld), SM Prime Holdings, Inc. (SMPH) and the lead member, Trident Infrastructure and Development Corporation (TIDC). TIDC is a joint venture company among AEV, Ayala Land, Megaworld, and SMPH incorporated for purposes of pre-qualifying for the bidding and evaluating the feasibility of the project. On March 28, 2016, in consensus with the rest of the members of the consortium, Team Trident did not submit a bid for the Laguna Lake Expressway-Dike Project.

On February 12, 2018, Aboitiz Infracapital, as part of a consortium of several of the country’s major conglomerates, submitted an unsolicited proposal to DOTr for the rehabilitation and transformation of the Ninoy Aquino International Airport (NAIA) into a regional airport hub. The consortium plans to work with foreign technical partners with proven world-class track records and experiences in airport operations to improve, upgrade, and enhance the operational efficiencies of NAIA covering both landside and airside facilities.

On March 7, 2018, Aboitiz InfraCapital submitted to the DOTr an unsolicited proposal to upgrade, expand, operate, and maintain four major Philippine airports seen as key entry points into Visayas and Northern Mindanao; namely, Iloilo International Airport, Bacolod-Silay Airport, Laguindingan Airport, and New Bohol International Airport. The ₱148 bn multi-phased project aims to transform these facilities into world-class regional gateways built under the “green airports” concept.

Neither AEV nor any of its Subsidiaries has ever been the subject of any bankruptcy, receivership or similar proceedings.

Neither AEV nor any of its Subsidiaries has been the subject of any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

(2) Business of Issuer

(a) Description of Registrant

(i) Principal Products or Services

As of December 31, 2017, AEV’s core businesses, conducted through its various Subsidiaries and Affiliates, can be grouped into six (6) main categories as follows: (a) power distribution, power generation and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; (e) infrastructure; and (f) portfolio investments (parent company/ others).

Based on the SEC parameters of what constitutes a significant Subsidiary under Item XX of Annex “B” of SRC Rule 12, AboitizPower is AEV’s only significant Subsidiary. (Please refer to Annex “D” for the corporate structure of AEV showing the different business segments.)

GENERATION OF ELECTRICITY

Since its incorporation in 1998, AboitizPower has accumulated interests in both renewable and non-renewable generation plants. As of 2017, the power generation business accounted for 80% of earning contributions from AboitizPower’s business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies’ operating results as of December 31, 2017 compared to the same period in 2016 and 2015.

Generation Companies	Energy Sold			Revenue		
	2017	2016	2015	2017	2016	2015
	(in GWh)			(in mn Pesos)		
APRI	2,747	2,688	2,643	11,645	10,714	10,714
Hedcor	162	140	154	821	800	800
LHC	272	263	248	774	712	712
Hedcor Sibulan	259	189	212	1,591	1,131	1,260
Hedcor Tudaya	41	30	33	240	180	187
Hedcor Sabangan	55	28	39	325	166	228
SN Aboitiz Power - Magat	1,324	923	762	8,298	6,308	6,223
SN Aboitiz Power - Benguet	989	867	819	6,996	6,307	6,549
TLI	5,126	5,091	5,124	22,939	19,661	20,455
TSI	1,647	1,640	436	10,535	8,869	1,745*
Cebu Energy	1,724	1,723	1,713	8,752	7,966	8,109
STEAG Power	1,212	1,605	1,671	4,255	4,706	4,811
WMPC	221	355	644	1,439	1,636	1,430
SPPC	50	155	292	524	633	709

Generation Companies	Energy Sold			Revenue		
	2017	2016	2015	2017	2016	2015
	(in GWh)			(in mn Pesos)		
CPPC	141	146	159	1,484	1,291	1,465
EAUC	63	90	117	844	725	936
TMI	182	917	1,205	2,076	4,268	6,437
TMO	286	336	308	3,111	2,911	3,231
Davao Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral

*Operations of Unit 1 only.

**Plants are operated as stand-by plants and are revenue neutral, with costs for operating each plant recovered by Davao Light and Cotabato Light, as the case may be, as approved by the ERC.

Renewables

Aboitiz Renewables, Inc. (ARI)

Since the start of its operations in 1998, AboitizPower has been committed to developing expertise in renewable energy technologies. AboitizPower believes that due to the growing concerns on the environmental impact of power generation using traditional fossil fuel energy sources, greater emphasis should be placed on providing adequate, reliable, and reasonably priced energy through innovative and renewable energy technologies such as hydroelectric and geothermal. As such, a significant component of AboitizPower's future projects is expected to focus on those that will allow the company to leverage its experience in renewable energy, while maintaining its position as a leader in the Philippine renewable energy industry.

As one of the leading providers of renewable energy in the country, AboitizPower holds all its investments in renewable energy through its wholly-owned Subsidiary, ARI. ARI was incorporated on January 19, 1995. AboitizPower, through and/or with ARI, owns equity interests in the following Generation Companies, among others:

- (a) 100% equity interest in Luzon Hydro Corporation (LHC), which operates the 70-MW Bakun AC HEPP in Ilocos Sur in Northern Luzon;
- (b) 100% equity interest in Hedcor, which operates thirteen (13) mini-hydroelectric plants (each with less than 10 MW in installed capacity) with a total capacity of 37.90 MW located in Benguet province in northern Luzon and in Davao City in southeastern Mindanao;
- (c) 100% equity interest in Hedcor Sibulan, Inc. (Hedcor Sibulan), which operates the 49-MW Sibulan and Tudaya 1 HEPP in Davao del Sur;
- (d) 100% equity interest in Hedcor Tudaya, Inc. (Hedcor Tudaya), which operates the 7-MW Tudaya 2 HEPP in Davao del Sur;
- (e) 100% equity interest in Hedcor Sabangan, Inc. (Hedcor Sabangan), which operates the 14-MW Sabangan run-of-river HEPP in Sabangan, Mountain Province;
- (f) 100% equity interest in Hedcor Bukidnon, Inc. (Hedcor Bukidnon), which is currently building a 68-MW run-of-river HEPP in Manolo Fortich, Bukidnon;
- (g) 83.33% equity interest in Manila-Oslo Renewable Enterprise, Inc. (MORE), which owns SN Aboitiz Power- Magat, the company that operates the 360-MW Magat HEPP in Isabela in northern Luzon and SN Aboitiz Power-Benguet, the company that operates the 245-MW Ambuklao-Binga HEPP complex in northern Luzon;
- (h) 100% equity interest in APRI, which owns and operates the 390-MW Tiwi-MakBan geothermal facilities located in Albay, Laguna, and Batangas;
- (i) 100% beneficial ownership interest in Sacasun, the company that owns and operates 59-MWp utility-scale solar photovoltaic solar project in San Carlos City, Negros Occidental; and
- (j) 100% equity interest in Aseagas Corporation (Aseagas), the company that owns the biomass plant in Lian, Batangas, which has ceased operations.

Run-of-River Hydros

Luzon Hydro Corporation (LHC)

Incorporated on September 14, 1994, LHC owns, operates, and manages the 70-MW Bakun AC run-of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur.

LHC was ARI's joint venture company with Pacific Hydro of Australia, a privately-owned Australian company that specializes in developing and operating power projects utilizing renewable energy sources, principally water and wind power. On March 31, 2011, ARI, LHC, and Pacific Hydro signed a MOA granting ARI full ownership over LHC. ARI assumed full ownership and control of LHC on May 10, 2011.

The Bakun AC Plant was constructed and operated under the government's BOT scheme. Energy produced by the Bakun AC Plant, approximately 254 GWh annually, is delivered and taken up by NPC pursuant to a Power Purchase Agreement ("Bakun PPA") and dispatched to the Luzon Grid through the 230-kV Bauang-Bakun transmission line of National Grid Corporation of the Philippines (NGCP). Under the terms of the Bakun PPA, all of the electricity generated by the Bakun AC Plant will be purchased by NPC for a period of twenty-five (25) years from February 2001. The Bakun PPA also requires LHC to transfer the Bakun AC Plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC.

The IPPA contract for the Bakun AC Plant was awarded to Northern Renewables (formerly: Amlan Power Holdings Corporation) following a competitive bidding process conducted by PSALM.

LHC completed the rehabilitation of approximately 900 meters of unlined tunnel of the Bakun AC Plant in September 2012. LHC also replaced two (2) 15-year old power transformers in February 2016 to improve reliability and to enable the plant to continuously produce clean and renewable energy and supply it to the Luzon Grid.

The Bakun AC Plant received its latest ISO certification, ISO 55001:2014 or the Asset Management Standard, last December 2017. It is also currently ISO-certified on Quality, Environmental, Operational Health and Safety, and Information Security.

AboitizPower, through ARI, effectively owns 100% of LHC.

Hedcor, Inc. (Hedcor)

Hedcor owns, operates, and manages run-of-river hydropower plants in northern Luzon and Davao with a combined installed capacity of 37.90 MW.

Hedcor was incorporated on October 10, 1986 by ACO as Baguio-Benguet Power Development Corporation. ARI acquired ACO's 100% ownership interest in Hedcor in 1998.

In 2005, ARI consolidated all of its mini-hydroelectric generation assets, including those developed by HEDC and Cleanergy in Hedcor. The electricity generated from Hedcor's hydropower plants are taken up by NPC, AdventEnergy, and Davao Light pursuant to Power Purchase Agreements (PPAs) with the said off-takers. Irisan 1, which started commercial operations in April 2012, is selling under the Feed-in-Tariff (FIT) mechanism through a Renewable Energy Payment Agreement (REPA) with National Transmission Corporation (Transco). The remaining electricity is being sold through the Wholesale Electricity Spot Market (WESM).

Northern Luzon's climate is classified as having two (2) pronounced seasons - dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in Northern Luzon, are typically lower during the first five (5) months of each year. During the full years 2016 and 2017, Hedcor's hydropower plants generated a total of 145 GWh and 163 GWh of electricity, respectively.

AboitizPower, through ARI, effectively owns 100% of Hedcor.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Incorporated on December 2, 2005, Hedcor Sibulan owns, operates, and manages the 49.2-MW hydroelectric power plants located in Sibulan, Santa Cruz, Davao del Sur ("Sibulan Plants").

The Sibulan Plants have generated 49.2 MW of clean and renewable energy for Davao since 2010. It is composed of three (3) cascading plants – Sibulan A Hydro which produces 16.5 MW; Tudaya 1 Hydro which produces 6.7 MW; and Sibulan Hydro B which produces another 26 MW by re-using the water from Sibulan A Hydro and Tudaya 1 Hydro. The Certificates of Compliance (COC) for Tudaya Hydro 1 was renewed with the Energy Regulatory Commission (ERC) on March 10, 2014, and for the Sibulan Hydro A and B plants on May 18, 2015. The energy produced by the Sibulan Plants is sold to Davao Light through a Power Supply Agreement (PSA) signed in 2007.

The Sibulan project is registered as a Clean Development Mechanism project with the United Nations Framework Convention on Climate Change under the Kyoto Protocol. It was issued 575,275 tons of carbon credits since its registration. 172,717 tons of said carbon credits were already sold in the carbon market.

The Sibulan Plants were awarded a Renewable Energy Service Contract (RESC) by the Department of Energy (DOE) and are currently enjoying the incentives under the Republic Act No. 9513 or the Renewable Energy Act of 2008 (RE Law).

In 2017, Hedcor Sibulan, along with Hedcor Tudaya, obtained the very first ISO 55001:2014 certification which certifies for the Asset Management Standard in the Philippines, proving that the company has an integrated and effective management system for its assets.

AboitizPower, together with its wholly-owned Subsidiary, ARI, effectively owns 100% interest in Hedcor Sibulan.

Hedcor Tudaya, Inc. (Hedcor Tudaya)

Incorporated on January 17, 2011, Hedcor Tudaya owns, operates, and manages the 7-MW Tudaya Hydro 2 run-of-river hydropower plant in Astorga, Santa Cruz, Davao del Sur (“Tudaya Hydro”). Commercially operating since March 2014, Tudaya Hydro 2 is currently selling energy under the FIT mechanism through a Renewable Energy Supply Agreement with Davao del Sur Electric Cooperative, and through a REPA with Transco.

Together with Hedcor Sibulan, Hedcor Tudaya was awarded the very first ISO certification, for Asset Management or the ISO 55001:2014 standard in the Philippines in 2017, certifying that the company has an integrated and effective management system for its assets.

AboitizPower, together with its wholly-owned Subsidiary, ARI, effectively owns 100% interest in Hedcor Tudaya.

Hedcor Sabangan, Inc. (Hedcor Sabangan)

Incorporated on January 17, 2011, Hedcor Sabangan owns, operates, and manages the 14-MW Sabangan run-of-river HEPP in Sabangan, Mountain Province (“Sabangan Plant”). The Sabangan Plant has been commercially operating since June 2015, and selling under the FIT mechanism through a REPA with Transco. The plant is a pioneer hydropower plant in the Mountain Province region, harnessing the power of the Chico River.

AboitizPower, together with its wholly-owned Subsidiary, ARI, effectively owns a 100% interest in Hedcor Sabangan.

Hedcor Bukidnon, Inc. (Hedcor Bukidnon)

Incorporated on January 17, 2011, Hedcor Bukidnon is the project company for the 68.8-MW Manolo Fortich hydroelectric power project located in Manolo Fortich, Bukidnon.

The project is composed of the 43.4-MW Manolo Fortich Hydro 1 and the 25.4-MW Manolo Fortich Hydro 2 plants, which will be located in the Province of Bukidnon. Both plants are expected to produce at least 350 GWh annually. The construction of the Manolo Fortich project, with an estimated total project cost of ₱13 bn, began in 2015. Unit 1 and Unit 2 are expected to be completed in 2018.

On September 2015, Hedcor Bukidnon obtained loans and credit accommodations from a consortium of lender-banks in the amount of up to ₱10 bn to finance the development, construction, operation, and maintenance of the project. BPI Capital Corporation acted as Mandated Lead Arranger and Bookrunner, while BPI-AMTG acted as Trustee and Facility Agent.

AboitizPower, together with its wholly-owned Subsidiary, ARI, effectively owns a 100% interest in Hedcor Bukidnon.

Large Hydros

SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat)

Incorporated on November 29, 2005, SN Aboitiz Power-Magat is the owner and operator of the 360-MW Magat HEPP (“Magat Plant”) located at the border of Ramon, Province of Isabela and Alfonso Lista, Ifugao in Northern Luzon, and the 8.5-MW run-of-river Maris Main Canal 1 HEPP (“Maris Plant”) located in Brgy. Ambatali in Ramon, Isabela.

The Magat Plant was completed in 1983 and was acquired by SN Aboitiz Power-Magat on December 14, 2006 by winning a bidding process conducted by PSALM. As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is suited to act as a peaking plant with the capability to capture the significant upside potential that can arise during periods of high demand. This flexibility allows for the generation and sale of electricity at the peak demand hours of the day. This hydroelectric asset has minimal marginal costs, which AboitizPower believes gives it a competitive advantage in terms of economic dispatch order versus other fossil fuel-fired power plants that have significant marginal costs. The Magat Plant has a nameplate capacity of 360 MW but is capable of producing up to 380 MW.

The Magat reservoir has the ability to store water equivalent to seventeen (17) days of 24 hours of full generating capacity. The Magat Plant’s source of upside - water as a source of fuel and the ability to store it - is also its source of limited downside. SN Aboitiz Power-Magat is an accredited provider of much needed Ancillary Services (AS) to the Luzon Grid. Selling a significant portion of its available capacity to the WESM System Operator of the Luzon Grid. SN Aboitiz Power-Magat’s remaining capacity is sold as electric energy to the spot market through the WESM and to load customers through bilateral contracts.

In September 2007, SN Aboitiz Power-Magat obtained a US\$380 mn loan from a consortium of international and domestic financial institutions. The US\$380 mn loan consisted of a dollar tranche of up to US\$152 mn, and a peso tranche of up to ₱10.1 bn. The financing agreement was hailed as the region’s first-ever project finance debt granted to a merchant power plant. It won Project Finance International’s Power Deal of the Year, and Asset’s Best Project Finance Award and Best Privatization Award. The loan was used to partially finance the deferred balance of the purchase price of the Magat Plant under the Asset Purchase Agreement with PSALM. Part of the loan proceeds was also used to pay SN Aboitiz Power-Magat’s US\$159 mn loan from AEV and advances from its shareholders which were used to acquire the Magat Plant. In 2012, SN Aboitiz Power-Magat secured top-up financing of ₱5 bn for its recapitalization requirements and general corporate purposes.

As a hallmark of innovation in revenue generation, SN Aboitiz Power-Magat garnered an AS contract with NGCP on October 12, 2009, a first for a privately-owned plant. These services are necessary to maintain power quality, reliability and stability of the Grid.

SN Aboitiz Power-Magat obtained the BOI’s approval of its application as the new operator of the Magat Plant with a pioneer status. This entitled the company to an income tax holiday (ITH) until July 11, 2013. On November 6, 2012, the BOI approved SN Aboitiz Power-Magat’s application for a one-year extension of its ITH holiday until July 11, 2014. After the lapse of the extended ITH, the company became subject to income tax.

SN Aboitiz Power-Magat completed the half-life refurbishment of the last unit of the Magat Plant (Unit 1) in June 2014. In 2009, SN Aboitiz Power-Magat began the refurbishment project of Unit 2, which was completed on January 2018. Work on Unit 4 followed in November 2010 and was completed in 2011, while the refurbishment of Unit 3 which was completed in August 2013. These projects involved the replacement of power transformers and related equipment, as well as automation of its control systems. These aimed to overhaul the plant’s electro-mechanical equipment and avert operational inefficiencies that usually occur in HEPPs after more than twenty-five (25) years of operation. Half-life refurbishment is considered a good industry practice to ensure that the plants remain available throughout their lifespan.

On December 2015, ERC approved the renewal of SN Aboitiz Power-Magat’s COC for all four 90 MW units of the Magat Plant. The COC is valid for five (5) years, until November 28, 2020.

The RESC for the Magat Plant was signed on June 2, 2016. This made SN Aboitiz Power-Magat eligible for the incentives provided under the RE Law. SN Aboitiz Power-Magat elected to avail the 10% corporate income tax rate

incentives under the RE Law. A series of extensive stakeholder engagement activities was successfully conducted to mitigate the impact of the change from national wealth tax to government share on host local government units to ensure a smooth transition.

On October 7, 2016, SN Aboitiz Power-Magat signed a Notes Facility Agreement with BPI and Chinabank for the issuance of fixed-rate corporate notes in the amount of ₱19 bn. SN Aboitiz Power-Magat appointed BPI-AMTG as Facility Agent, BPI Capital Corporation as Mandated Lead Arranger and Bookrunner, and China Bank Capital Corporation as Joint Lead Arranger. The proceeds of the loan were used by the company to repay its existing loans, finance its recapitalization and fund other general corporate purposes. The simultaneous drawdown of the new notes facility and full payment of all outstanding senior loans under the project financing was completed on October 17, 2016.

The Ancillary Services Procurement Agreement (ASPA) between SN Aboitiz Power-Magat and NGCP, which was entered into on March 2013 expired on July 26, 2016 (“2013 ASPA”). On August 24, 2016, the company and NGCP jointly filed a new ASPA with the ERC. On December 5, 2016, ERC issued the Provisional Authority (PA) to execute the new ASPA with the official effectivity period of February 7, 2017 to February 6, 2022. The new ASPA has the same AS volume, price and schedule, terms and conditions as the 2013 ASPA. SN Aboitiz Power-Magat, in particular, was able to overcome changes in NGCP measurement protocols and secure full 95 MW certification for three of its four units.

The La Niña phenomenon experienced during the last five (5) months of 2016 carried over its effect in the Magat dam watershed into the first half of 2017, with inflows during this period higher by 116% compared to historical normal. In the second half of 2017, the Magat River went to its normal inflow rate that resulted to the Magat Plant ending the year at 30% higher than the normal water availability and 37% higher compared to the 2016 water year.

Driven by higher water inflows, the Magat Plant’s total sold capacity from spot energy generation and AS increased by 56% in 2017 to 2.46 terawatt-hour (TWh) from 1.6 TWh in 2016. This is equivalent to sold capacity factor of 75% in 2017 compared to 46% in 2016. This also results in higher spot and AS revenue of ₱7.06 bn in 2017, or 50.4% higher than the revenue of ₱4.69 bn in 2016. Bilateral Contract Quantity (BCQ) revenue in 2017 associated with SN Aboitiz Power-Magat was ₱698 mn, or 23.3% lower than in 2016.

SN Aboitiz Power-Magat was the project partner of the National Irrigation Administration (NIA) in the Maris Optimization Project in Ramon, Isabela. The project involved the installation of an additional layer of stoplogs on the Maris Re-regulating Dam, which added some 8 mn cubic meters of storage in the Maris Reservoir. The additional storage would improve dam operational safety and irrigation water delivery for the NIA. The project broke ground on November 2014 and was completed on March 22, 2016. Turnover to NIA was done on June 1, 2016.

The Maris Plant is the first power plant constructed by SN Aboitiz Power-Magat since it acquired the assets via privatization. It is composed of two units of Kaplan pit type turbines with generator nameplate capacity of 4.25 MW each. Construction of the US\$47 mn Maris Plant began in late 2015. The plant re-utilizes the water coming from the Magat Plant through the re-regulating dam located downstream of Magat. The water then flows into the Maris Main (South) Irrigation Canal. In 2017, the Maris Plant was awarded with the Corporate Safety Milestone Award by the Safety and Health Association of the Philippine Energy Sector, Inc. (SHAPES) for accumulating at least one million man-hours without lost time accident. Unit 1 was commissioned on October 24, 2017 while Unit 2 was commissioned on November 6, 2017.

SN Aboitiz Power-Magat sustained the implementation of its Integrated Management System (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and OHSAS 18001 Occupational Health & Safety Management System), as verified and audited by the certification body in 2017. The company has consistently shown outstanding workplace safety and health performance, receiving the Corporate Safety and Health Excellence Award during the 12th Energy Safety and Health Conference in 2016. In 2017, the company received the Corporate Safety Milestone Award for the Magat Plant and the 2017 Safety and Health Association of the Philippine Energy Sector, Inc. (SHAPES) Outstanding Safety and Health Professionals for its health and safety team.

SN Aboitiz Power-Magat is ARI’s joint venture with SN Power, a leading Norwegian hydropower company with projects and operations in Asia, Africa, and Latin America. MORE owns 60% of the company while SN Power Philippines Inc. (SN Power Philippines) owns the remaining 40%.

SN Aboitiz Power-Benguet, Inc. (SN Aboitiz Power-Benguet)

Incorporated on March 12, 2007, SN Aboitiz Power-Benguet is the owner and operator of the Ambuklao-Binga Hydroelectric Power Complex, which consists of the 105-MW Ambuklao HEPP (“Ambuklao Plant”) and the 140-MW Binga HEPP (“Binga Plant”), located in Brgy. Tinongdan, Itogon, Benguet Province.

On November 28, 2007, SN Aboitiz Power-Benguet submitted the highest bid to PSALM for the Ambuklao-Binga Hydroelectric Power Complex, which then consisted of the 75-MW Ambuklao Plant and the 100-MW Binga Plant. The Ambuklao-Binga Hydroelectric Power Complex was turned over to SN Aboitiz Power-Benguet on July 10, 2008.

In August 2008, SN Aboitiz Power-Benguet signed a US\$375-mn loan agreement with a consortium of local and foreign banks where US\$160 mn was taken up as US Dollar financing and US\$215 mn as Philippine Peso financing. Proceeds from the loan were used to partially finance the purchase price, rehabilitate the power plant complex, and refinance SN Aboitiz Power-Benguet’s existing advances from its shareholders with respect to the acquisition of assets.

Also in 2008, SN Aboitiz Power-Benguet began a massive rehabilitation project that restored the Ambuklao Plant to operating status and increased its capacity from 75 MW to 105 MW. The Ambuklao Plant had been decommissioned since 1999 due to siltation and technical issues as a result of the massive earthquake in 1990. Rehabilitation was completed, and re-operation of the Ambuklao Plant commenced in 2011 as a 105-MW plant. On the other hand, the Binga Plant also underwent refurbishment which began in 2010 and was completed in 2013. This refurbishment increased the Binga Plant’s capacity to 125 MW. It is now capable of generating up to 140 MW.

In April 2015, SN Aboitiz Power-Benguet received its amended COC from the ERC for all four units of the Binga Plant. The amended COC reflects the increase of Binga’s capacity from 125.8 MW (31.45 MW for each of the four units) to 140 MW (35 MW for each unit), following uprating work that began on December 2, 2014 and was completed on February 23, 2015. The uprating was a result of commissioning tests which show that the Binga Plant could generate as high as 35 MW at “rated head” or the water depth for which a hydroelectric generator and turbines were designed. The Binga Plant was uprated to its maximum capacity without major technical changes to existing equipment.

On September 21, 2015, SN Aboitiz Power-Benguet refinanced its existing peso credit facility from BDO and BPI. The new syndicated 15-year term loan was in the amount of ₱15 bn. The company also increased its previous US\$375 mn credit facility signed in August 2008 to US\$436.23 mn. The increased US dollar credit facility was availed by the company from its remaining lenders, Nordic Investment Bank (NIB), International Finance Corporation (IFC), BDO, and BPI at better commercial terms and lower interest rate. The incremental increase of the proceeds of the peso credit facility was used to pay existing loans and advances used for the rehabilitation and refurbishment of both the Ambuklao and Binga Plants.

The RESCs for the Ambuklao and Binga Plants were signed on June 2, 2016 and June 24, 2016, respectively. This made SN Aboitiz Power-Benguet eligible for the incentives provided under the RE Law. Specifically, SN Aboitiz Power-Benguet elected to avail the 10% corporate income tax rate incentives provided under the RE Law. The Binga Plant has previously obtained an ITH extension from the BOI which was effective until August 11, 2015. The Ambuklao Plant also obtained an ITH extension on February 26, 2013, which is valid until June 30, 2018. A series of extensive stakeholder engagement activities was successfully conducted to mitigate the impact of the shift from national wealth tax to government share on host local government units to ensure a smooth transition.

On October 25, 2016, SN Aboitiz Power-Benguet and the Province of Benguet amicably settled and entered into a compromise agreement on a real property tax (RPT) dispute that has reached ₱157.7 mn. The amount represents three years of tax benefits to the municipalities of Bokod and Itogon and Benguet province. The MOA/Compromise Agreement executed by the company with the Province of Benguet was approved by the Local Board of Assessment Appeals (LBAA) of Benguet via a Decision based on Compromise Agreement dated December 9, 2016.

The former ASPAs for the Ambuklao and Binga Plants, entered into between SN Aboitiz Power-Benguet and NGCP, expired on July 25, 2016 and March 25, 2017, respectively. On separate joint applications on August 24, 2016 and March 6, 2017, NGCP and SN Aboitiz Power-Benguet filed the new ASPAs for the Ambuklao and Binga Plants with the ERC. The ERC issued the PA to execute the new ASPAs with the official effectivity period of December 26, 2016 to December 25, 2021 for the Ambuklao Plant, and from September 26, 2017 to September 25, 2022 for the Binga Plant. Both ASPAs have the same AS volume, price and schedule, terms and conditions as the former ASPAs.

The La Niña phenomenon during the last five months of 2016 was also sustained in Ambuklao and Binga dam watersheds in the first half of 2017, as well as in the adjacent Magat dam watershed. Inflows during the first half of 2017 were higher by 45% against its historical normal for the Ambuklao and Binga dams. However, the second half of 2017 was drier by 32% compared to historical normal in Benguet. This resulted to an overall 21% lower than normal water availability at year-end 2017. Water availability during 2017 is also 18.5% lower than during 2016.

Despite lower inflow to the Ambuklao reservoir in 2017 as compared to 2016, the Ambuklao Plant's total sold capacity from spot energy generation and AS increased by 17% at 816 GWh in 2017 as compared to 696 GWh in 2016, mainly due to higher AS capacity approval. This is equivalent to sold capacity factor of 89% in 2017, as compared to 76% in 2016.

Similarly, the Binga Plant's total sold capacity from spot energy generation and AS in 2017 increased by 3% at 1.18 GWh as compared to 1.14 GWh in 2016. This is equivalent to sold capacity factor of 96% in 2017 compared to 93% in 2016.

The resulting combined spot and AS revenue of the Ambuklao and Binga Plants for 2017 was ₱5.29 bn, which was 14% higher than the revenue of ₱4.64 bn in 2016. BCQ revenue in 2017 associated with SN Aboitiz Power-Benguet was ₱707 mn, 36% lower than that of 2016.

Both the Ambuklao and Binga Plants have sustained the implementation of its Integrated Management System (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and OHSAS 18001 Occupational Health & Safety Management System) and have retained the management system certificates. SN Aboitiz Power-Benguet is working its way towards attaining the ISO 55001 certification for asset management.

In 2016, the Ambuklao and Binga Plants were awarded the Gawad ng Kaligtasan at Kalusugan (GKK) Award given by the Department of Labor and Employment (DOLE), a recognition received for three straight years. During the same year, both plants also received the Corporate Safety and Health Excellence Award during the 12th Energy Safety and Health Conference for their outstanding workplace safety and health performance.

In 2017, both the Ambuklao and Binga plants qualified for the Hall of Fame in the 2017 SHAPES Corporate Safety and Health Excellence Awards. SN Aboitiz Power-Benguet's health and safety team members were given recognition as 2017 SHAPES Outstanding Safety and Health Professionals. The company also received a special award for Enhanced Corporate Viability at the 11th National Convention on Labor-Management Cooperation held in Cebu on November 24, 2017. This award recognizes the company's Kaibigan Committee's innovative adoption of systems and procedures on "human resources development, relationship-building, and accountability toward workplace excellence leading to company growth." SN Aboitiz Power-Benguet also received an award as a finalist in the search for outstanding labor-management cooperation for industrial peace.

SN Aboitiz Power-Benguet is also a joint venture between ARI and SN Power. The company is 60% owned by MORE, while the remaining 40% is owned by SN Power Philippines.

SN Aboitiz Power-Generation, Inc. (SN Aboitiz Power-Gen)

Incorporated on March 10, 2011, SN Aboitiz Power-Gen is the company that implements the SN Aboitiz Power Group's Greenfield Development Program. This program aims to grow the SN Aboitiz Power Group's renewable energy portfolio by looking at potential hydroelectric power projects in the Philippines, primarily within its current host communities in Northern Luzon.

There is a pipeline of projects in various stages from initial prospecting, pre-feasibility, feasibility, construction, including the recently completed Maris Plant which was transferred to SN Aboitiz Power-Magat. By the end of 2017, the significant project is the proposed 380-MW Alimit Hydropower Complex Project in Ifugao. Presently, SN Aboitiz Power-Gen is gaining some momentum in the permitting process, with the company expected to continue working with the government, indigenous peoples' representatives, and industry partners.

The company was awarded the 2017 Corporate Safety Milestone Award for its proposed Alimit project, which accumulated at least one million man-hours without lost time incident. It was recognized for the safe conduct of activities associated with its feasibility study.

SN Aboitiz Power-Gen is a joint venture between ARI and SN Power. It is currently 60% owned by MORE with the remaining 40% owned by SN Power Philippines.

Geothermal

AP Renewables Inc. (APRI)

Incorporated on March 9, 2007, APRI is one of the leading renewable power companies in the country. It owns and operates the Tiwi-MakBan geothermal facilities located in Tiwi, Albay, Bay and Calauan, Laguna; and Sto. Tomas, Batangas (“Tiwi-MakBan Plants”) with a total potential capacity of 693.2 MW. The Tiwi-MakBan Plants were acquired by APRI from PSALM in July 2008 and were formally turned over to APRI on May 25, 2009.

The Tiwi-MakBan Plants produce clean energy that is reasonable in cost, efficient in operation, and environment-friendly. As a demonstration of APRI’s commitment to providing world class services, adhering to environmental management principles to reduce pollution, complying with regulations, and ensuring a safe and healthy workplace, the company was issued Integrated Management System (IMS) certifications by TÜV Rheinland Philippines, which include International Organization for Standardization (ISO) 9001:2015, ISO 14001:2015 (Environment), and OSHAS (Occupational Health and Safety Series) 18001:2007 (Health and Safety).

On May 26, 2013, APRI’s steam supply contract with the Philippine Geothermal Production Company, Inc. (PGPC) shifted to a Geothermal Resources Sales Contract (GRSC). The GRSC is one of the assumed contracts of APRI as a result of the acquisition of the Tiwi-MakBan Plants. Under the GRSC, the effective steam price payable to PGPC is indexed to coal prices. The GRSC will expire on September 20, 2021.

On August 13, 2013, APRI and PGPC entered into an Interim Agreement amending the GRSC to restructure the steam price formula. This agreement resulted in a more rational fuel costing during off-peak hours when electricity demand is low. APRI and PGPC continue to discuss the merit and feasibility of a mutually beneficial steam off-take agreement.

In 2013, APRI successfully completed major refurbishment activities on the fourteen (14) generation units at the Tiwi-MakBan Plants. Significant improvements in reliability and steam usage efficiency have been achieved following the completion of the aforesaid activities. In July 2016, APRI likewise completed the rehabilitation and commissioning of the 6-MW Binary Plant 1 located in MakBan. The Binary Plant 1 utilizes waste heat from spent geothermal brine to run turbines prior to injection of the brine to the underground reservoir. APRI continues to implement specialized geothermal technology including steam path modification and gas removal system to improve steam usage at the plant level.

In February 2016, APRI signed an Omnibus Agreement with the Asian Development Bank (ADB), BPI, and the Credit Guarantee & Investment Facility (CGIF), to avail of the combined credit facilities of ADB and BPI up to the amount of ₱12.5 bn. The issuance was certified as a Climate Bond by the Climate Bond Initiative and is the first issuance of its kind in Asia.

APRI’s geothermal facilities have generally operated at par or better than industry standards. The company routinely evaluates and implements various projects while improving coordination with PGPC to improve efficiency levels and counteract the challenges of a declining steam supply.

APRI, a wholly-owned Subsidiary of ARI, is effectively 100% owned by AboitizPower.

Solar

Maaraw San Carlos Holdings, Inc. (Maaraw San Carlos) and San Carlos Sun Power Inc. (SacaSun)

Sacasun owns and operates the 59-MWp solar photovoltaic power generation plant located in the San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental (“Sacasun Plant”). The project was commissioned on March 9, 2016 and formally inaugurated on April 19, 2016, with the aim of achieving sustainable development and supplying electricity to the Visayas Grid.

As a renewable energy developer, Sacasun intends to fully participate in the renewable energy market and other initiatives which promote utilization of renewable energy resources. The energy generated from the Sacasun Plant

benefits more than 8,000 homes within the Visayas Grid and displaces the energy equivalent of 6.5 mn gallons of gasoline or 30,000 tons of coal. Sacasun believes in producing clean energy for sustainable development and inclusive growth of its communities within a shared environment.

Sacasun was initially incorporated on July 25, 2014 as a joint venture between ARI and SunEdison Philippines, a Dutch company. In July 2017, a Compromise Agreement was entered into by AboitizPower through its Subsidiary, AboitizPower International, and SunE Solar, the parent company of SunEdison Philippines, wherein AboitizPower International agreed to acquire the entire issued and outstanding shares of SunE Solar in SunEdison Philippines. On December 29, 2017, AboitizPower International completed its acquisition of SunEdison Philippines.

AboitizPower, through its wholly-owned Subsidiaries, ARI and AboitizPower International, effectively owns 100% of Sacasun.

Aboitiz Power Distributed Energy, Inc. (APX 1) and Aboitiz Power Distributed Renewables Inc. (APX 2)

AboitizPower, through APX 1, is set to enter the rooftop solar business in 2013, which is aimed at further expanding the Company's already significant renewable energy portfolio under its Cleanenergy brand.

APX1 was incorporated in November 2016 to engage in the business of operating light and power systems. In July 2017, the SEC approved the application of Kookabura Equity Ventures, Inc. (KEVI) to amend its Articles of Incorporation in order to change its corporate name to APX2 and to amend its primary purpose to include the business of operating light and power systems. KEVI was incorporated on May 20, 2002.

In their first full year of operations, APX1 and APX2 focused on building internal capability to serve various market segments, attracting top technical talent for PhotoVoltaic (PV) solar technology, and defining synergies with other teams and products within the AboitizPower Group. With increasing customer demand for renewable energy, AboitizPower believes that APX and APX2 are poised to advance a growing pipeline of potential opportunities in the Rooftop Solar space. APX1 is looking to complete several key projects in Luzon and Visayas in 2018, with a strategy of integrating these projects with the AboitizPower Group's existing Open Access customers.

AboitizPower, through ARI, beneficially owns 100% of each of APX1 and APX2.

Biogas

Aseagas Corporation (Aseagas)

Aseagas owns an 8.8-MW biomass plant located in Lian, Batangas. On January 15, 2018, the company announced that its plant would permanently cease operations, after initially suspending its commissioning on November 24, 2017 due to unavailability of supply of organic effluent wastewater from its supplier, Absolut Distillers, Inc. (Absolut).

Incorporated on June 5, 2012, Aseagas was established as a waste-to-energy business. Its first project was the construction of a liquid biomethane fuel plant. The company entered into an agreement with Absolut for the supply of organic effluent wastewater to be utilized as raw material.

Due to the slump in oil prices at the end of 2014, Aseagas shifted its business model from producing liquid biomethane fuel for vehicles to producing biogas for power generation. In the same year, the company entered into a Notes Facility and Security Agreement in the amount of up to ₱2 bn with the Development Bank of the Philippines (DBP) to finance the construction of its biomass plant. On December 4, 2017, it prepaid its outstanding loan with DBP in the amount of ₱2.368 bn.

AboitizPower, through its wholly-owned Subsidiary ARI, effectively owns 100% of Aseagas.

Non-Renewables

Therma Power, Inc. (TPI)

Incorporated on October 26, 2007, TPI is a wholly-owned Subsidiary of AboitizPower and is the latter's holding company

for its non-renewable energy projects. AboitizPower, through and/or with TPI, has equity interests in the following generation companies, among others:

- (a) 100% equity interest in TMI, owner and operator of 100-MW Mobile 1 barge-mounted power plant in Maco, Compostela Valley and 100-MW Mobile 2 barge-mounted power plant in Nasipit, Agusan del Norte;
- (b) 100% equity interest in TMO, owner and operator of Mobile 3-6 barge-mounted power plants in Navotas Fishport, Manila, with a total generating capacity of 242 MW;
- (c) 100% equity interest in EAUC, owner and operator of a 43-MW Bunker C-fired power plant in MEPZ 1, Mactan, Cebu;
- (d) 100% equity interest in TLI, the IPPA of the 700-MW contracted capacity of the Pagbilao Plant located in Quezon Province;
- (e) 100% equity interest in TSI, owner and operator of a 300 MW CFB coal-fired power plant in Toril, Davao City;
- (f) 100% equity interest in TPVI, the project company that bid for the privatization of the Naga power plant, located in Naga City, Cebu;
- (g) 80% equity interest in TVI, which is currently building a 300-MW coal-fired power plant in Toledo City, Cebu;
- (h) 66.07% beneficial ownership interest as of March 31, 2018 in GN Power Mariveles, owner and operator of an approximately 2x316 MW (net) pulverized coal-fired electric power generation facility in Mariveles, Bataan;
- (i) 50% beneficial ownership interest as of March 31, 2018 in GN Power Dinginin, which proposes to build and operate a 2x668 MW (net) supercritical coal-fired power plant in Bataan;
- (j) 50% equity interest in PEC, owner and operator of the 400-MW (net) coal-fired power plant in Pagbilao, Quezon Province;
- (k) 26.4% effective interest in Cebu Energy, which operates a 3x82-MW coal-fired power plant in Toledo City, Cebu; and
- (l) 25% equity interest in RP Energy, which proposes to build and operate a 2x300 MW coal-fired power plant at the Redondo Peninsula located in the Subic Bay Freeport Zone (SBFZ).

Oil Group

Therma Marine, Inc. (TMI)

Incorporated on November 12, 2008, TMI owns and operates Power Barges Mobile 1 (previously known as PB 118) and Mobile 2 (previously known as PB 117), which have a total generating capacity of 200 MW. Mobile 1 is currently moored at Barangay San Roque, Maco, Compostela Valley, while Mobile 2 is moored at Barangay Sta. Ana, Nasipit, Agusan del Norte.

TMI assumed ownership of Mobile 1 and Mobile 2 from PSALM on February 6, 2010 and March 1, 2010, respectively, after the successful conclusion of the US\$30 mn negotiated bid for the barges on July 31, 2009. After acquisition, TMI signed a one-year ASPA with NGCP with respect to each barge for the supply of AS consisting of contingency reserve and dispatchable reserve for the Mindanao Grid. The ASPA involving the power barges is for the supply of 50-MW firm ancillary power to NGCP. The contracts were extended for another year and expired on February 5, 2012 and March 1, 2012 for Mobile 1 and Mobile 2, respectively. The 192.2-MW dependable capacities of TMI are currently being fully contracted and sold to various cooperatives, industrial and commercial customers in Mindanao under Energy Supply Agreements (ESAs), all of which were approved by the ERC. The ESAs were extended with different expiry dates ranging from 2016 to 2018.

TMI was registered with BOI effective May 28, 2010 with a four (4)-year ITH that expired on May 27, 2014. Upon the expiration of the BOI registration, all benefits granted to TMI expired, thus making TMI subject to regular tax rates.

AboitizPower and its wholly-owned Subsidiary, TPI, effectively own 100% of TMI.

Therma Mobile, Inc. (TMO)

Incorporated on October 20, 2008, TMO owns and operates four barge-mounted power plants located at the Navotas Fish Port, Manila, with an installed generating capacity of 242 MW.

TMO acquired the barges from Duracom Mobile Power Corporation and East Asia Diesel Power Corporation on May 27, 2011. The barges have undergone rehabilitation on July 2011, and started commercial operations on November 12, 2013 at a capacity of 100 MW. The current dependable capacity of 204 MW of the barges was attained and proven in a successful capacity test in April 2015. The company has an existing PSA with MERALCO.

TMO has a pending case with the Philippine Electricity Market Corporation (PEMC) for alleged violation of the Must-Offer Rule of the WESM covering the November to December 2013 supply months. It also has pending cases with the ERC for alleged economic and physical withholding of capacity for the same supply months.

The company maintains that it did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of the limitations of its engines and the 115-Kv transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on November 25, 2013. During this period, TMO's engines and transmission lines were still undergoing rehabilitation after having been non-operational for the five (5) years. PEMC's petition is pending before the Supreme Court.

AboitizPower and its wholly-owned Subsidiary, TPI, effectively own 100% of TMO.

East Asia Utilities Corporation (EAUC)

EAUC is the owner and operator of a Bunker C-fired power plant within Mactan Economic Processing Zone I (MEPZ I), Lapu-Lapu City, Cebu. It has been operating the plant since 1997.

The company was incorporated on February 18, 1993 and began supplying power through the WESM on December 26, 2010. On April 26, 2011, EAUC entered into an Electric Power Purchase Agreement (EPPA) with the Philippine Economic Zone Authority (PEZA) to purchase 22 MW electric power. EAUC also signed a PSA with AdventEnergy for the remaining 21.5 MW capacity effective February 21, 2017.

AboitizPower acquired its 50% ownership interest in EAUC from El Paso Philippines on April 20, 2007. On June 14, 2016, AboitizPower, through TPI, acquired the remaining 50% interest in EAUC from El Paso Philippines through a Share Purchase Agreement.

AboitizPower, together and its wholly-owned Subsidiary, TPI, effectively own 100% of EAUC.

Therma Power Visayas, Inc. (TPVI)

Incorporated on October 8, 2007, TPVI is the project company that was awarded the winning bid for the privatization of the Naga Power Plant Complex (NPPC) 55-MW Naga land-based gas turbine power plant (NPPC) located in Colon, Naga City, Cebu.

In 2009, SPC Power Corporation (SPC) acquired the NPPC through a negotiated bid. In the same year, it entered into a Land Lease Agreement with PSALM, which includes SPC's right-to-top the price of the winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the NPPC located on the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the NPPC. SPC wrote to PSALM of its intent to exercise its right-to-top the winning bid, on the condition that the Land Lease Agreement would be a term of twenty-five (25) years from closing date. PSALM then awarded the contract to SPC, despite TPVI's objections that SPC did not validly exercise its right-to-top because of its qualified offer.

Senator Sergio R. Osmeña III filed a petition for certiorari and prohibition and to enjoin PSALM from implementing SPC's right-to-top in connection with the NPPC bidding and to have said right-to-top null and void. PSALM, NPC, and TPVI were impleaded as respondents. In its September 28, 2015 Decision, the Supreme Court cancelled the award to SPC on the finding that SPC's right-to-top is void for lack of interest or right to the object over which the right-to-top is to be exercised. On March 16, 2016, TPVI filed a Manifestation and Motion before the Supreme Court praying that a resolution be issued by the Supreme Court declaring that the Notice of Award dated April 30, 2014 issued by PSALM

in favor of TPVI as the highest bidder of the NPPC be reinstated and be of full force and effect. This was granted by the Supreme Court.

Subsequently, SPC filed several motions, including a Motion for Leave to File and Admit the attached Motion for Reconsideration dated December 9, 2016, and Supplemental Motion/Petition for Referral to the *en banc* dated January 16, 2017. These were denied by the Supreme Court in a Resolution dated April 26, 2017.

TPVI is a wholly-owned Subsidiary of AboitizPower.

Cebu Private Power Corporation (CPPC)

Incorporated on July 13, 1994, CPPC owns and operates a 70-MW Bunker C-fired power plant located in the Old VECO Compound, Cebu City (“CPPC Plant”). It is one of the largest diesel-powered plants on the island of Cebu. Commissioned in 1998, the CPPC Plant was constructed pursuant to a BOT contract to supply 61.72 MW of power to VECO.

On April 20, 2007, AboitizPower acquired 60% of the outstanding common shares of CPPC from EAUC. VEC owns the remaining 40% of the outstanding common shares. VEC and AboitizPower are the major shareholders of VECO. CPPC is imbedded inside the franchise area of VECO.

AboitizPower beneficially owns 60% of CPPC.

Southern Philippines Power Corporation (SPPC)

Incorporated on March 15, 1996, SPPC owns and operates a 55-MW Bunker C-fired power plant (“SPPC Plant”) located in Alabel, Sarangani, a municipality outside General Santos City in Southern Mindanao.

The SPPC Plant was developed by SPPC on a build-own-operate basis, under the terms of its Energy Conversion Agreement (ECA) with NPC, which ended in 2016. SPPC currently supplies power to electric utilities and cooperatives pursuant to PSAs approved by the ERC. These utilities and cooperatives pay SPPC on a monthly basis for the fuel costs, capital recovery, energy, and fixed and variable operations and maintenance fees as specified in the PSAs.

SPPC is a joint venture company among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd. AboitizPower has a 20% equity interest in SPPC.

Western Mindanao Power Corporation (WMPC)

Incorporated on March 15, 1996, WMPC owns and operates a 100-MW Bunker C-fired power station (“WMPC Plant”) located in Zamboanga City, Zamboanga Peninsula in Western Mindanao.

The WMPC Plant was developed by WMPC on a build-own-operate basis, under the terms of its ECA with NPC, which ended in 2015. WMPC currently supplies power electric utilities and cooperatives pursuant to PSAs approved by the ERC. These utilities and cooperatives pay WMPC on a monthly basis for the fuel costs, capital recovery, energy, and fixed and variable operations and maintenance fees as specified in the PSAs.

WMPC is a joint venture company among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd. AboitizPower has a 20% equity interest in WMPC.

Coal Group

Therma Luzon, Inc. (TLI)

TLI has been the registered trader of the contracted capacity of the 700-MW (2x350 MW) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon (“Pagbilao Plant” or “Pag1” and “Pag2”) since October 1, 2009, when it became the first IPPA in the country. TLI was incorporated on October 20, 2008.

As the IPPA for the Pagbilao Plant, TLI is responsible for procuring the fuel requirements of and selling the electricity generated by the Pagbilao Plant. The Pagbilao Plant is owned and operated by TeaM Energy Corporation (TeaM Energy). Under the IPPA Agreement, TLI has the right to receive the transfer of Pag1 and Pag2 at the end of the ECA.

Over the past years, TLI's capacity has been contracted to various cooperatives, private distribution utilities, directly connected customers, and to an Affiliate Retail Electricity Supplier (RES), AESI. AESI, in turn, sells the power to Contestable Customers under the Retail Competition and Open Access (Open Access) regime. The diversification of the customer base spreads the risk of TLI. Most of these bilateral contracts have terms ranging between two (2) and twenty (20) years. A significant number of TLI's Open Access customers consume most of their energy during off-peak periods. This results in a customer mix with a high load factor.

Currently, TLI is undertaking the necessary procedure to secure its own license to operate as a RES. With this license, TLI will be able to sell, broker, market, and/or aggregate electricity to Contestable Customers and participate in the competitive retail electricity market.

AboitizPower, through its wholly-owned Subsidiary, TPI, effectively owns 100% of TLI.

Pagbilao Energy Corporation (PEC)

Incorporated on April 30, 2012, PEC owns and operates the third coal-fired power plant within the Pagbilao Plant facilities located in Pagbilao, Quezon, with a net capacity of 400 MW ("Pag3").

Pursuant to the Joint Development Agreement entered into by TPI and TeaM Energy effective May 31, 2012, PEC was formed as a separate vehicle for Pag3 and is intended to be a separate entity from TLI. PEC is not covered by either TLI's IPPA with PSALM, or TeaM Energy's BOT contract with NPC/PSALM. An Environmental Compliance Certificate (ECC) was issued by the Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB) on June 18, 2013.

On May 2014, PEC entered into an EPC contract with a consortium comprised of Mitsubishi Hitachi Power Systems Ltd., Daelim Industrial Co. Ltd., DESCO Inc., and Daelim Philippines Inc. for the project. On May 15, 2014, PEC also signed an Omnibus Agreement to obtain loans and credit accommodations to finance the construction of Pag3 with a consortium of lender-banks in the amount of up to ₱33.31 bn.

During the course of PEC's business permit application for calendar year 2018, the Municipality of Pagbilao required PEC to execute a MOA implementing corporate social responsibility (CSR) programs for an amount above its budget. Upon the company's refusal, on February 27, 2018, the Municipality of Pagbilao issued a Cease and Desist Order (CDO) against PEC and refused to issue its business permit. PEC filed an application for injunction and obtained a Temporary Restraining Order (TRO) from the RTC of Lucena City to prevent the municipality from implementing what PEC believes to be an unwarranted cease and desist order. On March 2, 2018, the RTC issued a TRO valid for twenty (20) days from February 28, 2018. On March 2, 2018, the RTC issued a TRO valid for twenty (20) days from February 28, 2018. On March 7, 2018, the Municipality of Pagbilao revoked the CDO, and on hearing on the same date, the parties moved for the dismissal of the case, which the Court granted.

PEC started commercial operations in March 2018.

PEC is 50% owned by TPI and 50% owned by TPEC Holdings Corporation. Consequently, AboitizPower has a 50% effective interest in PEC.

Therma South, Inc. (TSI)

Incorporated on November 18, 2008, TSI owns and operates the 300-MW (2x150MW) CFB coal-fired power plant located both in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur.

TSI declared commercial operations for Unit 1 and Unit 2 on September 2015 and February 2016, respectively. Formal inauguration of Unit 2 was held on January 8, 2016, with then President Benigno C. Aquino III as the keynote speaker.

TSI contributes to the continuing growing power requirements of Mindanao by providing stable and cost-effective base load power. TSI has currently contracted out 260 MW of energy and has twenty-two (22) different approved Power/Energy Supply Agreements with various private distribution utilities and energy cooperatives.

The company seeks to sustain the positive impact it has brought its host communities through various educational, livelihood, and enterprise development programs, benefitting children, students, small and medium business enterprise owners, and most notably its employees.

AboitizPower, through its wholly-owned Subsidiary, TPI, effectively owns 100% of TSI.

Therma Visayas, Inc. (TVI)

TVI is the project company that is constructing a 340-MW (2x170 MW) CFB coal-fired power plant located in Barangay Bato, Toledo City, Cebu.

The company was incorporated on October 15, 1997 as Vesper Industrial & Development Corporation (VIDC), a joint venture company of A. Soriano Corporation (Anscor) and Tokuyama Corporation (Tokuyama). In December 2011, AboitizPower through its wholly-owned Subsidiary, TPI, acquired all of the shares in VIDC owned by Anscor and Tokuyama, and thereafter renamed VIDC to Therma Visayas, Inc. The Vivant Group acquired 20% interest in TVI through subscriptions from its increase in authorized capital stock, which was approved by the SEC on December 23, 2014.

TVI aims to address the increasing power demand of the Visayas Grid with provisions for the future addition of a third generating unit.

In May 2014, TVI signed an EPC contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc. Currently, the company is undertaking the task of connecting to the Grid and energization of its plant. Target commercial operations for Units 1 and 2 is on May 2018 and August 2018, respectively.

AboitizPower through its wholly-owned Subsidiary, TPI, effectively owns 80% of TVI. The remaining 20% is held by Vivant Group through VIGC and VEC.

Abovant Holdings, Inc. (Abovant) and Cebu Energy Development Corporation (Cebu Energy)

Incorporated on November 28, 2007, Abovant is a joint venture company formed as the holding company for shares in Cebu Energy. Abovant is 60% owned by TPI and 40% owned by VIGC of the Vivant Group. Cebu Energy was incorporated on December 5, 2008.

Abovant and Global Formosa Power Holdings, Inc. (Global Formosa), a joint venture between Global Business Power Corporation and Flat World Limited, formed Cebu Energy to own, operate, and maintain a 3x82 MW CFB coal-fired power plant situated within the Toledo Power Complex in Barangay Daanlungsod, Toledo City, Cebu.

In 2012, the Cebu Energy power plant in Toledo City completed its first full year of commercial operations. The first 82 MW unit was commissioned on February 2010, while the second and third units were commissioned in the second and fourth quarter of 2010, respectively. The said power plant provides much-needed power to the province of Cebu and its neighboring province, Bohol.

Abovant has a 44% stake in Cebu Energy, while Global Formosa owns the remaining 56% stake. Consequently, AboitizPower, through TPI, holds a 26.4% effective ownership interest in Cebu Energy.

Redondo Peninsula Energy, Inc. (RP Energy)

Incorporated on May 30, 2007, RP Energy is the project company that will construct, own, and operate the 2x300-MW (net) coal-fired power plant located in Redondo Peninsula of Subic Bay within the SBFZ, Subic, Zambales.

In July 2012, a Petition for Writ of Kalikasan and Environmental Protection Order was filed against the project with the Supreme Court. The Petition was remanded to the Court of Appeals (CA) for a hearing. The CA denied the issuance of Writ of Kalikasan for lack of merit, but nonetheless, nullified RP Energy's ECC and land lease with SBMA

on the grounds of DENR's non-compliance with procedural requirements and SBMA's failure to secure approvals and endorsements from relevant Local Government Units (LGUs). The CA decision became the subject of three (3) Petitions for Review on Certiorari filed by RP Energy, DENR, and SBMA with the Supreme Court. In view of this legal dispute, the commercial operations of the power plant became dependent on the final resolution of the petitions filed with the Supreme Court.

On February 3, 2015, the Supreme Court dismissed the Writ of Kalikasan for insufficiency of evidence and upheld the validity of the December 22, 2008 ECC issued by the DENR in favor of RP Energy, its July 8, 2010 first amendment, and the May 26, 2011 second amendment. The Supreme Court also upheld the validity of the company's Lease and Development Agreement with SBMA.

RP Energy was originally a joint venture between AboitizPower and TCIC. MPGC acquired a majority interest in RP Energy by virtue of a share purchase agreement with TPI on July 22, 2011. AboitizPower, through TPI, and TCIC retained an equal ownership interest in RP Energy of 25% (less one share each).

STEAG State Power Inc. (STEAG Power)

Incorporated on December 19, 1995, STEAG Power is the owner and operator of a 232-MW (gross) coal-fired power plant located in PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The plant was built under a BOT arrangement and started commercial operations on November 15, 2006. STEAG Power has a 25-year PPA with the NPC, which is backed by a Performance Undertaking issued by the Republic of the Philippines.

On November 15, 2007, AboitizPower closed the sale and purchase of 34% equity ownership in STEAG Power from Evonik Steag GmbH (now STEAG GmbH or STEAG), Germany's fifth largest power generator. STEAG and La Filipina Uy Gongco Corporation currently hold the remaining 51% and 15% equity, respectively, in STEAG Power.

STEAG Power has been registered with the BOI as a pioneer enterprise with a six (6)-year ITH incentive, which expired on November 14, 2012. STEAG Power's COC, on the other hand, has been renewed by the ERC and is effective until August 2021.

AboitizPower has a 34% equity interest in STEAG Power.

GNPower Mariveles Coal Plant Ltd. Co. (GNPower Mariveles or GMCP)

GNPower Mariveles is a private limited partnership organized on May 13, 2007 and established to undertake the development, construction, operation, and ownership of an approximately 2x316MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines ("Mariveles Project").

The Mariveles Project is located within an industrial zone on a sixty (60)-hectare coastal site near the port of Mariveles on the Bataan Peninsula of Luzon. The project site lies near the northern entrance to Manila Bay, providing easy and safe shipping access from the West Philippine Sea.

The Mariveles Project commenced construction after execution of the equity and financing documentation, approval by the relevant government authorities and the initial drawdown under the non-recourse loan on January 29, 2010. It was declared commercially available in the market in 2013 and currently supplies electric capacity to the Luzon and Visayas markets.

The electricity produced by the Mariveles Project is exported through a 230kV high voltage transmission line owned and operated by NGCP.

Substantially all of the capacity of the Mariveles Project is contracted under long term power purchase agreements with highly-rated distribution utilities and Contestable Customers, through its designated RES.

In October 2016, TPI, a wholly-owned Subsidiary of AboitizPower, entered into Purchase and Sale Agreements for the acquisition of partnership interests held by affiliated investment funds of The Blackstone Group L.P. in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.) Following the receipt of approvals from the BOI and the PCC, TPI completed the acquisition

of GNPow er Mariveles and GNPow er Dinginin on December 27, 2016. Effective October 13, 2017, AboitizPower’s, through its general and limited partners, sharing percentage on: (i) profits and losses and (ii) distributions, including net distributable liquidation proceeds, in GNPow er Mariveles is 66.0749%. In 2018, AboitizPower, through TPI, is restructuring its share ownership structure in GNPow er Mariveles. The restructuring involves the transfer of direct ownership of GNPow er Mariveles from the offshore subsidiaries of TPI to itself, and the eventual dissolution and liquidation of the offshore intermediary subsidiaries that own the GNPow er Mariveles shares. After the restructuring, TPI directly owns a 66.01% partnership interest in GNPow er Mariveles.

Effectively, the partnership interests in GNPow er Mariveles are owned by TPI, AC Energy Holdings, Inc. (ACEHI), a wholly-owned subsidiary of Ayala Corporation, and Power Partners Ltd. Co. (Power Partners).

As of March 31, 2018, AboitizPower, through TPI, effectively owns a 66.07% partnership interest in GNPow er Mariveles.

GNPow er Dinginin Ltd. Co. (GNPow er Dinginin or GNPD)

GNPow er Dinginin is a limited partnership organized and established on May 21, 2014 with the primary purpose of: (a) developing, constructing, operating, and owning a 1x668 MW (net) supercritical coal-fired power plant to be located at Mariveles, Province of Bataan, with a one-time expansion option of undertaking the development, construction, operation, and ownership of an additional 1x668 MW Unit; (b) generating, selling and trading of electric power, importing machines, equipment, motor vehicles, tools, appurtenant spare parts, coal for fuel, lubricants, cleansing substances, and other necessary and related materials or chemicals; and (c) obtaining, entering into and performing any and all contracts and engaging in any and all transactions consistent with the foregoing purpose.

GNPow er Dinginin successfully achieved financial close and started the construction of Unit 1 in September 2016, with target delivery in the first half of 2019. The company also proceeded with the expansion of the power plant last year and successfully achieved financial close for Unit 2 in December 2017. To date, GNPow er Dinginin has already signed Power Purchase and Sale Agreements with highly-rated distribution utilities and RES.

GNPow er Dinginin will be constructed in two phases: (i) the first phase is for one 668MW (net) unit (Unit 1) and associated ancillary facilities supporting the full operations of Unit 1 and (ii) the second phase is for an additional identical 668MW (net) unit (Unit 2) and associated ancillary facilities required to support the full operations of Unit 2. The electricity that will be produced by Unit 1 of GNPow er Dinginin will be exported through the existing 230kV high voltage transmission line owned and operated by NGCP. Eventually, energy from Unit 1 and Unit 2 will be exported through NGCP’s 500kV high voltage transmission line once completed.

On December 27, 2016, TPI completed the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group, L.P in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.). The sharing percentage on (i) profits and losses and (ii) distributions of AboitizPower in GNPow er Dinginin, through its general and limited partners, will eventually be reduced to 40%.

In 2018, AboitizPower, through TPI, began restructuring its share ownership structure in GNPow er Dinginin. The restructuring involves the transfer of direct ownership of GNPow er Dinginin from the offshore subsidiaries of TPI to TPI itself, and the eventual dissolution and liquidation of the offshore intermediary subsidiaries that own the GNPow er Dinginin shares. After the restructuring, TPI directly owns a 50% partnership interest in GNPow er Dinginin.

GNPow er Dinginin is co-developed by Power Partners, ACEHI, and TPI. AboitizPower, through TPI, effectively owns a 50% partnership interest in GNPow er Dinginin, as of March 31, 2018.

Other Generation Assets

Two of AboitizPower’s distribution utilities have their own standby power plants. Davao Light currently maintains the 58.7-MW Bunker C-fired Bajada standby power plant, which is capable of supplying approximately 10% of Davao Light’s requirements as of December 31, 2017. Cotabato Light maintains a stand-by 9.927-MW Bunker C-fired power plant capable of supplying approximately 14% of its requirements as of December 31, 2017.

Future Projects

Before undertaking a new power generation project, AboitizPower conducts an assessment of the proposed project. Factors taken into consideration include the proposed project's land use requirements, access to a power grid, fuel supply arrangements (if relevant), availability of water, local requirements for permits and licenses, acceptability of the project to the communities and people it will affect, ability of the project to generate electricity at a competitive cost, and the existence of potential purchasers of the electricity generated. For the development of a new power project, AboitizPower, its partners, and suppliers are required to obtain all national and local permits and approvals before the commencement of construction and commercial operations, including those related to the project site, construction, the environment, land use planning/zoning, operations licenses, and other related approvals.

DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has more than eighty-five (85) years of experience in the Philippine power distribution sector and has been known for innovation and efficient operations.

With ownership interests in eight (8) Distribution Utilities, AboitizPower is currently one of the largest electricity distributors in the Philippines. AboitizPower's Distribution Utilities collectively supply electricity to franchise areas covering a total of 18 cities and municipalities in Luzon, Visayas, and Mindanao.

As of December 31, 2017, the power distribution business' earnings contribution from AboitizPower's business segments is equivalent to 20%. The Distribution Utilities had a total customer base of 954,300 in 2017, 916,876 in 2016, and 881,944 in 2015.

The table below summarizes the key operating statistics of the Distribution Utilities for each of the past three (3) years.

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Davao Light	2,317,985	2,173,373	2,069,127	404	380	354	384,434	367,782	351,079
Cotabato Light	153,973	146,678	131,975	29	27	25	41,110	38,924	37,697
VECO	2,938,532	2,922,950	2,585,704	522	524	475	422,814	408,586	395,689
SFELAPCO	623,607	588,985	548,365	116	117	102	101,942	97,847	94,227
SEZ	517,558	535,010	506,539	106	103	102	3,267	3,151	3,040
MEZ	114,272	111,486	120,491	21	21	22	83	82	80
BEZ	91,273	102,208	113,800	27	30	30	31	32	33
LEZ	197,908	165,481	149,770	33	28	26	619	472	99
Total	6,955,108	6,746,171	6,225,771	1,258	1,230	1,136	954,300	916,876	881,944

Visayan Electric Company, Inc. (VECO)

Incorporated on February 22, 1961, VECO is the second largest privately-owned distribution utility in the Philippines in terms of customer size and annual MWh sales. It supplies electricity to the greater part of Metro Cebu, an area covering 674 square kilometers (sq. kms.) and with a population of approximately 1.7 mn. To date, VECO has nineteen (19) power substations and one (1) mobile substation that serve the power needs of the cities of Cebu, Mandaue, Talisay and Naga, and the municipalities of Minglanilla, San Fernando, Consolacion, and Liloan. As of December 31, 2017, VECO served a total of 422,814 customers and had a peak demand of 504 MW.

In 1928, Visayan Electric Company, S.A. was granted a 50-year distribution franchise by the Philippine Legislature. The term of this franchise was extended by Republic Act (RA) 6454 for an additional twenty-five (25) years starting 1978 and was conditionally renewed for another twenty-five (25) years from December 2003. In September 2005, the Philippine Congress passed RA 9339, which extended VECO's franchise to September 2030. VECO's application for the extension of its Certificate of Public Convenience and Necessity (CPCN) was approved by the ERC on January 26, 2009.

VECO, directly and through its predecessors-in-interest, has been in the business of distributing electricity in Cebu since 1905. In the early 1900s, the predecessors-in-interest of the Aboitiz Group acquired a 20% interest in VECO's predecessor-in-interest, the Visayan Electric Company, S.A. Since that time, the Aboitiz Group's ownership interest in VECO has increased from 20% to its current ownership interest of 55.25%, which is directly held by AboitizPower.

In April 2004, AEV, Vivant, and Hijos de F. Escaño Inc. (Hijos) entered into a Shareholders' Cooperation Agreement that sets out guidelines for VECO's day-to-day operations and the relationship among VECO's shareholders, including restrictions on share transfers (the grant of the right of first refusal in the event of a transfer to a third party and the right to transfer to Affiliates, subject to certain conditions), board composition and structure, proceedings of directors and shareholders, minority shareholder rights, dividend policy, termination, and non-compete obligations. Under the terms of the agreement, day-to-day operations and management of VECO were initially assumed by AEV, and eventually by AboitizPower after it acquired AEV's ownership interest in VECO in January 2007. To guarantee compliance with their respective obligations under the Shareholders' Cooperation Agreement, AboitizPower and Vivant were each required to place in escrow 5% of the shares in VECO registered in their names. The escrow shares will be forfeited in the event that a shareholder group violates the terms of the Shareholders' Cooperation Agreement.

VECO is part of the third group (Group C) of private distribution utilities to shift to Performance-Based Rate-Setting Regulation (PBR). On May 2010, the ERC issued its final determination on VECO's application for approval of its annual revenue requirements and Performance Incentive Scheme under the PBR for the regulatory period July 1, 2010 to June 30, 2014.

On March 2013, VECO filed an application for the approval of its proposed translation into distribution rates to the different customer classes for the fourth regulatory year with the ERC. The five (5)-month recovery due to the delay of the implementation in the third regulatory year is included in the application for the fourth regulatory year. The application was approved by the ERC on July 10, 2013 and VECO was able to implement the new distribution rates on time. The approved distribution rates for the fourth regulatory year were to be applicable only for July 2013 up to June 2014 billings. In the first quarter of 2014, VECO was scheduled to undergo the PBR reset process to ensure that the new rates would be approved and can be applied by July 2014. The ERC, however, deferred all PBR reset processes. VECO has since continued to apply the rates approved for the fourth regulatory period even beyond June 2014.

VECO entered into a PPA for the purchase of electric energy from CPPC for a period of fifteen (15) years starting from the commercial operation date of the latter. In 2013, the PPA was extended for another ten (10) years.

To address VECO's long-term power supply requirement, VECO entered into an EPPA with Cebu Energy on October 16, 2009 for the supply of 105 MW for twenty-five (25) years. The contracted capacity with Cebu Energy was subsequently increased to 121 MW in 2014 and further increased by 20 MW starting March of 2015 to cover the increase in demand within its franchise area. However, the 20-MW contract was terminated in 2016 due to the inability of the transmission grid to wheel power from the plant to VECO.

On December 26, 2010, VECO signed a five-year PSA with Green Core Geothermal, Inc. (GCGI) for the supply of 60 MW at 100% load factor. On October 23, 2014, VECO and GCGI amended the PSA, extending the term for another ten years at a reduced price. VECO entered into additional PPAs with GCGI for the supply of 15 MW starting December 25, 2011 and an additional 15 MW starting December 25, 2012. This addressed NPC's reduced power supply under its contract with VECO. The first and second 15 MW contract with GCGI expired last December 26, 2016.

On December 25, 2014, the Contract for the Supply of Electric Energy (CSEE) between VECO and PSALM expired. Consequently, VECO entered into PSAs with AESI, Vivant Energy Solutions, and Unified Leyte Geothermal Energy Inc. (ULGEI) for 40 MW, 17 MW, and 5 MW baseload supply, respectively. The 5-MW contract with ULGEI was also terminated in 2016 due to failure to secure ERC approval after the one (1) year cooling-off period.

To partially source its peaking requirement, VECO entered into an agreement with 1590 Energy Corporation for the supply of 30 MW for six months starting December 2014. For its long term capacity requirement, VECO entered into a 15-year PSA with TVI for the supply of 150 MW beginning in 2018. To reduce WESM exposure in 2016 until TVI's commercial operations have commenced, the company entered into a PSA with South Luzon Power Generation Company (SLPGC) for 50 MW in 2016.

Starting December 26, 2016, the contract with SLPGC was reduced to 47.79 MW as there were Contestable Customers who migrated to Open Access. VECO will continue to renegotiate the reduction of its bilateral contracts to account for the continued migration of Contestable Customers. VECO's PSAs with TVI is pending with the ERC for approval.

In 2017, VECO's systems loss is at 6.51%, below the government-mandated cap of 8.5%. Systems loss below the mandated cap translates to reduced power costs, resulting in customer savings.

Davao Light & Power Company, Inc. (Davao Light)

Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customer size and annual kWh sales. Davao Light's franchise area covers Davao City, areas of Panabo City, and the municipalities of Carmen, Dujali, and Santo Tomas in Davao del Norte, with a population of approximately 1.8 mn and a total area of 3,561 sq. kms. As of December 2017, Davao Light served a total of 384,434 customers, with an average peak demand recorded at 404,196 kW.

Davao Light was incorporated on October 11, 1929, and was acquired by the Aboitiz Group in 1946. Davao Light's original fifty (50)-year franchise, covering Davao City, was granted on November 1930 by the Philippine Legislature. On September 2000, RA 8960 granted Davao Light a franchise for a period of twenty-five (25) years, or until September 2025.

The large percentage of Davao Light's power supply comes from renewable energy sources from the NPC-PSALM, Hedcor Sibulan, and Hedcor's Talomo plant, which comprised 52.29% of Davao Light's power mix.

Due to the high growth of new locators within the franchise area, Davao Light accelerated the upgrades for the distribution network infrastructure to meet increasing demand. On July 5, 2017, the company upgraded its Don Ramon Substation by adding additional capacity of 100 MVA, increasing its overall capacity to 200 MVA.

On December 10, 2017, Davao Light also energized its 9.5-kilometer 69-kV line connecting ERA Substation to DRA Substation. To ensure reliability and to cater growing demand in the northern part of its franchise area, the company upgraded its San Vicente Substation after the successful energization and loading of the newly installed 33 MVA power transformer of the said substation.

The growth in demand resulted in total sales of 2,298,361,482 kWh as of December 2017. Davao Light recorded a total growth in energy sales for 2017 of 5.75% and increase of demand of 6.37%.

Davao Light's systems loss at 7.32% remains below the government-mandated cap of 8.5%. Systems loss below the mandated caps translates to reduced power costs, resulting in customer savings.

On November 28, 2016, Davao Light signed a 60-MW Power Supply Contract (PSC) with San Miguel Consolidated Power Corporation, subject to ERC approval. This PSC is intended to replace the firm supply contracts with SPPC and TMI, which are expiring in 2018. Moreover, Davao Light also signed non-firm supply contracts with TMI and WMPC on October and November 2017, respectively, with a total capacity of 105 MW, intended to supply Davao Light's power requirements during the drought months when the supply coming from NPC-PSALM is very limited.

Davao Light is part of Group C of private distribution utilities to enter the PBR. The reset process for the next regulatory period is put on hold by the ERC.

In July 2017, Davao Light donated a new and improved investment promotion website to Davao City Investment Promotion Center to further promote the city's economic interests. The website adheres to Global Investment Promotions Best Practices in content presentation and user interface, search engine optimization and back-end data analytics, in the hopes of facilitating business opportunities for local and foreign investors. Davao Light aims to bring more investments into its franchise area through partnerships with the local government units.

The company is currently owned 99.93% by AboitizPower.

Cotabato Light and Power Company (Cotabato Light)

Cotabato Light supplies electricity to Cotabato City and portions of the municipalities of Datu Odin Sinsuat and Sultan Kudarat, both in Maguindanao, with a land area of 191 sq. kms. As of December 2017, Cotabato Light's peak demand was recorded at 28.60 MW and is serving a total of 41,110 customers.

Incorporated in April 1938, Cotabato Light's original twenty-five (25)-year franchise was granted by the Philippine Legislature through RA 3341 in June 1939. Its franchise was extended until June 1989 through RA 3217 in 1961, and for another twenty-five (25) years or until August 2014. Cotabato Light's current franchise was granted under RA 10637, signed into law by then President Benigno C. Aquino III on June 16, 2014, for another twenty-five (25) years or until 2039.

As of year-end 2017, Cotabato Light has three substations - 10 MVA, 12 MVA, and 15 MVA - backed up by a 10 MVA power transformer. Cotabato Light is served by one 69-kV transmission line with a distribution voltage of 13.8 kV. These lines can be remotely controlled using the Supervisory Control and Data Acquisition (SCADA) system.

Cotabato Light maintains a standby Bunker C-fired plant with dependable capacity of 5.85 MW, capable of supplying approximately 20% of its franchise area requirements. The standby plant is capable of supplying electricity in case of power supply problems with PSALM, its other power suppliers, or the NGCP, and to stabilize voltage when necessary.

As of December 2017, Cotabato Light's systems loss stands at 8.84%, higher than the systems loss cap of 8.5% as implemented by the ERC. The company continuously strives to improve its systems and processes in order to reduce systems loss.

Cotabato Light is part of the second batch (Group B) of private utilities to enter PBR and is currently under the second regulatory period from April 1, 2013 to March 1, 2017. The reset process for the next regulating period is put on hold by the ERC.

The company utilizes modern systems such as the Customer Care and Billing, Enterprise Resource Planning (ERP) and soon, the Work and Asset Management (WAM). Cotabato Light constantly searches for ways to provide its customers with safe and reliable power while operating as a low cost service provider. Although a relatively small distribution utility, it benefits from the technology and systems innovation and developments of its Affiliate, Davao Light. Davao Light likewise readily provides technical assistance to Cotabato Light whenever necessary.

AboitizPower directly owns 99.9374% of Cotabato Light.

San Fernando Electric Light & Power Co., Inc. (SFELAPCO)

SFELAPCO's franchise in the City of San Fernando, Pampanga covers an area of 78.514 sq. kms. and includes 402.92 and 662.74 circuit-kilometers on its 13.8-kV and 240-volt distribution lines, respectively. SFELAPCO also supplies thirty-five (35) barangays in the City of San Fernando, Barangays San Isidro and Cabalantian in Bacolor, Pampanga, 25 barangays in the municipality of Floridablanca, and one (1) barangay in Guagua, Pampanga. As of December 2017, SFELAPCO's peak demand was recorded at 116,477 kW, and was serving a total of 101,423 customers.

SFELAPCO was incorporated on May 17, 1927 and was granted a municipal franchise in 1927. In 1961, RA 3207 was passed by Congress granting SFELAPCO a legislative franchise to distribute electricity for a period of fifty (50) years ending in June 2011. SFELAPCO's current legislative franchise was granted through RA 9967, for another twenty-five (25) years commencing on March 24, 2010.

SFELAPCO is part of the fourth batch (Group D) of private utilities to enter PBR and is currently under the four-year regulatory period starting October 1, 2011 until September 2015. The reset process for the next regulatory period is put on hold by the ERC.

SFELAPCO's systems loss at 4.97% remains below the government-mandated cap of 8.5%. Systems loss below the mandated caps translates to reduced power costs resulting in customer savings.

AboitizPower owns an effective interest of 43.78% in SFELAPCO.

Subic EnerZone Corporation (SEZ)

In May 2003, the consortium of AEV and Davao Light won the competitive bid to provide distribution management services to SBMA and to operate the SBFZ power distribution utility for a period of 25 years. On June 3, 2003, SEZ was incorporated as a joint venture company owned by a consortium comprised of Davao Light, AEV, SFELAPCO, Team Philippines, Okeelanta, and PASUDECO to undertake the management and operation of the SBFZ power distribution utility. On October 25, 2003, SEZ was formally awarded the contract to manage SBFZ's power distribution utility and took over operations. As of December 2017, SEZ's peak demand was recorded at 102,272 kW and was serving a total of 3,267 customers.

SEZ's authority to operate SBFZ's power distribution utility was granted by SBMA pursuant to the terms of RA 7227 or The Bases Conversion and Development Act of 1992, as amended. As a company operating within the SBFZ, SEZ enjoys a preferential tax of 5% on its gross income in lieu of all other national and local taxes.

Following the acquisition by AboitizPower in January 2007 of AEV's 64.3% effective ownership interest in SEZ, AboitizPower entered into another agreement on June 8, 2007 to acquire the combined 25% equity stake in SEZ of AEV, SFELAPCO, Okeelanta, and PASUDECO. On December 17, 2007, AboitizPower bought the 20% equity of Team Philippines in SEZ for ₱92 mn. Together with Davao Light's 35% equity in SEZ, this acquisition brought AboitizPower's total equity in SEZ to 100%.

On July 6, 2011, the ERC released its final determination on SEZ's application for approval of its maximum average price (MAP), Annual Revenue Requirement (ARR), and PIS for the period October 2011 to September 2015. The approved MAP for the first regulatory year, as translated into new rates per customer class, was implemented in January 2012.

SEZ saw a smooth transition in implementing new PBR power rates during 2012. In July 2012, ERC certified SEZ as a Local RES.

For SEZ's second regulatory year covering October 1, 2012 to September 30, 2013, it was able to implement the new rate schedule starting January 2013. Consequently, the resulting under-recoveries from the lag starting from October 1, 2012 were included by SEZ as under-recoveries in its rate filing in the third regulatory year. The reset process for the next regulatory period is put on hold by the ERC.

SEZ's systems loss at 3.77% remains below the government-mandated cap of 8.5%. Systems loss below the mandated cap translates to reduced power costs resulting in customer savings.

AboitizPower, together with Davao Light, owns 100% of SEZ.

Mactan Enerzone Corporation (MEZ)

MEZ was incorporated on February 19, 2007 when AboitizLand spun off the power distribution system of its Mactan Export Processing Zone II (MEPZ II) project. The MEPZ II project, which was launched in 1995, was operated by AboitizLand under a BOT agreement with the Mactan-Cebu International Airport Authority (MCIAA).

On June 8, 2007, AboitizPower entered into an agreement to acquire AboitizLand's 100% equity stake in MEZ, representing 8,754,443 common shares. Pursuant to the agreement, AboitizPower acquired AboitizLand's ownership interest in MEZ valued at ₱609.5 mn, in exchange for AboitizPower's common shares issued at the IPO price of ₱5.80 per share.

MEZ sources its power from SN Aboitiz Power-Magat and GCGI pursuant to a CSEE. Under the said contract, GCGI is required to provide 4.957 MW to MEZ base load. SN Aboitiz Power-Magat is required to supply 4.957 MW with 50% load factor, as based on projections provided by MEPZ II locators under their respective PSCs with MEZ.

As of December 31, 2017, MEZ's recorded peak demand at 21.12 MW, and served a total of eighty-three (83) customers, consisting of fifty-one (51) captive industrial locators, twenty-six (26) captive commercial locators, and six (6) industrial locators under RES.

MEZ's systems loss at 0.93% remains below the government-mandated cap of 8.5%. Systems loss below the mandated cap translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of MEZ.

Balamban Enerzone Corporation (BEZ)

BEZ was incorporated on February 19, 2007 when Cebu Industrial Park Developers, Inc. (CIPDI), a joint venture between AboitizLand and Tsuneishi Holdings (Cebu), Inc. (THC), spun off the power distribution system of the West Cebu Industrial Park – Special Economic Zone (WCIP-SEZ). WCIP-SEZ is a special economic zone for light and heavy industries owned and operated by CIPDI. CIPDI, located in Balamban, Cebu, is home to the shipbuilding and ship repair facilities of Tsuneishi Heavy Industries (Cebu), Inc. (THICI), the modular fabrication facility of Aboitiz Construction International, Inc. (formerly: Metaphil International, Inc.) and recently, Austal Philippines Pty. Limited.

On May 4, 2007, CIPDI declared property dividends to its stockholders in the form of equity in BEZ. On June 8, 2007, AboitizPower entered into an agreement to acquire AboitizLand's 60% equity stake in BEZ, represented by 4,301,766 common shares. Pursuant to the agreement, AboitizPower acquired AboitizLand's ownership interest in BEZ valued at ₱266.9 mn, in exchange for AboitizPower's common shares issued at the IPO price of ₱5.80 per share. On March 7, 2008, AboitizPower purchased THC's 40% equity in BEZ.

In January 2011, BEZ secured firm contracts from various power suppliers such as GCGL, Cebu Energy, and EAUC to ensure sufficient power supply to the different industries within the WCIP-SEZ. As of February 2017, only the firm contract with Cebu Energy remained, since its other Contestable Customers have switched to RES. BEZ became a direct member of the PEMC to be eligible to participate in the WESM.

BEZ's peak demand for 2017 was recorded at 26.517 MW. As of year-end 2017, it has served a total of 31 customers composed of fourteen (14) captive industrial customers, eleven (11) captive commercial customers, and six (6) contestable industrial customers.

BEZ's systems loss at 0.50% remains below the government-mandated cap of 8.5%. Systems loss below the mandated caps translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of BEZ.

Lima Enerzone Corporation (LEZ)

LEZ was incorporated as Lima Utilities Corporation on June 5, 1997 to serve and provide locators within the Lima Technology Center (LTC) with a reliable and stable power supply. In 2017, Lima Enerzone's peak demand was recorded at 35 MW, and has served 101 industrial and commercial customers, and 527 residential customers.

LEZ was originally a wholly-owned Subsidiary of Lima Land. With the acquisition by AboitizLand of the interests of the Alsons and Marubeni groups in Lima Land in 2013 and 2014, respectively, LEZ and Lima Land became a wholly-owned Subsidiaries of AboitizLand.

Subsequently, in mid 2014, AboitizLand divested its interests in Lima Utilities Corporation through the sale of its shares to AboitizPower. The acquisition was completed on July 7, 2014. Following the change of ownership, AboitizPower as the new shareholder of the company, sought the SEC's approval to change LEZ's corporate name to Lima Enerzone Corporation. The application was approved by the SEC on October 14, 2014.

LEZ's responsive interface ensures that customers receive power that fully meets their business requirements. As asset manager of the electrical infrastructure constructed at the LTC, LEZ has the sole responsibility of providing clean, reliable and uninterrupted power supply to enable the multinational manufacturing companies to produce quality products at international standards. On December 10, 2017, LEZ completed an additional 50-MVA power transformer, and is now capable of serving the increasing demand for future locators and expansions. This will also allow LEZ to provide reliable and flexible power to the LTC.

LEZ's systems loss at 0.94% remains below the government-mandated cap of 8.5%. Systems loss below the mandated cap translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of LEZ.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES

One of the objectives of electricity reform in the Philippines is to ensure the competitive supply of electricity at the retail level. With the start of commercial operations of Open Access, large-scale customers will be allowed to obtain electricity from Retail Electricity Suppliers (RES) licensed by the ERC.

Aboitiz Energy Solutions, Inc. (AESI)

On November 9, 2009, AESI, a wholly-owned Subsidiary of AboitizPower, was granted a license to act as a RES, which license was renewed on October 29, 2012 for another five (5) years. Its duly filed application for renewal of RES license has been duly filed, and is currently pending with the ERC. At the start of commercial operations of Open Access on June 26, 2013, AESI served forty-two (42) customers. For the year 2017, AESI supplied retail electricity to a total of 167 customers, with total energy consumption of 1,630.67 mn kWh.

In December 2014, PSALM formally turned-over the management and dispatch for the 40 MW strips of energy from the ULGPP, which AESI won in the November 2013 IPPA bid. AESI was able to deliver a total of 326.05 mn kWh to its off-taker, VECO, for the year 2017.

AboitizPower owns a 100% equity interest in AESI.

Adventenergy, Inc. (AdventEnergy)

Incorporated on August 14, 2008, AdventEnergy is a wholly-owned Subsidiary of AboitizPower, and is a RES company that sells, brokers, markets, or aggregates electricity to end-users, including those within economic zones. AdventEnergy's RES license was renewed by the ERC on June 18, 2012. Its application for renewal of RES license was duly filed, and is currently pending with the ERC. The company was specifically formed to serve Contestable Customers located in economic zones.

AdventEnergy differentiates itself from competition by sourcing electricity from a 100% renewable source. With this competitive advantage, more and more companies are opting to source a part, if not the majority, of their electricity supply from AdventEnergy as an environmental initiative.

During 2017, AdventEnergy supplied retail electricity to seventy (70) customers with a total consumption of 1,393.38 mn kWh.

AboitizPower owns 100% equity interest in AdventEnergy.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated on March 24, 2009 as a joint venture between AboitizPower (60%) and Vivant Corporation (40%). It was granted a five (5)-year RES license by the ERC on May 22, 2012, and its application for renewal of RES license has been duly filed and is currently pending with the ERC.

Prism Energy is envisioned to serve Contestable Customers in the Visayas region. As a RES, Prism Energy will provide its customers with contract options for electricity supply to be based on their operating requirements.

During 2017, Prism Energy supplied retail electricity to thirteen (13) customers with a total energy consumption of 38.88 mn kWh.

AboitizPower owns a 60% equity interest in Prism Energy.

SN Aboitiz Power – Res, Inc. (SN Aboitiz Power - RES)

Incorporated on December 23, 2009, SN Aboitiz Power – RES is the RES arm of the SN Aboitiz Power Group. SN Aboitiz Power – RES caters to the Contestable Customer sector and electricity consumers using an average of at least 1 MW in the last twelve months across all industries under Open Access. It offers energy supply packages tailored to its customers' needs and preferences.

The company's vision is to become the leading RES in the country through profitable growth, excellence in business processes, and innovative ideas. It also aims to supply the energy requirements of its customers in a fair and equitable manner, and to contribute to the vibrant local power market that supports the country's development. SN Aboitiz Power – RES harnesses the synergy from the partnership of the SN Power Group, an international hydropower expert, and AboitizPower.

In 2014, SN Power Holding Singapore Pte. Ltd., the 40% owner of the issued and outstanding shares of SN Aboitiz Power – RES, transferred its interest to an affiliate, SN Power Invest Netherlands B.V. pursuant to the restructuring of the SN Power Group.

From a single customer in 2013, SN Aboitiz Power – RES has grown its customer base to 25 by the end of 2017, with a significant number of closed deals signed in 2016 and 2017. This growth can be attributed to the strategic focus of SN Aboitiz Power – RES on four major industry segments that allow it to tailor supply packages to customer segment needs and preferences.

Despite the challenging regulatory landscape in the Contestable, SN Aboitiz Power – RES was still able to steadily carve an expanding market share. As of December 31, 2017, SN Aboitiz Power – RES accounts for 262 GWh or 16.8% of BCQ volumes which contributed ₱79 mn or 6% of BCQ net revenue.

SN Aboitiz Power – RES is a joint venture between ARI and SN Power. It is currently 60% owned by MORE with the remaining 40% owned by SN Power Philippines.

FINANCIAL SERVICES

AEV's financial services group is consolidated under UnionBank, a leading universal bank in the country; UnionBank's Subsidiaries; CitySavings, a thrift bank based in Cebu City; and PETNET, a money transfer services company.

Union Bank of the Philippines (UnionBank)

UnionBank, a publicly listed universal bank, originally known as Union Savings and Mortgage Bank, was incorporated in the Philippines on August 16, 1968. It distinguishes itself through superior technology, unique branch sales, service-oriented culture, and centralized backroom operations. UnionBank's superior technology allows delivery of online and real-time business solutions to meet the customers' diverse needs through customized cash management products and service offerings. Its unique branch culture ensures delivery of efficient and quality service, as well as, mitigates operational risk. The Bank's centralized backroom operations enable it to provide responsive, scalable, and secure transaction processing.

Aligned with its thrust of being at the forefront of technology-based banking in the Philippines, UnionBank endeavors to elevate its systems and processes to be at par with international standards and best practices. It obtained ISO 9001:2000 Quality Management System (QMS) Certification for its Central Processing Services (CPS) in 2008, making it at this time the first and only bank in the Philippines awarded for its entire centralized backroom operations. In 2010, UnionBank received the ISO 9001:2008 certification, an update from the previous. Thereafter, UnionBank obtained the ISO 27001:2005 Certification for its Information Security Management System (ISMS), attesting to the Bank's unwavering commitment to become the leader and benchmark for service quality, technological advancement, and operational excellence. UnionBank also achieved ISO 9001:2008 Certifications for its Customer Service Group in 2012 and Branch Operations Management in 2013. In 2015, UnionBank earned ISO 9001:2015 QMS Certifications for its Branch Operations Management, Central Processing Services, and Customer Service Group. UnionBank is the first local bank that was certified under the new ISO standard. In 2016, the Loans and Trade Finance Operations Management group of UnionBank also earned the ISO 9001:2015 QMS Certification. In 2015 and 2016, UnionBank was certified as having zero nonconformance rating during quality audits, demonstrating UnionBank's dedication to uphold quality in its business processes. In 2017, the Bank successfully passed the ISO 9001:2015 QMS standard 2nd surveillance audit, as conducted by TUV Rheinland in November. The certification was also extended to the Treasury Operations.

UnionBank's clientele encompasses retail, middle-market and corporate customers, as well as major government institutions. It believes that its use of technology, marketing strategy and operational structure enabled it to capture and secure a loyal customer base and achieve high levels of efficiency and productivity.

The Bank's principal shareholder groups include AEV; Social Security System, a government-owned and -controlled corporation that provides social security to workers in the private sector; and Insular Life Assurance Co., Ltd., one of the leading and largest Filipino-owned life insurance companies in the Philippines.

PETNET, Inc. (PETNET)

Incorporated on August 12, 1998, PETNET is primarily engaged in providing money transfer services as a direct agent of Western Union. In conjunction with Western Union Business Solutions, it offers services that enable local businesses to make international payment transactions in over 140 currencies. PETNET is a BSP-licensed remittance agent, money changer, and foreign exchange dealer. Apart from the Western Union money transfer service, PETNET offers money changing, bills payment, airline ticketing, personal accident insurance, and e-loading in its company-owned locations.

Since 2015, PETNET has been an outsourced service provider of CitySavings for facilitating and accepting applications for DepEd salary loans and GSIS pension loans.

AEV acquired 51% equity interest in PETNET on June 1, 2015.

On February 9, 2018, CitySavings and Union Properties, Inc. executed a sale and purchase agreement to acquire AEV's 51% equity interest in PETNET, in order to consolidate the Aboitiz Group's financial services under UnionBank. The completion of the transaction is subject to PCC and BSP approval.

FOOD MANUFACTURING

Pilmico Foods Corporation (Pilmico)

Pilmico, the food arm of the Aboitiz Group, was incorporated on August 8, 1958. Pilmico began as a joint venture of the Aboitiz Group, the Lu Do Group, the Soriano Group, and the Pillsbury Group of the United States of America (U.S.A.). The Lu Do, Soriano, and Pillsbury Groups eventually sold all their shareholdings to AEV.

Pilmico is primarily engaged in the manufacture and sale of flour, feeds, and their by-products. It has a wide network of distributors and dealers located in major cities of Manila, Cebu, Davao, Iloilo, Bacolod and Cagayan. To date, it is one of the largest flour manufacturers in the country, and is ranked among the top three (3) domestic flour producers.

Pilmico's key raw materials are imported from the U.S.A., Canada and Australia. This exposes Pilmico to risks arising from currency fluctuations and volatile price movements of raw materials. Meanwhile, the high costs of freight and distribution limit the selling territory of Pilmico within its main network of distributors and dealers. Pilmico responds to this challenge through the strategic location of its Iligan plant, which narrows down the high costs of freight and distribution.

Pilmico established representative offices in Jakarta, Indonesia in 2004 and Ho Chi Minh City, Vietnam in 2015. To expand its flour export business. Through these representative offices Pilmico distributes flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia. Further efforts will be made by Pilmico to strengthen its presence in the ASEAN region.

Pilmico is a wholly-owned Subsidiary of AEV.

Pilmico Animal Nutrition Corporation (PANC)

In June 1997, Pilmico entered into the swine production and animal feeds business through PANC (formerly Fil-Am Foods, Inc.). PANC was a joint venture with Tyson International Holding Co. (Tyson), a subsidiary of Tyson Foods, and PM Nutrition Company, Inc. (PMNC), an affiliate of Purina Mills, Inc. In October 2002, Pilmico acquired the shareholdings of Tyson and PMNC, thus making PANC its wholly-owned Subsidiary.

PANC operates farms and feed mill plants in Capas, Tarlac and Kiwalan Cove, Iligan City.

Pilmico, together with another wholly-owned Subsidiary, Filagri Holdings, Inc., owns 100% of PANC.

Filagri, Inc. (Filagri)

Filagri (formerly Filagri Land, Inc.) was incorporated on July 13, 1997. It was originally formed to hold PANC's investments in real estate properties. In January 2012, as part of the diversification plans of PANC, Filagri became the project vehicle of PANC's low-cost feeds.

Pilmico effectively owns a 100% equity interest in Filagri.

AEV International Pte. Ltd. (AEV International)

Established on May 5, 2014, AEV International is the holding company of AEV's investments outside the Philippines. AEV International owns 100% of Pilmico International, the investment company that holds a 85% equity interest in Pilmico Vietnam Feeds Joint Stock Company (PVF), a 70% equity interest in Pilmico Animal Nutrition-Joint Stock Company (PAN-JSC), and a 100% equity interest in Pilmico Viet Nam Trading Company Ltd. (Pilmico Vietnam Trading).

Pilmico International Pte. Ltd. (Pilmico International)

Pilmico International is the project vehicle from AEV's first international investment in the feeds business. The company was established in June 2014 and is a wholly-owned Subsidiary of AEV International. Pilmico International has a 85% equity interest in PVF, the operator of an aqua feed mill in Dong Thap Province in Vietnam.

In October 2016, Pilmico International purchased 100% ownership interest in Pilmico Vietnam Trading, a company engaged in the wholesale of food products, beverages, and agricultural and forestry raw materials in Vietnam.

In 2017, Pilmico International further expanded its core feeds business in Vietnam through the acquisition of a 70% equity interest in Europe Nutrition Joint Stock Company (Eurofeed). Eurofeed is a joint stock company organized under the laws of Vietnam and is engaged in the business of producing animal feeds. Eurofeed has been renamed PAN-JSC.

Pilmico Vietnam Feeds Joint Stock Company (PVF) (formerly: Pilmico VHF Joint Stock Company)

In August 2014, Pilmico International successfully acquired a 70% equity stake in aqua feed mill operator, Vinh Hoan 1 Feed JSC, a company established on May 2, 2007 under the laws of Vietnam. In August 2017, Pilmico International bought an additional 15% equity stake thereby bringing Pilmico International's total equity stake in the aqua feed mill to 85% and has the right to purchase the remaining 15% by 2019 at a pre-agreed price.

The Food Group's entry in Vietnam marks the first international investment of the Aboitiz Group. Vinh Hoan 1 Feed JSC was officially renamed as Pilmico VHF Joint Stock Company by December 2014 and later on renamed as Pilmico Vietnam Feeds Joint Stock Company (PVF) in July 2017.

PVF is located in Dong Thap Province in Vietnam, approximately 165 kilometers away from Ho Chi Minh City. It is the fourth largest pangasius aqua feeds producer in Vietnam, with a capacity of 165,000 MT per year. PVF's capacity was successfully expanded to 270,000 MT in April 2016. This expansion supported efforts to build a commercial Vietnam and export market in addition to the long-term supply agreement with Vinh Hoan Corporation.

The investment in PVF allowed the Food Group to gain a foothold in the Vietnamese aqua feeds business, and at the same time, build its reach to other aqua farm customers. This strategic move was also intended to establish a gateway to investments in other ASEAN countries like Thailand, Laos and Cambodia. This allowed Pilmico to expand its core feeds business internationally, and to diversify and gain competence in the aqua feeds product segment currently not offered in the Philippines.

Pilmico Viet Nam Trading Company Ltd. (Pilmico Vietnam Trading)

Pilmico Vietnam Trading was incorporated on July 6, 2015. It is a limited liability company operating in Vietnam and engaged in the wholesale of food products, beverages, and agricultural and forestry raw materials, among others. In October 2016, Pilmico International purchased 100% ownership interest in Pilmico Vietnam Trading. It is currently the vehicle used for the importation and distribution of Pilmico products within the Vietnam market.

Pilmico Animal Nutrition Joint Stock Company (PAN-JSC)

In August 2017, Pilmico International successfully acquired a 70% equity stake in an animal feed mill operator, Europe Nutrition Joint Stock Company (Eurofeed). Eurofeed was later on renamed as Pilmico Animal Nutrition Joint Stock Company (PAN-JSC).

REAL ESTATE

Aboitiz Land, Inc. (AboitizLand)

Incorporated on June 2, 1964, AboitizLand (formerly Central Visayan Warehousing Co., Inc.) is the real estate arm of the Aboitiz Group. It is primarily engaged in the design and development of real estate for residential, industrial, and commercial use.

AboitizLand currently has eight residential projects in the selling phase across three different product types: lot only, house and lot, and condominiums. It is the developer and operator of three economic zones: (a) the Mactan Economic Zone II (MEZ II) in Barangay Basak, Mactan, Lapu Lapu City; (b) the West Cebu Industrial Park (WCIP) in Balamban, Cebu, through its Subsidiary, Cebu Industrial Park Developers Inc. (CIPDI); and (c) the Lima Technology Center (LTC) in Malvar, Batangas. It also has four commercial projects, namely: (a) The Persimmon Plus in Mabolo, Cebu City; (b) the iMez Building, (c) Pueblo Verde; and (d) The Outlets at Pueblo Verde, all of which are located in Barangay Basak, Mactan, Lapu-Lapu City.

AboitizLand is a wholly-owned Subsidiary of AEV.

Cebu Praedia Development Corporation (CPDC)

Incorporated on October 13, 1997, CPDC is engaged in leasing of properties located in the cities of Makati and Cebu. To date, its major property holdings include the commercial and office building block located at 110 Legazpi Street, Legaspi Village, Makati City and AEV's Cebu offices located at Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City.

CPDC is a wholly-owned Subsidiary of AEV.

Cebu Industrial Park Developers, Inc. (CIPDI)

CIPDI is a joint venture company between AboitizLand and the Kambara Group from Japan, through its wholly-owned subsidiary, Tsuneishi Holdings (Cebu), Inc. Incorporated on June 15, 1992, CIPDI began operations in 1993 with the development and operation of WCIP in Balamban, Cebu. WCIP is a 282-hectare industrial zone, catering to medium to heavy industries such as shipbuilding, ship recycling facilities, iron and steel manufacturing plants, and allied activities. WCIP currently has twelve (12) locators that employ approximately 15,800 employees.

AboitizLand owns a 60% equity interest in CIPDI.

Propiedad del Norte, Inc. (PDNI)

Incorporated on March 1, 2007, PDNI is engaged in the purchase and development of real estate. PDNI's current land bank stands at sixty (60) hectares, all of which are located in Liloan, Cebu.

PDNI is a wholly-owned Subsidiary of AboitizLand.

Lima Land, Inc. (LimaLand)

Incorporated in October 1995, LimaLand is the developer and operator of LTC, a PEZA-registered economic zone located in the Lipa-Malvar area of Batangas, at the heart of the Calabarzon region, the administrative region composed of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon. LTC is a 590-hectare industrial park catering to export-oriented locators engaged in manufacturing and warehousing operations.

Each year, LimaLand has continuously expanded LTC to cater to new investors. The first expansion by fifty (50)-hectare property in 2015 is already fully occupied by new locators. The second and third expansions of about seventy (70) hectares to accommodate new investors and expansion requirements of existing locators was completed in 2017.

LimaLand is now about to start development of its fourth expansion, with additional fifty (50) hectares of real estate to be made available to new and existing locators.

AboitizLand envisions LTC to be a total township project, combining the concepts of an integrated city and an environment for wholesome living. In 2016, AboitizLand launched The Outlets at Lipa. It is a 9.3-hectare commercial development located inside LTC, aimed to complement the industrial estate by offering outlet shops, restaurants, and leisure places for the ecozone employees and neighboring communities. The construction of The Outlets now is in progress and is targeted to open its first phase during the second quarter of 2018.

LTC continues to be one of Asia's new-generation industrial parks that combine smart economics, strategic location, and a synergy of strengths, focused to ensure the growth and profitability of its investors' enterprises.

Lima Land was formerly managed by the Alsons group and the Marubeni group. AboitizLand acquired Alsons' 60% interest of LimaLand in October 2013. The remaining 40% interest of Marubeni was subsequently acquired in February 2014, thereby making LimaLand a wholly-owned Subsidiary of AboitizLand.

Cebu District Property Enterprise Inc. (CDPEI)

Committed to its goal of nurturing communities, AboitizLand partnered with Ayala Land to plan and develop real estate projects in Cebu. Incorporated on February 20, 2014, CDPEI is a joint venture between Ayala Land and AboitizLand. The partnership incorporates the strengths of both companies, as it brings together AboitizLand's deep-rooted real estate experience in Cebu and Ayala Land's stellar track record in developing master-planned and sustainable communities.

For its first project, CDPEI looks to transform a fifteen (15)-hectare lot in Mandaue City, Cebu into a mixed-use development – Gatewalk Central. Having broken ground in 2016, Gatewalk Central is anticipated to become a dynamic growth center in Mandaue, featuring innovative residential developments complemented by commercial retail and office spaces.

AboitizLand and Ayala Land each own a 50% equity interest in CDPEI.

INFRASTRUCTURE

Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)

Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital) was first incorporated as AEV InfraCapital, Inc. on January 13, 2015. It undertakes all infrastructure and infrastructure related investments of the Aboitiz Group.

Aboitiz InfraCapital established itself as a provider of water supply, water distribution, wastewater treatment, and water-related infrastructure through its acquisition of equity interests in Apo Agua Infraestructura, Inc. (Apo Agua) in 2015, Lima Water Corporation (LWC) in 2017, and Balibago Waterworks System, Inc. (BWSI) in 2017.

Another key area of interest for Aboitiz InfraCapital are transportation infrastructure projects. In 2015 and 2016, the Company, through its infrastructure investment arm, participated in the initial bid process for two (2) of the government's Public-Private Partnership Projects: (i) LRT Line 2, and (ii) Laguna Lake Expressway-Dike projects. In the first quarter of 2018, it has submitted two (2) unsolicited proposals to the DOTr involving the rehabilitation and expansion of: (i) the Ninoy Aquino International Airport, as part of a consortium of seven (7) of the country's major conglomerates in the country; and (ii) four (4) regional airports: Iloilo International Airport, Bacolod-Silay Airport, Laguindingan Airport, and New Bohol International Airport in Panglao.

Aboitiz InfraCapital is a wholly-owned Subsidiary of AEV.

Lima Water Corporation (LWC)

LWC was incorporated on May 28, 1999. LWC provides industrial and potable water to over eighty (80) industrial locators, at the Lipa, Batangas based LTC. LWC has a daily water capacity of 8,700 cubic meters. The company also operates its own centralized wastewater treatment plant to ensure the proper treatment of waste water generated within the LTC. On August 1, 2017, Aboitiz InfraCapital acquired LWC from affiliate AboitizLand and took full operational control on the same day.

Aboitiz InfraCapital owns a 100% equity interest in LWC.

Balibago Waterworks System, Inc. (BWSI)

BWSI was incorporated on May 20, 1958 with the primary purpose to acquire, establish, develop, manage, and operate an effective waterworks utility system within its franchise area of 900 hectares. Its franchise area includes Barangay Balibago in Angeles City and Barangay Dau in the town of Mabalacat, and BWSI provides running water to almost 200,000 households.

On August 3, 2017, Aboitiz InfraCapital acquired a minority stake in BWSI previously held by San Fernando Electric Light & Power Co.

Aboitiz InfraCapital owns 11.14% of BWSI.

AEV CRH Holdings, Inc. (AEV CRH) and CRH Aboitiz Holdings, Inc. (CRH Aboitiz)

AEV, in partnership with CRH plc, formed two (2) investment vehicles for its infrastructure projects, AEV CRH and CRH Aboitiz, incorporated on July 2015.

On September 15, 2015, CRH Aboitiz acquired equity interests in Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services Philippines, Inc.).

AEV CRH was initially granted the option to acquire 5,174,720,568 shares of Republic Cement Building Materials, Inc. (RCBM) (formerly Lafarge Republic, Inc.), representing 88.85% of RCBM's outstanding capital stock in a private sale from its major shareholder. In compliance with the requirements of the Securities Regulation Code, AEV CRH conducted a mandatory tender offer to acquire the remaining shares from the minority shareholders of RCBM. On September 9, 2015, AEV CRH accepted from the public a total of 596,494,186 shares representing 10.24% of the outstanding shares of RCBM. The tendered shares brought up AEV CRH's total shares in RCBM to 99.09% as of February 29, 2016. As February 28, 2018, AEV CRH owns 99.39% of RCBM's outstanding capital stock.

AEV owns 60% and 45% equity interests in AEV CRH and CRH Aboitiz, respectively.

Republic Cement and Buildings Materials, Inc. (RCBM)

Incorporated on May 3, 1955, RCBM is primarily engaged in the manufacture, development, exploitation, sale of cement, marble and all other kinds and classes of building materials, and the processing or manufacture of materials for any industrial or commercial purposes. On February 4, 2005, the SEC approved the extension of the corporate term of RCBM for another 50 years, or until May 3, 2055.

In September 2015, AEV CRH acquired a total of 99.09% equity interest in RCBM partly through private sale and partly through a mandatory tender offer. AEV CRH was required to conduct a mandatory tender offer subsequent to its acquisition of approximately 88.85% of the issued and outstanding shares of RCBM through a private sale. On January 14, 2016, RCBM filed a Petition for Voluntary Delisting with the PSE, which was approved by the PSE Board of Directors, effective on April 25, 2016.

On September 26, 2016, AEV CRH's equity interest in RCBM increased to 99.37% following the increase in the par value and decrease in its authorized capital stock. RCBM's number of shareholders also fell below 200, thereby it ceased to be a public company. In its Order of Revocation dated January 4, 2017, SEC granted RCBM's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities. AEV CRH's equity interest in RCBM has since increased to 99.39% through the purchase of 2 shares of minority shareholders.

RCBM's operating cement manufacturing plants are located in the following sites: (a) Barangay Minuyan, Norzagaray, Bulacan (Bulacan Plant); (b) Bo. Bigte, Norzagaray, Bulacan (Norzagaray Plant); (c) Bo. Mapulo, Taysan, Batangas (Batangas Plant); (d) Barangay Dulumbayan, Teresa, Rizal (Teresa Plant); and (e) Bo. Dungo-an, Danao, Cebu (Danao Plant).

RCBM owns 94.63% of Republic Cement Iligan, Inc. (RCII) (formerly Lafarge Iligan, Inc.) and 99.63% of Republic Cement Mindanao, Inc. (RCMI) (formerly Lafarge Mindanao, Inc.).

AEV CRH currently owns a 99.39% equity interest in RCBM.

Republic Cement Mindanao, Inc. (RCMI)

RCMI was incorporated on May 25, 1957 to engage and deal in the production, purchase and sale of cement, concrete and allied products; quarrying, crushing and dealing in limestone in all its forms; and mixing, processing and sale of limestone with binder of any description. On June 18, 2007, the SEC approved the extension of RCMI's corporate term for another fifty (50) years, or from May 25, 2007 until May 25, 2057. The company amended its corporate name from "Mindanao Portland Cement Corporation" to "Lafarge Mindanao, Inc." on June 11, 2012. To facilitate the transition of RCMI from a Lafarge-associated entity to a CRH-Aboitiz company following the completion of the purchase of the Lafarge Philippine assets, the company once again changed its corporate name from "Lafarge Mindanao, Inc." to "Republic Cement Mindanao, Inc." This was approved by the SEC on November 2, 2015.

On July 21, 2017 and on August 30, 2017 respectively, RCMI's Board of Directors and shareholders representing more than two-thirds (2/3) of its outstanding capital stock, approved amendments to RCMI's articles of incorporation to increase the par value of the common shares of RCMI from ₱0.01 per share, to ₱90,000.00 per share (the "Share Par Value Increase") and the reduction of RCMI's authorized capital stock of ₱1.5 bn, by an amount to be determined by the Corporation's President, Corporate Secretary or Treasurer, necessary to retire all the fractional shares resulting from the Share Par Value Increase. On December 29, 2017, the SEC approved RCMI's amendments.

Since 1999, RCMI's business operations is concentrated mainly on cement distribution and the contracting for the manufacture of cement by an affiliate, RCII.

Republic Cement Iligan, Inc. (RCII)

Incorporated on June 1, 1967, RCII's primary purpose is to acquire, own, construct, manage, and operate a cement plant for the manufacture and production of all kinds of cement and cement products or by-products, including any derivatives thereof.

RCII manufactures cement for RCMI. The company's operating cement manufacturing plant is located in Barangay Kiwalan, Iligan City.

Republic Cement Land & Resources, Inc. (RCLR) (formerly: Luzon Continental Land Corporation)

RCLR was incorporated on October 26, 1998 primarily to acquire, develop, and operate land, quarries, mining rights, buildings, and other real or personal property used for mining and process all kinds of ore and cement materials. It currently leases land and supplies limestone and other raw materials to its Affiliate, RCBM. The company amended its corporate name from "Luzon Continental Land Corporation" to "Republic Cement Land & Resources, Inc.", approved by the SEC on July 7, 2017.

AEV CRH acquired 100% of RCLR from Calumbuyan Holdings, Inc. on September 15, 2015.

Republic Cement Services (Philippines), Inc. (RCSI)

RCSI was incorporated on August 21, 2001 as the managing company of several businesses of RCBM, RCMI, and RCII. CRH Aboitiz owns a 100% equity interest in RCSI.

Apo Agua Infraestructura, Inc. (Apo Agua)

Incorporated on August 8, 2014, Apo Agua is a joint venture between AEV and J.V. Angeles Construction Corporation (JVACC). The overall objective of Apo Agua is to provide sustainable, reliable and safe supply of bulk water to DCWD.

On March 17, 2015, Apo Agua entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with DCWD. Apo Agua will construct the bulk water treatment facility, while DCWD will construct or upgrade the facilities necessary to receive the treated water. The bulk water treatment facility will supply an average of 300 million liters per day, equivalent to an annual supply volume of 109.5 mn cubic meters, beginning on the second to the thirtieth year of actual operations. This will enable DCWD to improve its services to customers by providing 24/7 water availability, sufficient pressure, increased service coverage and the prevention of hazards brought about by over extraction of groundwater.

A unique component of the project is a pioneering innovation which utilizes the “water-energy nexus” concept. The bulk water treatment facility will be powered by its own run-of-river hydropower plant. Following the execution of the engineering, price, and construction contract last February 6, 2018, the project is expected to start construction later in 2018.

AEV and its wholly-owned subsidiary, Aboitiz InfraCapital, collectively own a 70% equity interest in Apo Agua.

OTHER INVESTMENTS

AEV’s other investments include holdings in: (a) aviation through AEV Aviation, Inc., (b) underwriting of its insurable risks through Archipelago Insurance Pte. Ltd., and (c) portfolio investments abroad through AEV International.

On February 12, 2014, AEV completed the divestment of its interests in the shipping and shipping related businesses with the disposition of all its interests in Aboitiz Jebsen Company, Inc., Aboitiz Jebsen Manpower Solutions, Inc., and Jebsen Maritime, Inc. (collectively, the “Abojeb Group”).

The divestment of interests in the Abojeb Group is part of AEV’s strategy to focus on its identified core businesses. Jebsen Invest AS, AEV’s long-time partner in the Abojeb Group, continued to partner with the Aboitiz family members in their personal capacities.

Archipelago Insurance Pte. Ltd. (Archipelago Insurance)

Archipelago Insurance, a wholly-owned Subsidiary of AEV, was incorporated in Singapore on February 26, 2010 as a general captive insurance company. It is licensed and regulated by the Monetary Authority of Singapore, under Section 8 of the Insurance Act (Cap. 142).

As a captive insurer which is licensed to insure only the risks of its parent and related companies, Archipelago Insurance underwrites the insurable risks of AEV and its Subsidiaries. The classes of risks covered by the company include industrial all risk, business interruption, transmission and distribution parametric solution and marine hull insurance of the Aboitiz Group.

AEV Aviation, Inc. (AEV Av)

AEV Av holds AEV’s aviation assets, including corporate aircraft and accompanying support facilities. Incorporated on October 22, 1990 as Spin Realty Corporation, AEV Av was reorganized in late 1998 when all AEV corporate aircraft was placed under it.

On September 18, 2013, SEC approved the increase in the authorized capital stock of AEV Av to ₱502 mn. AboitizPower acquired an equity interest in AEV Av through the subscription from its increase in authorized capital stock. AEV and AboitizPower remain the majority stockholders of the company.

AEV Av operates under the strictest safety measures and complies with all government aviation policies and the aircraft manufacturers’ mandated maintenance procedures. It has twenty (20) employees, who are tasked to serve the aviation needs of the executives of AEV and its Subsidiaries and Affiliates all over the Philippines. All of AEV Av’s pilots and maintenance personnel undergo rigid trainings. This ensures that AEV Av’s employees are armed with the latest knowledge and skills in aviation technology.

(ii) Sales

Comparative amounts of consolidated revenues and profitability of continuing operations, and assets are as follows:

	2017	2016	2015
Gross Income	150,422	116,415	111,260
Operating Income	36,576	28,921	27,418
Total Assets	492,244	*466,308	340,118

Note: Values in the above table are in Million Pesos.

**2016 Total Assets and other Balance Sheet accounts have been restated to effect the adjustments arising from the finalization in 2017 of the purchase price allocation on the acquisition of GMCP in 2016.*

The operations of AEV and its Subsidiaries are based largely in the Philippines.

Comparative amounts of revenue contribution by business group are as follows:

	2017		2016		2015	
Power Distribution & Generation	119,391	79%	89,163	76%	85,174	76%
Food Manufacturing	26,230	17%	23,702	20%	22,768	20%
Financial Services	742	0%	550	0%	307	0%
Real Estate	3,674	2%	2,441	2%	2,733	2%
Infrastructure	34	0%	-	-	-	-
Parent & Portfolio	1,647	1%	1,581	1%	1,350	1%
Total Revenues	151,718	100%	117,438	100%	112,332	100%
Less: Eliminations	1,297		1,023		1,072	
Net Revenues	150,422		116,415		111,260	

Note: Values in the above table are in Million Pesos. Percentages refer to the business group's share in the total net revenue for a given year. The revenues of associates do not form part of the Group's consolidated revenues. For additional details on the income contributions of all business segments/groups to AEV, please refer to Business Segment Information of the Notes to the Consolidated Financial Statements.

(iii) Distribution Methods of the Products or Services

POWER GENERATION AND DISTRIBUTION

The Generation Companies sell their capacities and energy through an IPPA with the NPC/PSALM, bilateral PSAs with the NPC, private distribution utilities, electric cooperatives, RES or other large end-users, and through the WESM. There are also Subsidiaries and Affiliates providing ancillary services through ASPAs with NGCP.

Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, and TLI have ASPAs with NGCP as AS providers to the Luzon Grid. The SN Aboitiz Power Group delivers regulating, contingency and dispatchable reserves, as well as blackstart service through its three (3) power plants. TLI offers contingency reserve under its ASPA. In 2017, TMI signed an ASPA with NGCP, which is currently pending ERC approval.

On December 22, 2015, the Central Scheduling and Dispatch of Energy and Contracted Reserves ("Central Scheduling"), as promulgated by the DOE, was put into operation. With the Central Scheduling, ERC-approved ASPA holders submit reserve offers to WESM in consonance with their ancillary schedules from NGCP because of their ASPA nominations to NGCP under the terms of their respective ASPAs. Settlement for reserves remains to be between NGCP and ancillary providers.

In addition, the Hedcor Tudaya Hydro 2, Hedcor Irisan Hydro 1, and Hedcor Sabangan plants, all in commercial operations, have been approved for inclusion in the FIT system for run-of-river HEPPs. Hedcor, Hedcor Tudaya, and Hedcor Sabangan, the companies that own and operate the foregoing plants, have entered into REPAs with Transco, in its capacity as FIT-All Administrator, for the collection and payment of the FIT. The power generated by Hedcor Tudaya 2 is covered by a Renewable Energy Supply Agreement.

AboitizPower's Generation Companies have transmission service agreements with the NGCP for the transmission of electricity to the Grid.

On the other hand, AboitizPower's Distribution Utilities have exclusive distribution franchises in the areas where they operate. Each Distribution Utility has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified according to voltage levels based on their electricity consumption and demand. Large industrial and commercial consumers receive electricity at distribution voltages of 13.8 kV, 23 kV, and 69 kV, while smaller industrial, commercial, and residential customers receive electricity at 240 V or 480 V.

All of AboitizPower's Distribution Utilities have entered into transmission service contracts with the NGCP. These contracts allow the Distribution Utilities to use the NGCP's transmission facilities to receive power from their respective

Independent Power Producers (IPP), the NPC, or PSALM for distribution to their respective customers. All customers that connect to the Distribution Utilities' distribution lines are required to pay a tariff approved by the ERC.

AboitizPower's wholly-owned RES companies, AdventEnergy and AESI, have existing electricity supply contracts to ensure continuous supply of power to their customers. AdventEnergy and AESI follow a pricing strategy which allows customer flexibility. The power rates are calculated using a fixed formula pricing arrangement based on customer load curves, resulting in either a peak-off-peak or capacity-based competitive rate.

FINANCIAL SERVICES

Union Bank of the Philippines

UnionBank provides its target customers' information and transaction needs through its well-trained relationship managers, strategically located branch networks, and automated teller machines (ATMs), supplemented by a call center under its ISO-certified Customer Service Group. Moreover, UnionBank's brick-and-mortar presence is complemented by its strong digital footprint, exhibited by its website (www.unionbankph.com), online banking portal and mobile application ("UnionBank Online"), customer service chatbot, as well as its own digital bank, EON.

Relationship Managers. UnionBank's sales force is equipped with the right competencies and tools to bring about solutions-based financial services to customers nationwide. Relationship managers, having rigorous sales training, are experts on the Bank's products and service offerings. They are also able to manage a healthy pipeline of customers and call reports through mobile-based sales and productivity platform. UnionBank's Relationship Managers and financial advisors are also licensed by the Insurance Commission to provide customers with bancassurance products.

Branch Network. UnionBank and its subsidiaries ended December 2017 with 316 branches nationwide. Select branches are located in strategic areas within and outside of Metro Manila to maximize visibility and expand customer reach. The branches have user-friendly terminals and a web-based Signature Verification System (SVS) which promote efficient processing of teller transactions. Customers can do over-the-counter (OTC) cash deposit and withdrawals, and check deposit and encashment at any UnionBank branch. UnionBank's Check Verification System utilizes Philippine Clearing House Corporation's check images, and is instrumental in enabling fast and reliable check clearing. In 2017, the Bank launched its concept branch called "The Ark". It is a completely digital and paperless branch which allows for straight-thru processing of transactions, and at the same time, houses branch ambassadors for product discovery and advisory services. It will be UnionBank's platform for innovations and customer experiences as it shifts utilizing branches from transactional spaces to interactional spaces.

ATM Network. UnionBank and its subsidiaries' network of 326 ATMs as of December 2017, supplements its branch network in providing 24-hour banking services to its customers. Customers are given access to ATM facilities through ATM cards, which are issued to checking and savings account holders. UnionBank's interconnection with the Bancnet ATM consortium, allows its cardholders to access almost 13,000 ATMs nationwide. In addition, UnionBank's ATM card functions as a VISA debit card that allows electronic purchase and payment transactions.

Call Center. UnionBank's 24-hour ISO-certified call center handles retail customer relationship and care, catering to deposit and card product queries, among others. The call center utilizes a mix of phone, postal mail, email, fax, and internet as customer touch points. In handling customer complaints, it adheres to certain service level agreements such as feedback or resolution of ATM-related concerns and redelivery of card within Metro Manila in as early as one (1) day. Customer complaint handling is continuously improved through resolution tracking.

Customer Service Chatbot. UnionBank's "Rafa" is the country's first banking chatbot that delivers instant 24/7 customer service. Rafa is accessible through Facebook messenger. It is capable of answering customer queries on nearest ATM, nearest branch, provides the latest foreign exchange rate of up to ten (10) currencies, assists customers who are exploring auto loans, and provides customers with options to get the credit card that best suits them, among others. The Bank believes that Rafa provides a more personal and conversational customer experience compared to the interactive voice response or auto reply platforms.

Mobile and E-Banking. UnionBank Online, launched in August 2017, is the new online and mobile banking platform for the Bank's customers. It is designed with an omni-channel user experience wherein the same look and feel

applies to different touchpoints (website and mobile app), operating systems (Android or IOS), and device types. UnionBank Online enables the Bank's customers to sign up, transact, view their account information, and update their details online without visiting a branch or ATM, or messaging or calling the Bank's call center. UnionBank Online enables customers to, among others, customize account viewing, login through fingerprint authentication or a one-time password, and manage transaction limits.

EON. The EON cyber account, the Philippine's first online payment card, was launched in 1999. In 2017, the Bank re-launched its EON brand and introduced the first bank account specially designed for digital commerce. It is the only electronic money product in the Philippines with modern application security features including a "selfie banking" feature which employs facial recognition in authorizing transactions through a smart phone, touch ID, pin change, and lock-and-unlock ability. In addition to the EON cyber account, the Bank offers the following products under the EON brand: (a) the EON electronic money account; (b) EON Zero, a virtual lending platform where loan underwriting, application processing, and releasing of proceeds are all completed digitally; and (c) EON Duo, a virtual credit card.

PETNET, Inc.

From a single location in 1998, PETNET has expanded over the years to a network of now over 1,500 company-owned and sub-representative locations nationwide. The initial product offering of its company-owned branches has likewise grown from Western Union services, money changing, bills payment, e-loading, airline ticketing, and personal accident insurance, to now include DepEd Salary and GSIS Pension loan origination as outsourced service provider of CitySavings.

In November 2016, PETNET signed up LBC Express, Inc. as its first non-exclusive Western Union sub-representative. With full roll-out completed last September 2017, this adds an additional over 1,300 locations to PETNET's Western Union network. PETNET continues to be the largest Western Union agent network in the Philippines.

FOOD MANUFACTURING

Pilmico products are distributed nationwide through external distributors and dealers located in major cities like Manila, Cebu, Davao, Iloilo, Bacolod, Iligan, and Cagayan.

PVF's products are distributed in the Mekong Delta region in South Vietnam, serving requirements of Vinh Hoan Corporation as well as external aqua farmers.

PAN-JSC's products are distributed in the Central and South Vietnam.

REAL ESTATE

The residential business unit comprised approximately 45% of AboitizLand's total revenues in 2017. Since the early 1990s, AboitizLand has been developing upper-mid to high-end residential subdivisions, focusing on horizontal (lot-only and/or house-and-lot) products. AboitizLand has also been instrumental in the introduction of many firsts to Cebu's real estate scene: (a) the New Urbanism concept of live-work-play in the large master-planned community of Pristina North; (b) Zen living, which takes off from the spa lifestyle trend, in Kishanta; (c) the commercial and residential "urban village" that is The Persimmon; (d) the introduction of shophouses as a residential product in Ajoya; (e) fully-furnished affordable units in an all-studio residential tower that is The Persimmon Studios; (f) Asian Contemporary designed units in Almiya; (g) Amoa, inspired by traditional Filipino residences; and most recently, (h) the sustainable mountain town community that is Foressa. In addition, AboitizLand marked its entrance into the national residential real estate scene in 2017 with the launch of its first project in Luzon - the Seafront Residences, a beachside community located in San Juan, Batangas.

AboitizLand has remained a stable performer despite stiff and intensifying competition in the residential real estate industry. The company has performed consistently, having delivered sales of ₱2.9 bn in 2017.

A critical component to AboitizLand's overall success, the industrial business unit comprised approximately 51% of the company's total revenues in 2017. Furthermore, approximately 76% of the industrial business unit's revenue was contributed by LimaLand. AboitizLand is a registered developer/operator of MEZ II, where it leases land and provides utility services to locators inside the economic zone under a BOT Agreement with MCIAA. The 63-hectare zone is home to 47 light-to-medium manufacturing locators and is fully leased out.

The commercial business unit, which contributed 4% to AboitizLand's revenues for 2017, focuses on neighborhood offices and lifestyle retail hubs that complement existing industrial or residential developments. Anticipating growth in the Business Process Outsourcing (BPO) sector, AboitizLand launched iMEZ, its first BPO office building, thereby expanding its product line. In 2013, AboitizLand successfully launched its first outlet development in Visayas and Mindanao, The Outlets at Pueblo Verde, which offers 20%-75% discounts on global brand merchandise year-round. With the success of The Outlets at Pueblo Verde, AboitizLand looks forward to expanding its commercial business unit through the Outlets at Lipa, which will be the company's second outlet development and first commercial project in Luzon.

Additionally, AboitizLand offers property management services to support its residential, industrial and commercial products, as well as those of the other companies within the Aboitiz Group. These services cover community security, site and infrastructure maintenance, village activities and policy administration.

INFRASTRUCTURE

In 2017, the cement sales of RCBM and its subsidiaries (RCBM Group) were primarily made through distributors and dealers, with other sales made directly to contractors, developers, pre-cast manufacturers and ready mix concrete companies. On the other hand, the RCBM Group's aggregate sales were primarily made directly to customers, with some sales made through dealers and retailers. RCBM Group's products are sold nationwide, with a majority of its sales coming from the Luzon region.

(iv) New Products/Services

POWER

Other than the ongoing Greenfield and/or rehabilitation projects undertaken by AboitizPower's Generation Companies, AboitizPower and its Subsidiaries do not have any publicly announced new product or service to date.

FINANCIAL SERVICES

UnionBank offers a broad range of products and services, which include deposits and related services, corporate and middle market lending, consumer finance loans such as mortgage, auto loans and credit card, investment, treasury and capital market, trust and fund management, remittance, cash management and electronic banking, as well as insurance. UnionBank continues to reinvent itself from a traditional two (2)-product bank (deposit-taking and lending) to a multi-product financial services company that leverages on technology.

PETNET's primary service is providing money transfer facilities as a direct agent of Western Union. In addition, the company also offers money changing services for its Western Union and other walk-in clients. PETNET also offers Western Union Business Solutions, a foreign exchange cross-border business-to-business payment facility, which began in 2011, and has proven to be an effective service for its customers, particularly small and medium-sized enterprises. PETNET also engages in foreign exchange trading of US Dollars, primarily with corporate clients. Another product offering of PETNET in its company-owned branches is Load Central, a one-stop distribution provider for retail prepaid services such as e-load, call cards, internet cards, gaming cards, and other prepaid airtime credits. In addition, PETNET also offers money changing, bills payment (Bayad Center), airline ticketing, outsourced origination and acceptance of DepEd salary and GSIS pension loan applications for CitySavings, and personal accident insurance, in all its company-owned locations. Lastly, PETNET provides BDO and FEXCO ATM withdrawal facilities and is an outsourced service provider for Cash Credit micro-loans, in selected branches.

REAL ESTATE

In the first half of 2017, AboitizLand launched Seafront Residences, a forty-three (43)-hectare beachside community located in San Juan, Batangas, and Foressa Mountain Town, a 250-hectare mountain town community located in Balamban, Cebu. Both projects have demonstrated early signs success through healthy sales performances and well-attended campaigning events.

FOOD

With Pilmico International's acquisition of PVF in August 2014, the Food Group now offers aqua feeds products for the different stages of growing pangasius. In 2016, Pilmico expanded its aqua feed lines to include tilapia and other species.

With Pilmico International's acquisition of PAN-JSC in October 2017, the Food Group now offers animal feeds products in Vietnam for the different stages of growing swine, poultry, cow, and rabbit.

In the Philippines, Pilmico also introduced "The Care Package", a high-energy biscuit meant to address malnutrition and micro-nutrient deficiencies. During emergencies, calamities and disasters when food is scarce, The Care Package serves as a quick and effective first response to hunger.

In 2016, Pilmico started offering animal healthcare products in the Philippines to complete its objective of becoming a total solutions provider for its feeds customers.

From 2015 to 2017, Pilmico participated in the Rice Importation Program of the Philippine government through the National Food Authority.

Pilmico and PANC likewise sell major feeds raw materials through their commodity trading business.

(v) Competition

On the parent company level, AEV has no direct competitors. However, for reference purposes, other holding and management companies listed in the PSE can be used for comparison.

On the Subsidiary and Affiliate level, competition may be described as follows:

POWER GENERATION BUSINESS

The Open Access regime and the additional capacities from new power plants have led to a steady but significant increase in competition over the last three (3) years. The mandatory switching to Open Access of customers with demand of at least 1 MW and the supposed reductions of this threshold to 750 kW and 500 kW are still on hold due to a legal challenge pending at the Supreme Court. Nonetheless, competition among RES companies have intensified. Generation companies or their affiliates are also allowed to act as RES based on ERC regulations. AboitizPower now considers these as opportunities that will allow expansion of its contracting base while having the flexibility of supply sources.

The acquisition by AboitizPower, through its Subsidiary, TPI, of the beneficial ownership of 66.1% in GNPower Mariveles brought a considerable increase in its capacity in 2017. Furthermore, its simultaneous acquisition of 40% beneficial ownership in GNPower-Dingin also augments its project pipeline.

In 2018, AboitizPower expects to further add some 500 MW to its attributable capacity through its ongoing projects. With this project pipeline, the Company is pushing closer to its target of 4,000 MW net attributable capacity in 2020. This target already includes its 40% beneficial share in the Bataan project of GNPower Dingin.

AboitizPower's portfolio, consisting of a mix of renewable and non-renewable energy sources and a mix of baseload and peaking power plants, allows for flexibility in pricing and reliability of supply, thus enhancing competitiveness.

RETAIL ELECTRICITY SUPPLY BUSINESS

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of December 2017, there are thirty (30) licensed RES companies and twenty-five (25) Local RES companies participating in the Open Access market in Luzon and Visayas. The Meralco group, through its RES companies, has the largest market share, at 32.29%. The AboitizPower Group, through its RES companies, has the second-largest market share, at 24.29%.

From December 2016 through early 2017, RES companies geared up in anticipation of the reduction of the threshold for contestability of 1 MW to 750 kW, and further down to 500 kW. At that point in time, switching to the Open Access regime

was mandatory for captive customers with levels of demand at those thresholds. A TRO on the mandatory switching was executed, however, in the first quarter of 2017, which also put a halt to the lowering of the contestability thresholds. With the execution of the TRO, the switch of Contestable Customers continues to be allowed by the DOE, through Department Circular No. 2017-12-0013 published on December 12, 2017, on a voluntary basis. This substantially reduced the pool of customers that the numerous RES companies can vie for, and thus intensifying the level of competition.

The increase in the number of power plants, the number of RES companies, and volatile oil and coal prices have also increased the level of competition in the Open Access market. RES companies have resorted to both aggressive pricing and contractual concessions.

AboitizPower believes that its portfolio, consisting of different types of energy sources with a mix of renewables and non-renewables, allows it to be flexible in both pricing and reliability of supply, thus enhancing its competitiveness.

DISTRIBUTION UTILITIES BUSINESS

Each of AboitizPower's Distribution Utilities currently has an exclusive franchise to distribute electricity in the areas covered by its franchise.

Under Philippine law, the franchises of the Distribution Utilities may be renewed by the Congress of the Philippines (Congress) provided that certain requirements related to the rendering of public services are met. Each Distribution Utility intends to apply for the extension of its franchise upon expiration. Distribution Utilities may face competition or opposition from third parties in connection with the renewal of their franchises. It should be noted that under Philippine law, a party wishing to secure a franchise to distribute electricity must first obtain a CPCN from the ERC, which requires that such party to prove that it has the technical and financial competence to operate a distribution franchise, and that there is a need for such franchise. Ultimately, Congress has absolute discretion in determining whether to issue new franchises or to renew existing franchises. The acquisition by competitors of any of the Distribution Utilities' franchises could adversely affect the results of the Company's operations. However, with the commencement of Open Access in Luzon and Visayas, the supply segment of the distribution business has become a contestable market, initially for customers with at least an average of 1 MW monthly demand.

Pursuant to DOE Circular No. DC2015-06-0010 entitled (Providing Policies to Facilitate the Full Implementation of Retail Competition and Open Access (RCOA) in the Philippine Electric Power Industry), all Contestable Customers which are currently being served by their franchised distribution utilities are mandated to secure their respective Retail Supply Contracts (RSCs) no later than June 25, 2016 with any of the following: (i) any licensed RES; (ii) any generating company with a COC and a RES license; or (iii) any prospective generation company whose power generation project is undergoing construction or planned and has been included in the DOE's Power Development Plan.

All Contestable Customers with an average demand ranging from 750 kW and 999 kW for the preceding 12-month period are mandated to secure their RSCs with a RES no later than June 25, 2016. Also, Aggregators shall be allowed to compete with RES, generation companies, and prospective generation companies. In the case of retail aggregation, any Contestable Customer within a contiguous area may individually or collectively aggregate their electricity supply requirements to an Aggregator, duly licensed by the ERC. The aggregated demand shall in no case be lower than 750 kW.

All electricity end users with an average demand ranging from 501 kW to below 750 kW for the preceding twelve months may be allowed to choose their respective RES effective June 26, 2018, subject to the determination of the ERC on the basis of its evaluation on the performance of the retail electricity market.

Voluntary contestability for end users with average demand of 500 kW and below for the preceding twelve (12) months shall be based on the continuing evaluation and assessment by the ERC.

On November 29, 2017, the DOE promulgated Department Circular No. 2017-12-0013 entitled "Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Contestable Customers in the Philippine Electric Power Industry." The circular provides, inter alia, that: (i) upon its effectivity, all Contestable Customers with a monthly average peak demand of 750 kW and above, for the preceding twelve (12) months, may participate in the Contestable Market; (ii) by June 26, 2018 or on an earlier date specified by the ERC, all eligible electricity end-users to become Contestable Customers with a monthly average peak demand of 500 kW to 749 kW for the preceding twelve (12) months may voluntarily participate in the Contestable Market; and (iii) by December 26, 2018 or on an earlier date specified by

the ERC, electricity end-users within a contiguous area whose aggregate average peak demand is not less than 500 kW for the preceding twelve (12)-month period may aggregate their demand to be part of the Contestable Market and may voluntarily enter into RSC with the Aggregators. The circular also provides the list of entities that may become Retail Electricity Suppliers, and stipulates that distribution utilities may provide electricity services to Contestable Customers within its franchise area as a local RES upon authorization from the ERC.

FINANCIAL SERVICES

Union Bank of the Philippines

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalisation of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licences to operate in the Philippines. Foreign banks have not only increased competition in the corporate market, but have caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. On January 21, 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking licence or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions shall be fully liberalised beginning on January 1, 2018.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of “top tier” banks compete for business.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their nonperforming loans, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial, and consumer loans is expected.

Amidst this operating environment, UnionBank leverages on its competitive advantages anchored on its superior technology, unique branch sales and service culture, and centralized backroom operations. As a result, UnionBank has been acknowledged as a leader in developing innovative products and services. It is recognized as among the industry's lowest cost producers, measured by revenue-to-expense ratio, which is a result of its wholesale customer acquisition strategy of providing cash management solutions to principals’ ecosystems, having automated and centralized operations, and establishing a full-blown digital strategy rather than the traditional brick-and-mortar expansion. Lastly, the Bank is one of the most profitable in terms of return on equity, return on assets, and absolute income.

UnionBank's corporate vision is to become one of the top three universal banks in the Philippines, not in terms of asset size or branch network, but in terms of metrics under financial value to stakeholders, operational excellence, customer franchise/share of wallet, unique customer experience, and delivering superior and innovative products and service. It is grounded on its purpose of "Making the Diff!" by connecting and enabling communities through Smart Banking in the spirit of UBUNTU.

PETNET, Inc.

PETNET faces competition from other remittance companies in terms of number of branches, variety of products and services, level and type of marketing promotions and advertising, and pricing schemes. In order to address these challenges, PETNET embarked on a rapid expansion program and undertook a brand re-boot with its new retail brand “pera HUB” in April of 2016. It continues to increase its product and service offerings. In tandem with all these efforts, PETNET has and is poised to launch digital initiatives and leverage technology to more effectively market its product and service offerings. Among these initiatives is a mobile application, then the first within the Western Union network in the Philippines, which was launched in January of 2017, initially with only promotional functionalities. Its transactional capabilities were introduced in the first quarter of 2017.

FOOD MANUFACTURING

There is a relatively high degree of competition in the domestic flour milling industry. However, because of high freight and distribution costs within the Philippine archipelago, flour companies have a competitive advantage in

the areas proximate to their milling plants. Pilmico's flourmill is located in Iligan City in Northern Mindanao. The only other flour miller operating in Mindanao is Universal Robina Corporation, which has a plant in Davao.

REAL ESTATE

AboitizLand faces stiff competition from local and national real estate developers, such as Ayala Land, Primary Homes, Inc., and Vista Land, Inc.

INFRASTRUCTURE

The main competitors of the RCBM Group for its cement products consist of the cement manufacturers in the Philippines, as well as traders who import cement into the Philippines. For aggregates, the RCBM Group competes primarily with producers in neighboring areas to serve the needs of customers located in Bulacan and some parts of the National Capital Region.

The RCBM Group's brand names and product lines have long been respected in the local construction industry, enabling it to effectively compete in the market. The RCBM Group continuously innovates and improves its product lines and production efficiency, to respond to the growing needs of the quality-conscious Filipino builder.

(vi) Sources of Raw Materials and Supplies

Power Generation Business

The Generation Companies produce energy using the following fuel types: hydropower, geothermal, solar, coal, and oil. In 2017, renewable fuel sources comprised 32% of its production, while fossil fuel accounted for 68%.

The hydropower facilities of some of the Generation Companies harness the energy from the flow of water from neighboring rivers to generate electricity. These facilities have impounding dams allowing the storage of water for later use. The hydroelectric companies on their own, or through the NPC as in the case of LHC, possess water permits issued by National Water Resources Board (NWRB), which allow them to utilize the energy from a certain volume of water from the applicable source of the water flow.

APRI's steam requirement for its geothermal power generation continues to be supplied by the PGPC. The terms of the steam supply are governed by a Geothermal Resource Sales Contract (GRSC) under which price of steam is ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. The GRSC took effect on May 26, 2013. An interim agreement supplementing the GRSC was subsequently signed to make generation cost more competitive in the market.

Oil-fired plants use Bunker-C fuel to generate electricity. SPPC and WMPC source fuel from Shell and Phoenix Petroleum, respectively. Each of EAUC, CPPC, TMI, and TMO has a fuel supply agreement with Shell. The fuel prices under these agreements are pegged to the Mean of Platts Singapore index.

TLI has long-term coal supply contracts for the Pagbilao Plant's annual coal requirements, and is continuously looking for and evaluating alternative energy sources to ensure security of supply. TSI has annual coal supply contracts for its coal plant in Mindanao, while establishing its most competitive and optimum supply mix. GMCP, STEAG, and Cebu Energy also have long-term coal supply agreements.

Distribution Utilities Business

The provisions of the Distribution Utilities' PPAs are governed by the ERC regulations. The main provisions of each contract relate to the amount of electricity purchased, the price, including adjustments for various factors such as inflation indexes, and the duration of the contract.

The rates at which Davao Light and SFELAPCO purchase electricity from AboitizPower's Generation Companies are established pursuant to the bilateral agreements. These agreements are executed after the relevant Generation Company has successfully bid for the right to enter into a PSA with the Distribution Utility. These agreements are entered into on an arm's-length basis, on commercially reasonable terms, and are approved by the ERC. The ERC's regulations currently restrict AboitizPower's Distribution Utilities from purchasing more than 50% of their electricity

requirements from Affiliated Generation Companies. Hedcor Sibulan supplies Davao Light with electricity generated from its Hedcor Sibulan plants pursuant to the Hedcor consortium's twelve (12)-year PSA. To add to its power reserve capacity, Davao Light has entered into a three (3)-year PSC with TMI for 15 MW last March 21, 2011, which was provisionally approved by the ERC on May 30, 2011. On February 29, 2012, Davao Light and TMI filed a Joint Manifestation with the ERC stating that they agreed to supplement and modify their supply contract to 30 MW. In March 1, 2012, TMI has supplied the contract demand of 30 MW to Davao Light. This contract was renewed in 2014. When it expired in 2017, it was extended for one (1) more year. The contract with TMI ends on July 25, 2018. Davao Light and Cotabato Light entered into twenty-five (25)-year PSCs with TSI for 100 MW and 5 MW, respectively. On September 2015, Davao Light and Cotabato Light started drawing the first half of their contracted capacity, or 50 MW and 2.5 MW respectively, from TSI. Starting February 2016, the full 100 MW and 5MW contracted capacity was supplied by TSI.

On December 25, 2015, the CSEEs of Davao Light and Cotabato Light with PSALM expired. Following negotiations, on December 23, 2015, Davao Light and Cotabato Light entered into PSAs with WMPC for the supply of 18 MW and 2 MW, respectively, for a period of four months from January to April 2016. These PSAs were provisionally approved by the ERC on March 1, 2016. On April 2016, the PSALM CSEEs of Davao Light and Cotabato Light were renewed for an annual term with a lower contracted capacity. Due to significant reduction of the contracted capacity of the PSALM CSEEs, Davao Light and Cotabato Light entered into a PSA with SPPC for a supply of 50 MW and 5 MW, respectively, on April 28, 2016 for a period of two (2) years. These were provisionally approved by the ERC on July 11, 2016.

In anticipation of higher demand and lower allocation from PSALM, Davao Light entered into a PSC with San Miguel Consolidated Power Corporation (SMCPC) in November 28, 2016 for a supply of 60MW for a period of ten (10) years. This was provisionally approved by ERC on June 20, 2017.

Due to the increasing load demand and decreasing power allocation from PSALM, Cotabato Light renewed its 1 MW PSC with TMI for another year, and entered into a PSC with San Miguel Consolidated Power Corporation (SMCPC) on November 28, 2016 for a supply of 5 MW for a period of ten (10) years. These contracts are pending ERC approval for the Provisional Authority.

VECO entered into a PPA for the purchase of electric energy from CPPC for a period of fifteen (15) years starting from CPPC's commercial operation date. In 2003, the PPA was extended for another ten (10) years.

To address VECO's long-term power supply requirement, VECO entered into an EPPA with Cebu Energy on October 16, 2009 for the supply of 105 MW for twenty-five (25) years. The contracted capacity with Cebu Energy was subsequently increased to 121 MW in 2014, and further increased by 20 MW starting March 2015 to cover the increase in demand within its franchise area. However, the 20 MW contract was terminated in 2016 due to the inability of the transmission grid to wheel the power from the plant to VECO.

On December 26, 2010, VECO signed a five (5) year PSA with GCGI for the supply of 60 MW at 100% load factor. On October 23, 2014, VECO and GCGI amended the PSA, extending the term for another ten (10) years at a reduced price. VECO entered into additional PPAs with GCGI for the supply of 15 MW starting December 25, 2011 and an additional 15 MW starting December 25, 2012. This addressed NPC's reduced power supply under its contract with VECO. The first and second 15 MW contracts with GCGI expired last December 26, 2016. On December 25, 2014, the CSEE between VECO and PSALM expired. Consequently, VECO entered into PSAs with AESI and Vivant Energy Solutions on October 2014, and ULGEI on March 2015, for 40 MW, 17 MW, and 5 MW baseload supply, respectively. The 5 MW contract with ULGEI was also terminated in 2016 upon failure to secure ERC approval after the one (1) year cooling-off period.

To partially source its peaking requirement, VECO entered into an agreement with 1590 Energy Corporation for the supply of 30 MW for six (6) months starting December 2014. For its long term capacity requirement, VECO entered into a 15-year PSA with TVI for the supply of 150 MW beginning in 2018. To reduce WESM exposure in 2016 until TVI's commercial operations, the company entered into a PSA with SLPGC for 50 MW in 2016. Starting December 26, 2016, the contract with SLPGC was reduced to 47.79 MW as there were Contestable Customers who migrated to Open Access. VECO will continue to renegotiate the reduction of its bilateral contract to account for the continued migration of contestable customers. VECO's PSAs with TVI are pending ERC approval.

On September 25, 2015, MEZ entered into PSAs with its new suppliers, SN Aboitiz Power-Magat and GCGI for contracted energy per year of 43,920 MWh and 87,840 MWh, respectively. On February 26, 2017, this was reduced to 21,652 MWh and 43,304 MWh per year, respectively. The decrease was due to the transfer of some of MEZ's customers to RES.

Transmission Charges

Five (5) Distribution Utilities have existing Transmission Service Agreements (TSAs) with the NGCP for the use of the latter's transmission facilities in the distribution of electric power from the Grid to its customers, valid until the dates specified below:

Distribution Utility	Valid until
Davao Light	January 25, 2019
Lima Enerzone	July 25, 2022
Mactan Enerzone	January 25, 2020
Balamban Enerzone	January 25, 2020
SFELAPCO	December 25, 2018

Cotabato Light and Subic Enerzone are both in the process of securing their respective TSAs with NGCP. VECO has signed the renewal of its TSA and is awaiting NGCP's signing of the document. The Distribution Utilities have negotiated agreements with the NGCP in connection with the security deposit to secure their obligations to the NGCP under the TSAs.

FOOD MANUFACTURING

Pilmico and its subsidiaries import wheat, soybean meal, and other grains mostly from various suppliers in the U.S.A., Canada, and Australia.

PVF imports soybean meal from Argentina and the U.S.A, and cassava from Cambodia. Rice bran and other grains are sourced locally from various suppliers in Vietnam.

INFRASTRUCTURE

Purchases of Raw Materials

The principal raw materials for the manufacture of cement consist of minerals such as limestone, silica sand, and shale, which are quarried from the RCBM Group's or RCLR's sites, mining claims, or purchased from local suppliers or affiliates. Cement manufacture is the result of a definite process - the crushing of minerals, grinding, mixing, calcining/sintering, cooling, and adding of retarder or gypsum. Other raw materials, slag, coal, other fuel and spare parts are obtained locally and abroad.

On the other hand, the principal materials for the RCBM Group's production of different sizes of aggregates are dolomitic limestone, sourced from RCLR or local suppliers.

The RCBM Group is not expected to be dependent upon one or a limited number of suppliers for essential raw materials.

Energy Requirements

Cement manufacture is an energy-intensive process requiring reliable and affordable power supply for uninterrupted production. The operating plants source their power requirements from the following power providers:

Company	Location	Power Provider
RCBM	Bulacan, Norzagaray, Teresa and Batangas Plants	Masinloc Power Partners Co. Ltd. and Trans-Asia Oil and Energy Development Corporation
	Danao Plant	Cebu II Electric Cooperative
RCII		Power Sector Assets and Liabilities Management Corporation

The RCBM Group has also rented generator sets or revamped its own in most of its operating plants to provide back-up power in case of power shortage or interruptions or poor power quality. In November 2014, RCII entered into a PSA with Powersource Philippines Energy, Incorporated (PSPI), wherein RCII invested in PSPI as a minority shareholder. This PSA is effective upon financial close of the PSPI's financing for the development, construction and operation of the power plant which will supply power to RCII, with a term of fifteen (15) years commencing from the date of commercial operations.

(vii) Major Customers

As a holding company providing management services, AEV's principal customers are its Subsidiaries and Associates.

POWER GENERATION BUSINESS

Out of the total electricity sold by AboitizPower's Generation Companies, approximately 94% are covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, the NPC, and industrial and commercial companies. The remaining approximately 6% is sold by the Generation Companies through the WESM.

RETAIL ELECTRICITY SUPPLY BUSINESS

The Company's RES business has nearly 300 Contestable Customers from a wide number of industries, including property development, meat processing, semiconductors, steel, and cement. AboitizPower thus believes that this diversity will insulate its RES business from downturns in any one industry.

DISTRIBUTION UTILITIES

Most of AboitizPower's Distribution Utilities, on the other hand, have wide and diverse customer bases. As such, the loss of any one customer will have no material adverse impact on the business of AboitizPower. The Distribution Utilities' customers are categorized into four (4) principal categories:

- (a) *Industrial customers.* Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations, and shopping malls.
- (b) *Residential customers.* Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes.
- (c) *Commercial customers.* Commercial customers include service-oriented businesses, universities, and hospitals.
- (d) *Other customers.*

Government accounts for various government offices and facilities are categorized as either commercial or industrial depending on their load. Each Distribution Utility monitors government accounts separately and further classifies them to local government accounts, national government account, or special government accounts.

REAL ESTATE

AboitizLand's residential projects currently targets a diverse base of customers, ranging from the middle to upper income brackets. AboitizLand's industrial division serves various locators, with the slight exception of its industrial segment operated through CIPDI, which has commitments to Tsuneishi Holdings Corporation (THC) of Japan.

OTHER SUBSIDIARIES AND AFFILIATES

AEV's other Subsidiaries and Affiliates have a wide and diverse customer base. As such, the loss of any one (1) customer will have no material adverse impact on AEV.

(viii) Transactions With and/or Dependence on Related Parties

AEV and its Subsidiaries (the Group), in their regular conduct of business, have entered into related party transactions consisting of professional and technical services, rental, money market placements, and power sales and purchases. These are made on an arm's length basis.

ACO, the parent company of AEV, and certain associates have service contracts with either AEV or AboitizPower (parent companies) for corporate center services rendered, such as human resources, internal audit, legal, treasury and corporate finance, among others. These services are obtained from AEV and AboitizPower to enable the Group to realize cost synergies. The parent companies maintain a pool of highly qualified professionals with business expertise specific to the businesses of the Group. Transactions are priced on an arm's length basis, and covered with service level agreements to ensure quality of service.

ACO and certain associates are leasing office spaces from CPDC, a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of three years.

The Group has cash deposits and money market placements with UnionBank and CitySavings, AEV's banking Associates. These are earning interest at prevailing market rates.

Power generation Subsidiaries sell to certain power associates based on their respective power supply agreements. Meanwhile, power distribution Subsidiaries purchase from certain generation associates based on existing power purchase agreements.

A wholly-owned construction and steel fabrication subsidiary of ACO renders its services to the Group for the construction of new power plant.

The Company's retirement benefit fund (the "Fund") is in the form of a trust being maintained and managed by ACO. The Fund has investments in the equity of one of its subsidiaries.

The above related party transactions are discussed extensively in the audited financial statements of the Company.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AEV employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are determined and brought to the attention of management.

(ix) Patents, Copyrights and Franchises

GENERATION BUSINESS

Power generation is not considered a public utility operation under the EPIRA. Thus, a national franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has secured a Certificate of Compliance (COC) from the ERC to operate a generation facility and has complied with the standards, requirements, and other terms and conditions set forth in the said COC.

In its operations, a generation company is required to comply with technical, financial and environmental standards. It shall ensure that facilities connected to the Grid meet the technical design and operation criteria of the Philippine Grid Code, Philippine Distribution Code, Philippine Electrical Code, and the NGCP Act. It shall conform with financial standards to protect public interest and any customer procuring services from the generation company. It shall ensure that its facilities comply with applicable environmental laws, rules and regulations.

AboitizPower's Distribution Utilities, Davao Light and Cotabato Light, have their own generation facilities and are required under the EPIRA to obtain a COC from the ERC for its generation facilities. For IPPAs such as TLI, the COCs issued to the IPPs of the relevant generation facilities are deemed issued in favor of the IPPAs. As such, the IPPAs are also bound to comply with the provisions of the Philippine Grid Code, Philippine Distribution Code, WESM rules, and applicable rules and regulations of the ERC.

AboitizPower's HEPPs are also required to obtain water permits from the NWRB for the water flow used to run their respective hydroelectric facilities. These permits specify the source of the water flow that the Generation Companies can use for their hydroelectric generation facilities, as well as the allowable volume of water that can be used from the source of the water flow. Water permits have no expiration date and require their holders to comply with the terms of the permit with regard to the use of the water flow and the allowable volume.

AboitizPower, its Subsidiaries and Affiliates are in various stages of development of several projects. Some of these projects have been awarded renewable energy service contracts by the DOE.

The Generation Companies and the Distribution Utilities, Davao Light and Cotabato Light, possess COCs for their power generation businesses, details of which are as follows:

COC No.	Issued Under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No.13-11-GN 330-20029L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	25	November 11, 2013 – November 5, 2018
COC No.13-11-GN 331-20030L	Hedcor, Inc.	Bineng 1	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	3.20 MW	Hydro	25	November 11, 2013 – November 5, 2018
COC No.13-11-GN 332-20031L	Hedcor, Inc.	Bineng 2	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	2.00 MW	Hydro	25	November 11, 2013 – November 5, 2018
COC No.13-11-GN 333-20032L	Hedcor, Inc.	Bineng 2b	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	750 kW	Hydro	25	November 11, 2013 – November 5, 2018
COC No.13-11-GN 334-20033L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	25	November 11, 2013 – November 5, 2018
COC No.13-11-GN 329-20028L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	25	November 11, 2013 – November 5, 2018
COC No.13-11-GN 336-20035L	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	25	November 11, 2013 – November 5, 2018
COC No.16-01-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Tuba, Benguet	3.8 MW	Hydro	25	January 27, 2016
COC No. 16-05-M-00061M	Hedcor, Inc.	Talomo 1 – Unit 1	Hydroelectric Power Plant	Calinan, Davao City	500 kW	Hydro	February 15, 2015 – February 14, 2020	May 4, 2016
		Talomo 1 – Unit 2			500 kW			
COC No. 16-05-M-00062M	Hedcor, Inc.	Talomo 2 – Unit 1	Hydroelectric Power Plant	Mintal Proper, Davao City	200 kW	Hydro	February 15, 2015 – February 14, 2020	May 4, 2016
		Talomo 2 – Unit 2			200 kW			
		Talomo 2 – Unit 3			200 kW			
COC No. 16-05-M-00063M	Hedcor, Inc.	Talomo 2A – Unit 1	Hydroelectric Power Plant	Upper Mintal, Davao City	450 kW	Hydro	February 15, 2015 – February 14, 2020	May 4, 2016
		Talomo 2A – Unit 2			200 kW			

COC No.	Issued Under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No. 16-05-M-00064M	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	300 kW	Hydro	February 15, 2015 – February 14, 2020	May 4, 2016
COC No. 16-05-M-00065M	Hedcor, Inc.	Talomo 3 – Unit 1	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	960 kW	Hydro	February 15, 2015 – February 14, 2020	May 4, 2016
		Talomo 3 – Unit 2			960 kW			
COC No. 16-03-M-00052L	Hedcor, Inc.	FLS Plant Unit 1	Hydroelectric Power Plant	FLS HEPP, Bakun Central, Bakun, Benguet	2.0 MW	Hydro	25	March 10, 2016 – November 10, 2018
		FLS Plant Unit 2			2.0 MW			
COC No. 13-11-GN327 20026L	Hedcor, Inc.	FLS Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	5.90 MW	Hydro	25	November 11, 2013 – November 5, 2018
COC No. 13-11-GN 335-20034L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	25	November 11, 2013 – November 5, 2018
COC No. 13-11-GN 328-20027L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	25	November 11, 2013 – November 5, 2018
COC No. 16-03-S-17273M	Hedcor Sibulan, Inc.	Sibulan B (Darong)	Diesel	Sibulan B, Brgy. Darong, Sta. Cruz, Davao del Sur	345.6 kW	Diesel	25	March 2, 2016 – March 1, 2021
COC No. 16-03-S-17272M	Hedcor Sibulan, Inc.	Sibulan A (Tibolo)	Diesel	Sibulan A, Brgy. Tibolo, Sta. Cruz, Davao del Sur	306 kW	Diesel	25	March 2, 2016 – March 1, 2021
COC No. 16-03-S-17269M	Hedcor, Inc.	Talomo 2	Diesel	Talomo 2 HEPP, Mintal, Davao City	20 kW	Diesel	25	March 2, 2016 – March 1, 2021
COC No. 16-03-S-17271L	Hedcor, Inc.	La Trinidad (Beckel)	Diesel	214 Ambuklao Road, Beckel, La Trinidad, Benguet	216 kW	Diesel	25	March 2, 2016 – March 1, 2021
COC No. 16-03-S-17270M	Hedcor, Inc.	Talomo 3	Diesel	Talomo 3 HEPP, Mintal, Davao City	20 kW	Diesel	25	March 2, 2016 – March 1, 2021
COC No. 15-04-S-00027L	Hedcor Sabangan, Inc.	N/A	Diesel Engine	Namatec, Sabangan, Mountain Province	80 kW	Diesel	25	April 28, 2015 – April 28, 2020
COC No. 14-1-GXT-19483-20053M	Hedcor Sibulan, Inc.	N/A	Diesel	Brgy. Tudaya, Sta. Cruz, Davao Del Sur	80 kW	Diesel	15	January 14, 2014 – January 14, 2019

COC No.	Issued Under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No. 14-02-GXT-19525-20099M	Hedcor Tudaya, Inc.	N/A	Diesel	Brgy. Sibulan, Sta. Cruz, Davao del Sur	140 kW	Diesel	25	February 21, 2014 - February 21, 2019
COC No. 17-09-S-19345L	Luzon Hydro Corporation	Alilem	Diesel	Amilongan, Alilem, Ilocos Sur	572 kW	Diesel	September 15, 2017 – September 14, 2022	September 15, 2017
COC No. 17-09-S19346L	Hedcor, Inc.	Beckel	Diesel	214 Ambuklao Road, Beckel, La Trinidad, Benguet	188 kW	Diesel	September 15, 2017 – September 14, 2022	September 15, 2017
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	25	May 18, 2015 – August 9, 2020
		Sibulan A – Unit 2			8.164 MW			
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	25	May 18, 2015 – May 24, 2020
		Sibulan B – Unit 2			13.128 MW			
COC No. 14-03-GN 346-20102M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sitio Tudaya, Brgy. Sibulan, Sta. Cruz, Davao del Sur	6.65 MW	Hydro	15	March 10, 2014 – March 10, 2019
COC No. 13-07-GXT 17-0017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Pilipil, Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	25	July 22, 2013 – July 29, 2018
COC No. 15-06-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	8.13 MW	Hydro	25	June 15, 2015
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	20	September 29, 2015
COC No. 15-11-M-13701M	Davao Light & Power, Co.	Bajada Diesel Power Plant	Diesel Power Plant	J.P. Laurel Ave., Bajada, Davao City	58.70 MW	Diesel	20	November 26, 2015 – December 7, 2020
			Blackstart		483.20 kW	Diesel	20	
COC No. 17-04-M-15911M	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPC Compound, Sinsuat Ave., Rosary Heights I, Cotabato City	9.927 MW	Diesel / Bunker C	January 10, 2017 – January 9, 2022	April 19, 2017
			Blackstart		10 kW			
COC No. 13-06-GXT 2-0002V	East Asia Utilities Corporation	N/A	Bunker C-Fired Power Plant	Barrio Ibo, Mactan Export Processing Zone 1 (MEPZ 1), Lapu-Lapu City, Cebu	49.60 MW	Bunker C	16	June 10, 2013 – June 10, 2018

COC No.	Issued Under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No. 13-05-GXT 1-0001V	Cebu Private Power Corporation	N/A	Bunker C-Fired Power Plant	Old VECCO Compound, Ermita, Cebu City	70.65 MW	Bunker C	25	May 27, 2013 - June 3, 2018
COC No. 13-08-GXT 20-0020M	Western Mindanao Power Corporation	N/A	Bunker C- Fired Power Plant	Malasugat, Sangali, Zamboanga City	112.0 MW	Bunker C	24	August 5, 2013 – August 7, 2018
		N/A	Blackstart		160 kW	Diesel	24	
COC No. 13-08-GXT 21-0021M	Southern Philippines Power Corporation	N/A	Bunker C- Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Sarangani Province	61.72 MW	Bunker C/ Diesel	18	August 5, 2013 – August 7, 2018
COC No. 15-11-M-2860L	SN Aboitiz Power – Magat, Inc.	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	25	November 11, 2015 – November 28, 2020
		Magat Hydroelectric Power Plant – Unit 2			90 MW			
		Magat Hydroelectric Power Plant – Unit 3			90 MW			
		Magat Hydroelectric Power Plant – Unit 4			90 MW			
		Magat Hydroelectric Power Plant	Blackstart	600 kW	Diesel	25		
COC No. 17-03-M-00309L	SN Aboitiz Power – Benguet, Inc.	Binga – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	March 12, 2017 – March 11, 2022	March 9, 2017
		Binga – Unit 2	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 4	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant	Blackstart Generator Set	320 KW	Diesel			
		Binga Hydroelectric Power Plant	Auxiliary Generator Set	330.40 KW	Diesel			

COC No.	Issued Under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No. 16-08-M-00087L	SN Aboitiz Power – Benguet, Inc.	Ambuklao – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	August 31, 2016 – August 30, 2021	August 18, 2016
		Ambuklao – Unit 2	Hydroelectric Power Plant		34.85 MW			
		Ambuklao – Unit 3	Hydroelectric Power Plant		34.85 MW			
		Ambuklao Hydroelectric Power Plant	Auxiliary Generator Set		320 KW	Diesel		
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 16-06-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas, Villanueva, Misamis Oriental	232.00 MW	Coal	August 30, 2016 – August 29, 2021	June 13, 2016
			Emergency Generating Set		1.25 MW	Diesel		
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phividec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	25	March 25, 2015 – March 25, 2020
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	23	May 4, 2015 – May 31, 2020
		Makban – Bay, Plant A			63.2 MW			
		Makban – Bay, Plant D			20.0 MW			
		Makban – Bay, Plant D			20.0 MW			
COC No. 15-05-M-00008L	AP Renewables, Inc.	Makban – Calauan, Plant B	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	23	May 4, 2015 – May 31, 2020
		Makban – Calauan, Plant B			63.2 MW			
		Makban – Calauan, Plant C			55.0 MW			
		Makban – Calauan, Plant C			55.0 MW			
COC No. 15-05-M-00009L	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	23	May 4, 2015 – May 31, 2020
		Makban – Sto. Tomas, Plant E			20.0 MW			
COC No. 15-11-M-00028L	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	25	November 26, 2015 – December 2, 2020
		Plant A, Unit 2			60 MW			

COC No.	Issued Under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No. 15-11-M-286RL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	25	November 26, 2015 – December 12, 2020
		Plant C, Unit 6			57 MW			
COC No. 17-05-M-00105L	AP Renewables, Inc.	MakBan Binary 1 Geothermal Power Plant	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Geo-thermal Brine	N/A	November 7, 2016 – November 6, 2021
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, MACO, Compostela Valley	100.33 MW	Diesel	25	March 30, 2016 – April 18, 2021
			Blackstart		1.68 MW	Diesel	5	
COC No. 16-03-M-00286bbM	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del Norte	100.33 MW	Diesel	25	March 30, 2016 – April 5, 2021
			Blackstart		1.68 MW	Diesel	5	
COC No. 17-07-M-00305L	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	July 9, 2017 – July 8, 2022	June 22, 2017
COC No. 17-07-M-00306L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	56 MW	Bunker C/ Diesel	July 9, 2017 – July 8, 2022	June 22, 2017
COC No. 17-07-M-00307L	Therma Mobile, Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	July 9, 2017 – July 8, 2022	June 22, 2017
COC No. 13-07-GXT 308-19941L	Therma Mobile, Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	July 9, 2017 – July 8, 2022	June 22, 2017
COC No. 15-09-M-00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25	September 1, 2015 – August 31, 2020
		Unit 2	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25	January 19, 2016 – August 31, 2020

DISTRIBUTION BUSINESS

Under the EPIRA, the business of electricity distribution is a regulated public utility business that requires a national franchise that can be granted only by Congress. In addition to the legislative franchise, a CPCN from the ERC is also required to operate as a public utility. However, distribution utilities operating within economic zones, are not required to obtain a franchise from Congress, but must be duly registered with the PEZA in order to operate within the economic zone.

All distribution utilities are required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code, which provides the rules and regulations for the operation and maintenance of distribution systems, and the performance standards set out in the implementing rules and regulations of the EPIRA.

Shown below are the respective expiration periods of the Distribution Utilities' legislative franchises:

Distribution Company	Expiration Date
VECO	2030
Davao Light	2025
Cotabato Light	2039
SFELAPCO	2035
SEZ*	2028

* Pursuant to the Distribution Management Service Agreement (DMSA) with the Subic Bay Metropolitan Authority.

MEZ, BEZ, and LEZ, which operate the power distribution utilities in MEPZ II, WCIP, and LTC, respectively, are duly registered with PEZA as Ecozone Utilities Enterprises. Cotabato Light's franchise was renewed for another twenty-five (25) years upon the signing of RA 10637 on June 16, 2014 by then-President Benigno C. Aquino III.

RETAIL ELECTRICITY SUPPLY BUSINESS

For a time, the business of supplying electricity was being undertaken solely by franchised distribution utilities. On July 26, 2013, the implementation of Open Access commenced in Luzon and Visayas. Like power generation, the business of supplying electricity is not considered a public utility operation under the EPIRA. It is, however, considered a business affected with public interest. As such, the EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from the ERC in accordance with the ERC's rules and regulations. With the implementation of Open Access, AboitizPower's Subsidiaries, AESI, AdventEnergy, SN Aboitiz Power – RES, and Prism Energy, obtained separate licenses to act as RES and Wholesale Aggregator. AESI, AdventEnergy and Prism Energy duly filed the corresponding application for renewal of its RES licenses.

BANKING AND FINANCIAL SERVICES BUSINESS

As banking institutions, the business operations of UnionBank and CitySavings are regulated by BSP, SEC, and Philippine Deposit Insurance Commission (PDIC). CitySavings, as an accredited lender institution under DepEd's APDS, also has to comply with the policies issued by DepEd with regard to the setting of interest rates and other fees on loans to public school teachers.

PETNET, as a company engaged in money remittance, is required to obtain licenses from the BSP for its branches. It is also required to comply with the requirements of the Anti-Money Laundering Act.

Trademarks

AEV and its Subsidiaries own, or have pending applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications which AEV and its Subsidiaries have filed with the Philippine Intellectual Property Office (IP Office).

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
A Better Future (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004383 November 11, 2010	Application for the word mark "A Better Future".	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary Declaration of Actual Use (DAU) was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2021.
Better Solutions (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004384 November 11, 2010	Application for the word mark "A Better Solutions".	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
AboitizPower word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004385 November 11, 2010	Application for the word mark "AboitizPower".	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
AboitizPower Spiral Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004380 February 10, 2011	Application for the device mark “AboitizPower Spiral and Device”, with color claim. The representation of a spiral rendered in blue.	Original Certificate of Registration was issued on February 10, 2011. The 3rd year Anniversary Declaration of Actual Use (DAU) was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on February 3, 2017 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 10, 2021.
Cleanergy (Class No. 42)	Aboitiz Power Corporation	October 19, 2001	4-2001-007900 January 13, 2006	Application for the word mark “Cleanergy”.	Original Certificate of Registration for the mark CLEANERGY was issued on January 13, 2006. The 3rd year Anniversary DAU was filed on November 11, 2004. The 5th year Anniversary DAU was filed on December 27, 2011 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on January 13, 2016. The 15th DAU is due on January 13, 2021.
Cleanergy and Device (Class No. 42)	Aboitiz Power Corporation	July 30, 2002	4-2002-06293 July 16, 2007	Application for the device mark “Cleanergy and Device”, with color claim). The representation of a light with bulb with three leaves attached to it, with the words “CLEANERGY” and a small “ABOITIZ” diamond logo below it.	Original Certificate of Registration was issued on July 16, 2007. The 3rd year Anniversary DAU was filed on June 28, 2005 with the IP Office. The 5th year Anniversary DAU was filed on July 15, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration were filed on July 16, 2017 with the IP Office. The Renewal DAU is due on July 16, 2018.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Cleanergy Get It and Device (Class Nos. 39, 40, and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004381 November 11, 2010	Application for the device mark "Cleanergy Get it and Device". The word "Cleanergy", with color claim. The phrase "get it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
Cleanergy Got It and Device (Class Nos. 39, 40, and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004382 November 11, 2010	Application for the device mark "Cleanergy got it and device". The word "Cleanergy" with the phrase "got it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
AboitizPower and Device (Class Nos. 39, 40, and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004379 February 10, 2011	Application for the device mark "AboitizPower and Device", with color claim.	Original Certificate of Registration was issued on February 10, 2011. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on February 3, 2017 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 10, 2021.
Alterspace (Class Nos. 9, 39, and 40)	Aboitiz Power Corporation	April 6, 2011	4-2011-003968 February 24, 2012	Application for the word mark "ALTERSPACE".	Original Certificate of Registration was issued on February 24, 2012. The 3rd year Anniversary DAU was filed on May 20, 2014 with the IP Office. The 5th DAU is due on February 24, 2018.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	July 6, 2006	4-2006-007306 August 20, 2007	<p>Trademark application for Subic EnerZone Corporation and Logo, with color claim (blue and yellow).</p> <p>The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, rendered in cobalt medium blue color, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words.</p> <p>The logo is likewise rendered in the cobalt medium blue color in a yellow background.</p>	<p>Original Certificate of Registration was issued on August 20, 2007.</p> <p>The mark was renewed on August 20, 2017.</p> <p>The renewal DAU is due on August 20, 2018.</p>
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	July 6, 2006	4-2006-007305 August 20, 2007	<p>Application for the Subic EnerZone Corporation word mark and device (gray).</p> <p>The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words.</p>	<p>Original Certificate of Registration was issued on August 20, 2007.</p> <p>The mark was renewed on August 20, 2017.</p> <p>The renewal DAU is due on August 20, 2018.</p>

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Subic EnerZone Corporation (Class No. 39)	Subic EnerZone Corporation	July 6, 2006	4-2006-007304 June 4, 2007	Application for the word mark "Subic EnerZone Corporation".	Original Certificate of Registration was issued on June 4, 2007. The 3rd year Anniversary DAU was filed with the IP Office on July 6, 2009. The 5th year Anniversary DAU was filed with the IP Office on June 4, 2013. The 10th year Anniversary DAU and application for renewal of registration was filed with the IP Office on June 4, 2017. The renewal DAU is due on June 4, 2018.
Driven to Lead. Driven to Excel. Driven to Serve. (Class Nos. 30, 36, 37, 39, 40, and 42)	Aboitiz Equity Ventures, Inc.	January 30, 2012	04-2012-001132 June 21, 2012	Application for the word mark "Driven to Lead. Driven to Excel. Driven to Serve."	Original Certificate of Registration was issued on June 21, 2012. The 3rd year Anniversary DAU was filed on January 30, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on June 21, 2018 with the IP Office.
Aboitiz Better Ways (Class Nos. 30, 31, 35, 36, 37, 39, 40, and 42)	Aboitiz Equity Ventures, Inc.	December 18, 2013	04-2013-015095 March 27, 2014	Application for the word mark "Aboitiz Better Ways".	Original Certificate of Registration was issued on March 27, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on March 27, 2020.
Aboitiz Better World (Class Nos. 30, 31, 35, 36, 37, 39, 40, and 42)	Aboitiz Equity Ventures, Inc.	December 18, 2013	04-2013-015094 March 27, 2014	Application for the word mark "Aboitiz Better World".	Original Certificate of Registration was issued on March 27, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on March 27, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
ABOITIZLAND GEOMETRIC SYMBOL LOGO (Class Nos. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	04-2009-005107 March 11, 2010	Application for the word mark "ABOITIZLAND GEOMETRIC SYMBOL LOGO", with color claim.	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on March 11, 2020.
ABOITIZLAND MADE FOR LIFE AND DEVICE (Class Nos. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	04-2009-005108 March 11, 2010	Application for the device mark "ABOITIZLAND MADE FOR LIFE AND DEVICE, with color claim.	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on March 11, 2020.
ABOITIZLAND AND DEVICE (Class Nos. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	04-2009-005106 March 11, 2010	Application for the device mark "ABOITIZLAND AND DEVICE" with color claim.	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on March 11, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
ABOITIZLAND (Class Nos. 35 and 37)	Aboitiz Land, Inc.	July 14, 2009	04-2009-006961 April 15, 2010	Application for the word mark "ABOITIZLAND".	Original Certificate of Registration was issued on April 15, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on April 15, 2020.
THE OUTLETS (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	April 11, 2014	04-2014-004494 February 26, 2015	Application for the word mark "THE OUTLETS".	Original Certificate of Registration was issued on February 26, 2015. The 3rd year Anniversary DAU was filed on March 7, 2017 with the IP Office. The 5th year Anniversary DAU is due for filing on February 26, 2021.
THE OUTLETS AND DEVICE (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	April 11, 2014	04-2014-004493 December 4, 2014	Application for device mark "THE OUTLETS AND DEVICE", with color claim.	Original Certificate of Registration was issued on December 4, 2014. The 3rd year Anniversary DAU was filed on March 7, 2017. The 5th year Anniversary DAU is due for filing on December 4, 2020.
FILIPINO NEW URBANISM (Class No. 37)	Aboitiz Land, Inc.	February 23, 2015	04-2015-001949 November 5, 2015	Application for the word mark "FILIPINO NEW URBANISM".	Original Certificate of Registration was issued on November 5, 2015. The 3rd year Anniversary DAU is due for filing on February 23, 2018.
AJOYA (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	November 29, 2016	4-2016-506202 March 9, 2017	Application for the word mark "Ajoya".	Original Certificate of Registration was issued on March 9, 2017. The 3rd year DAU is due for filing on November 29, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
AJOYA AND DEVICE (Logo) (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	November 29, 2016	4-2016-506203 March 24, 2017	Application for the device mark "Ajoya".	Original Certificate of Registration was issued on March 24, 2017. The 3rd year DAU is due for filing on November 29, 2019.
FORESSA (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 6, 2016	4-2016-506331 March 24, 2017	Application for the word mark "Foressa".	Original Certificate of Registration was issued on March 24, 2017. The 3rd year DAU is due for filing on December 6, 2019.
FORESSA MOUNTAIN TOWN AND DEVICE (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 6, 2016	4-2016-506329 June 15, 2017	Application for the device mark "Foressa".	Original Certificate of Registration was issued on June 15, 2017. The 3rd year DAU is due for filing on December 6, 2019.
LEKEITIO (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 20, 2016	4-2016-506607 April 20, 2017	Application for the word mark "Lekeitio".	Original Certificate of Registration was issued on April 20, 2017. The 3rd year DAU is due for filing on December 20, 2019.
LEKEITIO DEVICE (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 30, 2017	4-2017-5004-24 June 2, 2017	Application for the device mark "Lekeitio".	Original Certificate of Registration was issued on June 2, 2017. The 3rd year DAU is due for filing on January 30, 2020.
SEAFRONT RESIDENCES (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 26, 2017	4-2017-500379 July 14, 2017	Application for the word mark "Seafront Residences"	Original Certificate of Registration was issued on July 14, 2017. The 3rd year DAU is due for filing on January 26, 2020.
SEAFRONT RESIDENCES DEVICE (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 30, 2017	4-2017-500423 August 10, 2017	Application for the device mark "Seafront Residences".	Original Certificate of Registration was issued on August 10, 2017. The 3rd year DAU is due for filing on January 26, 2020.
THE OUTLETS LOGO (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 24, 2017	04-2017-500324 July 14, 2017	Application for the device mark "The Outlets".	Original Certificate of Registration was issued on July 14, 2017. The 3rd year DAU is due for filing on January 24, 2020.
SEAFRONT VILLAS (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 26, 2017	4-2017-500378 July 14, 2017	Application for the word mark "Seafront Villas".	Original Certificate of Registration was issued on July 14, 2017. The 3rd year DAU is due for filing on January 26, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
SEAFRONT VILLAS DEVICE (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 30, 2017	4-2017-5004-22 August 17, 2017	Application for the device mark "Seafrent Villas".	Original Certificate of Registration was issued on August 17, 2017. The 3rd year DAU is due for filing on January 30, 2020.
LA VILLITA (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	March 7, 2017	4-2017-500953 July 14, 2017	Application for the word mark "La Villita".	Original Certificate of Registration was issued on July 14, 2017. The 3rd year DAU is due for filing on March 7, 2020.
LA VILLITA DEVICE (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	March 8, 2017	4-2017-500968 August 10, 2017	Application for the device mark "La Villita".	Original Certificate of Registration was issued on August 10, 2017. The 3rd year DAU is due for filing on March 8, 2020.
PLAZA KALEA (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	March 7, 2017	4-2017-500954 September 14, 2017	Application for the word mark "Plaza Kalea".	Original Certificate of Registration was issued on September 14, 2017. The 3rd year DAU is due for filing on March 7, 2020.
PLAZA KALEA DEVICE (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	March 7, 2017	4-2017-500951 July 14, 2017	Application for the device mark "Plaza Kalea".	Original Certificate of Registration was issued on July 14, 2017. The 3rd year DAU is due for filing on March 7, 2020.
LIMA EXCHANGE (Class Nos. 16, 35, 36, 37 and 39)	Aboitiz Land, Inc.	July 13, 2017	04-2017-005027-24	Application for the word mark "Lima Exchange".	Pending with the IP Office.
LIMA EXCHANGE DEVICE (Class Nos. 16, 35, 36, 37 and 39)	Aboitiz Land, Inc.	July 13, 2017	4-2017-5027-34	Application for the device mark "Lima Exchange"	Pending with the IP Office.
LIMA LAND, INC. (Class Nos. 16, 35, 36, 37, and 39)	Aboitiz Land, Inc.	July 13, 2017	04-2017-00502737	Application for the word mark "Lima Land".	Pending with the IP Office.
LIMA LAND, INC. LOGO (Class Nos. 16, 35, 36, 37, and 39)	Aboitiz Land, Inc.	July 14, 2017	04-2017-00502749	Application for the device mark "Lima Land".	Pending with the IP Office.
LIMA TECHNOLOGY CENTER (Class Nos. 16, 35, 36, 37, and 39)	Aboitiz Land, Inc.	July 13, 2017	4-2017-5034-66	Application for the word mark "Lima Technology Center".	Pending with the IP Office.
LIMA TECHNOLOGY CENTER DEVICE (Class Nos. 16, 35, 36, 37, and 39)	Aboitiz Land, Inc.	July 13, 2017	4-2017-5027-35	Application for the device mark "Lima Technology Center"	Pending with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
PILMICO FOODS CORPORATION DEVICE (Class No. 30)	Pilmico Foods Corporation	October 26, 1998	4-1998-007886 November 28, 2005	Application for device mark "PILMICO FOODS CORPORATION".	Original Certificate of Registration was issued on November 28, 2005. The mark was renewed on November 28, 2015. The 5th year Renewal DAU is due for filing on November 28, 2021.
SUN-MOON-STAR DEVICE (Class No. 30)	Pilmico Foods Corporation	January 22, 2002	4-2002-100524 October 2, 2006	Application for device mark "SUN-MOON-STAR"	Original Certificate of Registration was issued on October 2, 2006. The mark was renewed on October 2, 2016. The 5th year Renewal DAU is due for filing on October 2, 2022.
GOLD STAR AND DEVICE (Class No. 30)	Pilmico Foods Corporation	January 22, 2002	4-2002-000525 August 17, 2006	Application for the device mark "GOLD STAR AND DEVICE".	Original Certificate of Registration was issued on August 17, 2006. The mark was renewed on August 17, 2016. The 5th year Renewal DAU is due for filing on August 17, 2022.
SUNSHINE (Class No. 30)	Pilmico Foods Corporation	April 17, 1996	4-1996-127942 October 15, 2007	Application for the device mark "SUNSHINE".	Original Certificate of Registration was issued on October 15, 2007. The 3rd year Anniversary DAU was filed on November 29, 2001 with the IP Office. The 5th year Anniversary DAU was filed on May 17, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on October 15, 2018.
GLOWING SUN (Class No. 30)	Pilmico Foods Corporation	November 13, 1998	4-1998-008409 October 2, 2006	Application for the device mark "GLOWING SUN".	Original Certificate of Registration was issued on October 2, 2006. The mark was renewed on October 2, 2016. The 5th year renewal DAU is due on October 2, 2022.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
KUTITAP AND DEVICE (Class No. 30)	Pilmico Foods Corporation	October 26, 2001	4-2001-008098 January 17, 2005	Application for the device mark "KUTITAP AND DEVICE".	Original Certificate of Registration was issued on January 17, 2005. The mark was renewed on January 17, 2015. The 5th year Renewal DAU is due on January 17, 2021.
KUTITAP (Class No. 30)	Pilmico Foods Corporation	January 22, 2002	4-2002-000523 December 5, 2004	Application for the device mark "KUTITAP", with color claim.	Original Certificate of Registration was issued on December 5, 2004. The mark was renewed on December 5, 2014. The 5th year Renewal DAU is due on December 5, 2020.
MEGA STAR AND DEVICE (Class No. 30)	Pilmico Foods Corporation	August 2, 2002	4-2002-006424 November 28, 2005	Application for the device mark "MEGA STAR AND DEVICE" with color claim.	Original Certificate of Registration was issued on November 28, 2005. The mark was renewed on November 28, 2015. The 5th year Renewal DAU is due for filing on November 28, 2021.
SUNFLOUR AND DESIGN (Class No. 30)	Pilmico Foods Corporation	June 8, 2007	4-2007-005916 May 5, 2008	Application for the device mark "SUNFLOUR AND DESIGN".	Original Certificate of Registration was issued on May 5, 2008. The 3rd year Anniversary DAU was filed on June 8, 2010 with the IP Office. The 5th year Anniversary DAU was filed on March 7, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on May 5, 2018.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
PILMICO FLOUR (Class No. 30)	Pilmico Foods Corporation	December 19, 2008	4-2008-015334 July 30, 2009	Application for the device mark "PILMICO FLOUR".	Original Certificate of Registration was issued on July 30, 2009. The 3rd year Anniversary DAU was filed on October 18, 2011 with the IP Office. The 5th year Anniversary DAU was filed on July 23, 2015 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on July 30, 2019.
PILMICO 'M' handshake (Class No. 30 and 31)	Pilmico Foods Corporation	October 13, 2009	4-2009-010359 August 12, 2010	Application for the device mark "PILMICO 'M' handshake".	Original Certificate of Registration was issued on August 12, 2010. The 3rd year Anniversary DAU was filed on September 11, 2012 with the IP Office. The 5th year Anniversary DAU was filed on August 1, 2016 with the IP office. The 10th year Anniversary DAU and application for renewal are due for filing on August 12, 2020.
"Silver Star" word mark (Class No. 30)	Pilmico Foods Corporation	August 31, 2011	4-2011-010284 February 24, 2012	Application for the word mark "Silver Star".	Original Certificate of Registration was issued on February 24, 2012. The 3rd year Anniversary DAU was filed on August 22, 2014 with the IP Office. The 5th year Anniversary DAU is due for filing on February 24, 2018.
Silver Star Logo (Class No. 30)	Pilmico Foods Corporation	September 13, 2011	4-2011-010919 January 13, 2012	Application for the device mark "Silver Star logo", with color claim.	Original Certificate of Registration was issued on January 13, 2012 The 3rd year Anniversary DAU was filed on August 22, 2014 with the IP Office. The 5th year Anniversary DAU was filed on January 15, 2018.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
SUN RAYS HARD WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006662 February 20, 2014	Application for the device mark "SUN RAYS HARD WHEAT FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
STAR BEAM SOFT WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006658 December 26, 2013	Application for the device mark "STAR BEAM SOFT WHEAT FLOUR".	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on December 26, 2019.
STAR BLAZE SOFT WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006663 February 20, 2014	Application for the device mark "STAR BLAZE SOFT WHEAT FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
LUNA CAKE FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006661 February 20, 2014	Application for the device mark "LUNA CAKE FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
SUN STREAM HARD WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006659 February 20, 2014	Application for the device mark "SUN STREAM HARD WHEAT FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
PILMICO (Class No. 31)	Pilmico Foods Corporation	August 7, 2013	4-2013-00009422 December 26, 2013	Application for the device mark "PILMICO".	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on August 1, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on December 26, 2019.
PILMICO FLOUR (Class Nos. 30, 31, and 44)	Pilmico Foods Corporation	August 7, 2013	4-2013-00009423 February 20, 2014	Application for the device mark "PILMICO FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on August 1, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
MAHALIN PAGKAING ATIN LOGO (Class Nos. 29, 30, and 31)	Pilmico Foods Corporation	March 4, 2015	4-2015-002322 July 2, 2015	Application for the device mark "Mahalin Pagkaing Atin", with color claim. The mark consists of images of two eggs, bread, ham and whole dressed chicken (from left to right) in a basket is embraced by a human represented by a heart-shaped figure with a circle on top. The words Mahalin Pagkaing Atin in curvy letter forms are located below the images. The images and words are in WHITE color drawn on a CYAN background.	Original Certificate of Registration was issued on July 2, 2015. The 3rd year Anniversary DAU is due for filing on March 4, 2018.
ENERBUN (Class Nos. 29, 30, and 31)	Pilmico Foods Corporation	March 4, 2015	4-2015-002323 July 2, 2015	Application for the word mark "ENERBUN".	Original Certificate of Registration was issued on July 2, 2015. The 3rd year Anniversary DAU is due for filing on March 4, 2018.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
ENERBUNNIES (Class Nos. 29, 30, and 31)	Pilmico Foods Corporation	March 4, 2015	4-2015-002324 July 2, 2015	Application for the word mark "ENERBUNNIES".	Original Certificate of Registration was issued on July 2, 2015. The 3rd year Anniversary DAU is due for filing on March 4, 2018.
SUN BEAM (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013643 April 7, 2016	Application for the word mark "SUN BEAM".	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU is due for filing on November 27, 2018.
SUNLIGHT (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013644 September 1, 2016	Application for the word mark "SUNLIGHT".	Original Certificate of Registration was issued on September 1, 2016. The 3rd year Anniversary DAU is due for filing on November 27, 2018.
KIRA (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013645 April 7, 2016	Application for the word mark "KIRA".	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU is due for filing on November 27, 2018.
MOON BEAM (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013642 April 7, 2016	Application for the word mark "MOON BEAM".	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU is due for filing on November 27, 2018.
NUTRA BITE word mark (ClassNo. 30)	Pilmico Foods Corporation	August 30, 2016	4-2016-504397 November 24, 2016	Application for the word mark "Nutra Bite"	Original Certificate of Registration was issued on November 24, 2016. The 3rd year Anniversary DAU is due for filing on August 30, 2019.
NUTRA BITE logo (Class No. 30)	Pilmico Foods Corporation	August 30, 2016	4-2016-50404401 November 24, 2016	Application for the device mark "Nutra Bite"	Original Certificate of Registration was issued on November 24, 2016. The 3rd year Anniversary DAU is due for filing on August 30, 2019.
THE CARE PACKAGE (Class Nos. 30, 35, 41, 44, and 45)	Pilmico Foods Corporation	August 30, 2016	4-2016-504398	Application for the word mark "The Care Package"	The application which was filed on August 30, 2016 is pending with the IP Office.
THE CARE PACKAGE (Class Nos. 30, 35, 41, 44, and 45)	Pilmico Foods Corporation	August 30, 2016	4-2016-504400	Application for the logo "The Care Package".	The application which was filed on August 30, 2016 is pending with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
WOODEN SPOON (Class No. 30)	Pilmico Foods Corporation	March 15, 1991	4-1991-00054399 May 4, 1993	Application for the device mark "WOODEN SPOON".	Original Certificate of Registration was issued on May 4, 1993. The mark was renewed on May 4, 2013. The 5th year Renewal DAU is due for filing on May 4, 2019.
WOODEN SPOON word mark (additional classes – Class Nos. 35, and 43)	Pilmico Foods Corporation	August 30, 2016	4-2016-504396	Application for the word mark "WOODEN SPOON" for additional classes Nos. 35 and 43.	The application which was filed on August 30, 2016 is pending with the IP Office.
WOODEN SPOON AND DEVICE (additional classes – Class Nos. 35, and 43)	Pilmico Foods Corporation	August 30, 2016	4-2016-504399	Application for the device mark "WOODEN SPOON" for additional classes Nos. 35 and 43.	The application which was filed on August 30, 2016 is pending with the IP Office.
PILMICO word mark (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	September 21, 2016	4-2016-504847 March 24, 2017	Application for the word mark "PILMICO"	Original Certificate of Registration was issued on March 24, 2017. The 3rd year Anniversary DAU is due for filing on September 21, 2019.
Silver 168 (Class No. 30)	Pilmico Foods Corporation	October 24, 2017	4-2017-017183	Application for the word mark "Silver 168"	The application which was filed on October 24, 2017 is pending with the IP Office.
Yummii (Class No. 30)	Pilmico Foods Corporation	August 25, 2017	4-2017-0503463	Application for the word mark "Yummii".	The application which was filed on August 25, 2017 is pending with the IP Office.
Silver Star with Chinese Slogan Device (Class No. 30)	Pilmico Foods Corporation	October 24, 2017	4-2017-017184	Application for the device mark "Silver Star with Chinese Slogan Device."	The application which was filed on October 24, 2017 is pending with the IP Office.
SOLA ALL PURPOSE FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-00006660 February 20, 2014	Application for the word mark "SOLA ALL PURPOSE FLOUR".	The Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016. The 5th year Anniversary DAU is due for filing on February 20, 2020.
PILMICO logo (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	February 21, 2017	4-2017-500751 June 2, 2017	Application for the device mark "PILMICO".	The Original Certificate of Registration was issued on June 2, 2017. The 3rd year Anniversary DAU is due for filing on February 21, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
"M" handshake mark (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	February 20, 2017	4-2017-500744 August 17, 2017	Application for the "M" handshake mark.	The Original Certificate of Registration was issued on August 17, 2017. The 3rd year Anniversary DAU is due for filing on February 20, 2020.
PIGROW (Logo) (Class Nos. 31 and 34)	Filagri, Inc.	February 28, 2012	4-2012-002465 September 28, 2012	Application for the device mark "PIGROW", with color claim.	Original Certificate of Registration was issued on September 28, 2012. The 3rd year Anniversary DAU was filed on February 28, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on September 28, 2018.
PIGROW MATERNA word mark (Class Nos. 31 and 44)	Filagri, Inc.	February 28, 2012	4-2012-002463 May 24, 2012	Application for the word mark "PIGROW MATERNA".	Original Certificate of Registration was issued on May 24, 2012. The 3rd year Anniversary DAU was filed on February 27, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on May 24, 2018.
PORK SOLUTIONS (Class No. 31)	Pilmico Animal Nutrition Corporation	January 4, 2006	4-2006-000130 August 20, 2007	Application for the word mark "PORK SOLUTIONS".	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed on January 5, 2009 with the IP Office. The 5th year Anniversary DAU was filed on October 19, 2012 with the IP Office. The request for renewal of registration was filed on August 7, 2017.
POULTRY SOLUTIONS (Class No. 31)	Pilmico Animal Nutrition Corporation	January 4, 2006	4-2006-000132 August 20, 2007	Application for the word mark "POULTRY SOLUTIONS".	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed on January 5, 2009 with the IP Office. The 5th year Anniversary DAU was filed on October 19, 2012 with the IP Office. The request for renewal of registration was filed on August 7, 2017.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
CIVIC (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009841 June 6, 2013	Application for the device mark "CIVIC".	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
TAMERA (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009856 June 6, 2013	Application for the word mark "TAMERA".	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
PILMICO ANIMAL NUTRITION (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009849 June 6, 2013	Application for the word mark "PILMICO ANIMAL NUTRITION".	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
AQUAMAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009857 June 6, 2013	Application for the word mark "AQUAMAX".	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on February 10, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
CLASSIC (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009844 April 14, 2013	Application for the word mark "CLASSIC".	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 14, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
ULTIMAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009845 April 14, 2013	Application for the word mark "ULTIMAX"	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on April 14, 2019.
POULTRY EXPRESS (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009847 April 14, 2013	Application for the word mark "POULTRY EXPRESS".	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on April 14, 2019.
ELITE (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009843 April 14, 2013	Application for the word mark "ELITE".	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on April 14, 2019.
ALAS NG SALTO (Class No. 31)	Pilmico Animal Nutrition Corporation	September 25, 2012	4-2012-011803 February 28, 2013	Application for the word mark "ALAS NG SALTO".	Original Certificate of Registration was issued on February 28, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on February 28, 2019.
AVE MAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009848 February 8, 2013	Application for the word mark "AVE MAX".	Original Certificate of Registration was issued on February 28, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on February 8, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
SALTO (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009850 February 8, 2013	Application for the device mark "SALTO".	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on February 8, 2019.
ANGAT SARADO (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009852 February 8, 2013	Application for the word mark "ANGATSARADO"	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on February 8, 2019.
BASIC (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009853 February 8, 2013	Application for the word mark "BASIC".	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on February 8, 2019.
LAKAS GATAS (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009842 February 8, 2013	Application for the word mark "LAKAS GATAS".	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on February 8, 2019.
GALLIMAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009846 February 8, 2013	Application for the word mark "GALLIMAX".	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on February 8, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
SUPREMECON (Class No. 31)	Pilmico Animal Nutrition Corporation	March 21, 2011	4-2011-003166 July 22, 2011	Application for the word mark "SUPREMECON".	Original Certificate of Registration was issued on July 22, 2011. The 3rd year Anniversary DAU was filed on March 21, 2014 with the IP Office. The 5th year Anniversary DAU was filed on July 22, 2017 with the IP Office. The 10th year Anniversary DAU is due for filing on July 22, 2021.
POWERMIX (Class No. 31)	Pilmico Animal Nutrition Corporation	June 10, 2011	4-2011-006860 January 13, 2012	Application for the word mark "POWERMIX".	Original Certificate of Registration was issued on January 13, 2012. The 3rd year Anniversary DAU was filed on June 9, 2014 with the IP Office. The 5th year Anniversary DAU is was filed on January 13, 2018. The 10th year Anniversary DAU is due for filing on January 13, 2022.
PILMICO FEEDS (Class No. 31)	Pilmico Animal Nutrition Corporation	September 8, 2011	4-2011-010731 March 8, 2012	Application for the word mark "PILMICO FEEDS".	Original Certificate of Registration was issued on March 8, 2012. The 3rd year Anniversary DAU was filed on September 8, 2014 with the IP Office. The 5th year Anniversary DAU is due for filing on March 8, 2018.
POWERGUARD (Class No. 31)	Pilmico Animal Nutrition Corporation	June 24, 2013	4-2013-007289 December 26, 2013	Application for the word mark "POWERGUARD".	Original Certificate of Registration was issued on December 26, 2013. The extended 3rd Year Anniversary DAU was due on December 24, 2016 but was not filed due to non-use.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
INFEED DEWORMER (Class No. 31)	Pilmico Animal Nutrition Corporation	June 24, 2013	4-2013-007290 March 13, 2014	Application for the word mark "INFEED DEWORMER".	Original Certificate of Registration was issued on March 13, 2014. The extended 3rd year Anniversary DAU was due on December 24, 2016 but was not filed due to non-use.
GROW YOUR PROFIT (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	July 3, 2013	4-2013-007729 December 26, 2013	Application for the word mark "GROW YOUR PROFIT".	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on June 22, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on December 26, 2019.
PARTNERS FOR GROWTH (Class No. 31)	Pilmico Animal Nutrition Corporation	January 15, 2010	4-2010-000543 July 16, 2010	Application for the word mark "PARTNERS FOR GROWTH"	Original Certificate of Registration was issued July 16, 2010. The 3rd year Anniversary DAU was filed on September 25, 2012 with the IP Office. The 5th year Anniversary DAU was filed on June 22, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on July 16, 2020.
P-NOX (Class No. 31)	Pilmico Animal Nutrition Corporation	June 26, 2013	4-2013-0007450 December 26, 2013	Application for the word mark "P-NOX".	Original Certificate of Registration was issued December 26, 2013. The 3rd year Anniversary DAU was due on June 26, 2016 but was not filed due to non-use.
PILMICO FARMS LOGO (Class No. 31)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009415 April 17, 2014	Application for the device mark "PILMICO FARMS LOGO".	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 7, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
PILMICO FEEDS (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009416 April 17, 2014	Application for the word mark "PILMICO FEEDS".	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING PIG LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009417 April 17, 2014	Application for the device mark "GROWING PIG LOGO".	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING CHICKEN LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009418 April 17, 2014	Application for the device mark "GROWING CHICKEN LOGO".	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING QUAIL LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009419 April 17, 2014	Application for the device mark "GROWING QUAIL LOGO".	Original Certificate of Registration was issued on April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING PIGEON LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009420 April 17, 2014	Application for the device mark "GROWING PIGEON LOGO".	Original Certificate of Registration was issued on April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
GROWING DUCK LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009421 December 26, 2013	Application for the device mark "GROWING DUCK LOGO".	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on December 26, 2019.
POWERHEAL (Class Nos. 5 and 31)	Pilmico Animal Nutrition Corporation	December 16, 2013	4-2013-014947	Application for the word mark "POWERHEAL".	A Declaration of Non-Use was filed on June 16, 2017.
POWERBOOST (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505003 December 8, 2016	Application for the word mark "POWERBOOST".	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on September 29, 2019.
POWERBOOST AND PIG DEVICE (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505000 December 8, 2016	Application for the device mark "POWERBOOST and PIG".	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on September 29, 2019.
POWERBOOST AND ROOSTER DEVICE (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-504998 July 29, 2017	Application for the device mark "POWERBOOST and ROOSTER".	Original Certificate of Registration was issued on July 29, 2017. The 3rd year Anniversary DAU is due on September 29, 2019.
POWERBOOST DEVICE (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505001 December 8, 2016	Application for the device mark "POWERBOOST" in black and white.	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on September 29, 2019.
IMMUNODIGEST (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505002 December 8, 2016	Application for the word mark "Immunodigest".	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on September 29, 2019.
AVEMAX (Class No. 31)	Pilmico Animal Nutrition Corporation	March 7, 2017	4-2017-500952	Application for the word mark "AVEMAX".	Application still pending with the IP Office. The 3rd year Anniversary DAU is due for filing on March 7, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
CIVIC (Class No. 31)	Pilmico Animal Nutrition Corporation	March 7, 2017	4-2017-500955 June 22, 2017	Application for the word mark "CIVIC".	Original Certificate of Registration was issued on June 22, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
ELITE (Class No. 31)	Pilmico Animal Nutrition Corporation	March 7, 2017	4-2017-500956 June 22, 2017	Application for the word mark "ELITE".	Original Certificate of Registration was issued on June 22, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
SALTO (Class No. 31)	Pilmico Animal Nutrition Corporation	March 8, 2017	4-2017-500969 July 29, 2017	Application for the word mark "SALTO".	Original Certificate of Registration was issued on July 29, 2017. The 3rd year Anniversary DAU is due on March 8, 2020.
Mata ng Bagyo (Class No. 42)	Weather Philippines Foundation, Inc.	April 15, 2013	4-2013-004262 October 31, 2013	Application for the word mark "Mata ng Bagyo".	Original Certificate of Registration was issued on October 31, 2013. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office.
Weather Philippines and Logo (Class No. 42)	Weather Philippines Foundation, Inc.	March 18, 2013	4-2013-002959 August 13, 2015	Application for the device mark "Weather Philippines and Logo", with color claim.	Original Certificate of Registration was issued on August 13, 2015. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on August 13, 2021.
My Philippines. My Weather. (Class No. 42)	Weather Philippines Foundation, Inc.	March 18, 2013	4-2013-002961 August 13, 2015	Application for the word mark "My Philippines. My Weather."	Original Certificate of Registration was issued on August 13, 2015. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on August 13, 2021.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Payong Panahon (Class No. 42)	Weather Philippines Foundation, Inc.	April 15, 2013	4-2013-004261 October 15, 2015	Application for the word mark "Payong Panahon".	Original Certificate of Registration was issued on October 15, 2015. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on October 15, 2021.
Weather Philippines #WeatherWiser Nation (Class No. 42)	Weather Philippines Foundation, Inc.	December 15, 2014	4-2014-015257 July 2, 2015	Application for the word mark "Weather Philippines #WeatherWiserNation".	Original Certificate of Registration was issued on July 2, 2015. The 3rd year Anniversary DAU was filed on August 25, 2017 with the IP Office.
PERA HUB (Class No. 36)	PETNET, Inc.	February 4, 2016	04-2016-001241 October 6, 2016	Application for the device mark "PERA HUB".	Original Certificate of Registration was issued on October 6, 2016. The 3rd year Anniversary DAU is due for filing on February 4, 2019.
"PETNET FOREX" (Class No. 36)	PETNET, Inc.	February 2, 2017	04-2017-001414	Application for the device mark "PETNET FOREX".	Application is pending with the IP Office.
PETNET (Class No. 36)	PETNET, Inc.	February 2, 2017	04-2017-001415	Application for the device mark "PETNET".	Application is pending with the IP Office.
PERA HUB FOREX (Class No. 36)	PETNET, Inc.	February 2, 2017	04-2017-001416	Application for the device mark "PERA HUB FOREX".	Application is pending with the IP Office.
Betterway (Class Nos. 35 and 36)	PETNET, Inc.	May 22, 2017	04-2017-007849	Application for the device mark "Betterway".	Application is pending with the IP Office.
Aboitiz & Device - Black (Class Nos. 30, 36, 37, 39, 40, and 42)	Aboitiz & Co. Inc.	December 19, 2005	4-2005-012408 September 24, 2007	Application for the device mark "Aboitiz (Black)".	Original Certificate of Registration was issued on September 24, 2007. The 3rd year Anniversary DAU was filed on December 19, 2008 with the IP Office. The 5th year Anniversary DAU was filed on September 24, 2013 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on September 24, 2017.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Aboitiz & Device - Red (Class Nos. 30, 36, 37, 39, 40, and 42)	Aboitiz & Co. Inc.	December 19, 2005	4-2005-012409 September 24, 2007	Application for the device mark "Aboitiz (Red)".	Original Certificate of Registration was issued on September 24, 2007. The 3rd year Anniversary DAU was filed on December 19, 2008 with the IP Office. The 5th year Anniversary DAU was filed on September 24, 2013 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on September 24, 2017.
Passion for better ways (Class Nos. 30, 36, 37, 39, 40, and 42)	Aboitiz & Co. Inc.	December 19, 2005	4-2005-012413 September 24, 2007	Application for the word mark "Passion for better ways".	Original Certificate of Registration was issued on September 24, 2007. The 3rd year Anniversary DAU was filed on December 19, 2008 with the IP Office. The 5th year Anniversary DAU was filed on September 24, 2013 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on June 23, 2017.
Metaphil Logo (Class Nos. 37, 40, and 42)	Aboitiz Construction Group, Inc.	May 21, 2010	4-2010-005424 November 26, 2010	Application for the device mark "Metaphil Logo", with color claim.	Original Certificate of Registration was issued on November 26, 2010. The 3rd year Anniversary DAU was filed on May 21, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 7, 2016 with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Metaphil (Class Nos. 37, 40 and 42)	Aboitiz Construction Group, Inc.	July 16, 2010	4-2010-007798 March 24, 2011	Application for the word mark "Metaphil".	Original Certificate of Registration was issued on October 15, 2015. The 3rd year Anniversary DAU was filed on May 21, 2013 with the IP Office. The 5th year Anniversary DAU was filed on March 9, 2017 with the IP Office.

International Trademarks Application (Madrid Protocol)

Trademarks	Applicant	Date Filed	Country of Application	Status
Cleanergy (Agenda Nos. J00.2015.02.7275-77) (Class Nos. 39, 40, and 42)	Aboitiz Power Corporation	June 24, 2015	Indonesia	The trademark application was filed with the Indonesia Trademark Office on June 24, 2015. The application is still pending.
Star Beam Soft Wheat Flour (#1171572) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	On October 20, 2014, the Intellectual Property Office of Singapore (IPOS) issued a Statement of Grant of Protection approving the trademark application effective July 9, 2013 and valid for ten (10) years.
			Turkey	On March 10, 2015, the Turkey Patent Institute Trademarks Department issued a statement granting protection to the subject mark.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval of Pilmico's trademark application effective July 9, 2013 and valid for ten (10) years.
			South Korea	On May 15, 2014, the Korean Intellectual Property Office (KIPO) issued a Statement of Grant of Protection dated approving Pilmico's trademark application effective July 9, 2013 and valid for ten (10) years.
		December 16, 2015	China	Subsequent designation was published in WIPO Gazette on June 2, 2016. On September 29, 2017, China issued a Notification of Ex Officio Refusal refusing to grant protection to the mark due to similarity with other marks belonging to third parties. Pilmico Foods Corporation has decided not to contest the refusal.

Trademarks	Applicant	Date Filed	Country of Application	Status
Sun Stream Hard Wheat Flour (#1173340) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	On October 20, 2014, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten (10) years.
			Turkey	On September 10, 2014, the Turkey Patent Institute Trademarks Department issued a statement granting protection to the subject mark.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval of Pilmico's trademark application effective July 9, 2013 and valid for ten (10) years.
			South Korea	On May 15, 2014, the Korean Intellectual Property Office (KIPO) issued a Statement of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten (10) years.
		December 16, 2015	China	Subsequent designation was published in WIPO Gazette on June 2, 2016. On September 29, 2017, China issued a Notification of Ex Officio Refusal refusing to grant protection to the mark due to similarity with other marks belonging to third parties. Pilmico Foods Corporation has decided not to contest the refusal.
Star Blaze Soft Wheat Flour (#1173338) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	On September 16, 2014, the IPOS issued a Statement of Grant of Protection to the subject mark until July 9, 2023.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated September 10, 2014 granted protection to the subject mark.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval of the trademark application effective July 9, 2013 and valid for ten (10) years.
			South Korea	On May 15, 2014, the KIPO issued a Statement of Grant of Protection approving the trademark application effective July 9, 2013 and valid for ten (10) years.
		December 16, 2015	China	On September 29, 2017, China issued a Notification of Ex Officio Refusal refusing to grant protection to the mark due to similarity with other marks belonging to third parties. Pilmico Foods Corporation has decided not to contest the refusal.

Trademarks	Applicant	Date Filed	Country of Application	Status
Sun Rays Hard Wheat Flour (#1173337) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	On October 20, 2014, the IPOS issued a Statement of Grant of Protection to the subject mark until July 9, 2023.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated September 10, 2014 granted protection to the trademark application effective July 9, 2013 and valid for ten (10) years.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval for Pilmico's trademark application effective July 9, 2013 and valid for ten (10) years.
			South Korea	On May 15, 2014, the KIPO issued a Statement of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten (10) years.
		December 16, 2015	China	In December 2017, Pilmico Foods Corporation received notice that China issued a notice provisionally refusing to grant protection to the mark. Pilmico Foods Corporation has decided not to contest the refusal.
Luna Cake Flour (#1173339) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	South Korea	On May 15, 2014, the KIPO issued a Statement of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten (10) years.
		December 16, 2015	China	On September 29, 2017, the Trademark Office of China issued a Statement of Grant of Protection
Sola All Purpose Flour (#1341959) (Class No. 30)	Pilmico Foods Corporation	February 12, 2016	Singapore	On September 22, 2017, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection.
			Turkey	The Turkish Patent and Trademark Office issued a statement to the effect that it has found no grounds for provisional refusal of the registration of the mark but the protection of the mark is still subject to opposition by third parties from June 27, 2017 to August 27, 2017.
			Vietnam	Application is still pending.
			South Korea	On December 4, 2017, the KIPO issued a Statement of Grant of Protection approving the trademark application effective February 12, 2016.
			China	Application is still pending.
PILMICO word mark (Class Nos. 5, 29, 30, 31, 35, 43, and 45)	Pilmico Foods Corporation	March 16, 2017	USA (Guam)	Application is still pending.
			Ghana	Application is still pending.
			Cambodia	Application is still pending.
			Singapore	Application is still pending.

International Trademarks Application (Non-Madrid Protocol)

Trademarks	Applicant	Date Filed	Country of Application	Status
PILMICO (304120550) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	April 25, 2017	Hong Kong	The mark was published for opposition on August 4, 2017. On November 9, 2017, the Trade Marks Registry Intellectual Property Department issued a Certificate of Registration for the trademark PILMICO valid until April 24, 2027.
PILMICO (180100375) (Class Nos. 5, 29, 30, 31, 35, 43 and 44)	Pilmico Foods Corporation	January 8, 2018	Thailand	The application is still pending.
PILMICO (Class No. 5) (2017060367)	Pilmico Foods Corporation	June 7, 2017	Malaysia	The application is still pending.
PILMICO Class No. 29) (2017060366)	Pilmico Foods Corporation	June 7, 2017	Malaysia	The application is still pending.
PILMICO Class No. 30) (2017060365)	Pilmico Foods Corporation	June 7, 2017	Malaysia	The application is still pending.
PILMICO Class No. 31) (2017060362)	Pilmico Foods Corporation	June 7, 2017	Malaysia	The application is still pending.
PILMICO Class No. 35) (2017060361)	Pilmico Foods Corporation	June 7, 2017	Malaysia	The application is still pending.
PILMICO Class No. 43) (2017060360)	Pilmico Foods Corporation	June 7, 2017	Malaysia	The application is still pending.
PILMICO Class No. 44) (2017060357)	Pilmico Foods Corporation	June 7, 2017	Malaysia	The application is still pending.

(x) Government Approvals

The discussion on the need for any government approval of principal products or services of the Company and its Subsidiaries, including COCs obtained by the Generation Companies and franchises obtained by the Distribution Utilities, is included in Item (ix) Patents, Copyrights and Franchises of this Information Statement.

(xi) Effect of Existing or Probable Governmental Regulations

1. The Tax Reform for Acceleration and Inclusion (TRAIN Law)

The TRAIN Law was signed into law by President Rodrigo Roa Duterte on December 19, 2017 and took effect on January 1, 2018. Its declared policies are: (a) to enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth; (b) to provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and (c) to ensure that the government is able to provide for the needs of those under its jurisdiction and care through the provision of better infrastructure, health, education, jobs, and social protection for the people.

One of the major provisions of the tax reform is the staggered increase in oil and coal excise taxes. Under the TRAIN Law, rates will be adjusted gradually between 2018 and 2020. For coal, the rates will increase from ₱10 per metric ton to ₱50, ₱100, and ₱150 per metric ton, respectively, in 2018, 2019, and 2020, covering both domestic and imported coal.

Further, with the repeal of Section 9 of Republic Act No. 9511 or the National Grid Corporation of the Philippines Act, which removes the VAT exemptions on transmission charges and on the sale of electricity by cooperatives duly registered under the Cooperative Development Authority (CDA), the estimated impact on the cost of electricity are as follows:

Additional cost

All figures in ₱

	kWh consumption	Current cost per kWh	Current		Generation		Transmission	Distribution	UCME	Total	Estimated new total cost	Percent increase
			Coal	Diesel/Bunker								
Grid (Meralco)	100	7.80	780.00	2.00	4.40	8.18	0.00	0.38	14.96	794.96	1.92	
Grid (non-Meralco, NEA)	100	8.80	880.00	2.00	4.40	5.91	0.00	0.38	12.69	892.69	0.44	
Grid (non-Meralco, CDA)	00	8.80	880.00	2.00	4.40	5.91	7.18	0.38	19.87	899.87	2.26	
SPUG (NEA, coal powered)	00	11.30	1,130.00	4.00	0.00	0.00	0.00	0.38	4.38	1,134.38	0.39	
SPUG (CDA, coal powered)	00	11.30	1,130.00	4.00	0.00	0.00	10.17	0.38	14.55	1,144.55	1.29	
SPUG (NEA, diesel/bunker powered, full pass-through)	00	11.30	1,130.00	0.00	71.00	0.00	0.00	0.00	71.00	1,201.00	6.28	
SPUG (CDA, diesel/bunker powered, full pass-through)	00	11.30	1,130.00	0.00	71.00	0.00	10.17	0.00	8.7	2.70	7.8	
SPUG (NEA, diesel/bunker powered, subsidized)	00	11.30	1,130.00	0.00	0.00	0.00	0.00	0.38	0.38	30.38	0.03	
SPUG (CDA, diesel/bunker powered, subsidized)	00	11.30	1,130.00	0.00	0.00	0.00	10.17	0.38	0.55	40.55	0.93	

Sources: Department of Energy (DOE), Kuryente.org, and DOF staff estimates

Notes: Estimates are based on the following assumptions:

- i) An additional ₱2.50 per liter increase in the excise tax of diesel and bunker fuel.
- ii) An average increase to ₱1.00 in excise tax per metric ton of coal.

Another major change introduced by the TRAIN Law is the refund mechanism of zero-rated sales and services under the enhanced VAT refund system. Upon the successful establishment and implementation of an enhanced VAT

refund system, refunds of creditable input tax shall be granted by the Bureau of Internal Revenue (BIR) within ninety (90) days from filing of the VAT refund application with the BIR, provided that all pending VAT refund claims of the taxpayer as of December 31, 2017 shall be fully paid in cash by December 31, 2019. The zero-rated transactions covered by this refund mechanism are the following:

- (a) Sale of raw materials or packaging materials to a nonresident buyer for delivery to a resident local export-oriented enterprise;
- (b) Sale of raw materials or packaging materials to export-oriented enterprise whose export sales exceed seventy percent (70%) of total annual production;
- (c) Those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and other special laws;
- (d) Services performed by subcontractors and/or contractors in processing, converting, of manufacturing goods for an enterprise whose export sales exceed seventy percent (70%) of total annual production; and
- (e) Processing, manufacturing or repacking goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of Bangko Sentral ng Pilipinas.

Finally, the TRAIN Law doubled the documentary stamp tax (DST) on almost all covered instruments, except debt instruments where the increase is 50%. Only the DST on instruments pertaining to property insurance, fidelity bonds, other insurance, indemnity bonds, and deeds of sale and conveyance remain unchanged.

2. Data Privacy Act of 2012

The Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right of privacy by: (i) protecting the privacy of individuals while ensuring free flow of information; (ii) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (iii) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission (NPC).

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (i) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (ii) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (iii) discarded properly to avoid access by unauthorized third parties.

Its Implementing Rules and Regulations took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (i) appointment of a Data Protection Officer; (ii) conduct of a privacy impact assessment; (iii) creation of a privacy knowledge management program; (iv) implement a privacy and data protection policy; and (v) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to the personal and identifiable information of at least 1,000 individuals are required to register their data processing systems with the National Privacy Commission.

In 2017, AEV started rolling out of its data privacy compliance program which includes the implementation of ISMS for the whole Aboitiz Group. This is an 18-month project that will be completed in 2018.

3. The Philippine Competition Act

The Philippine Competition Act (R.A. 10667) is aimed to promote and protect fair market competition. It is intended to improve consumer protection and preserve the efficiency of market competition by establishing the Philippine Competition Commission (PCC) to implement the following: (i) prohibition against entities from entering into anti-competitive horizontal and vertical agreements that substantially prevent, restrict, or lessen competition; (ii) proscription on abuse of dominant position, which refers to conduct by dominant players that substantially prevents, restricts, or lessens competition (e.g., predatory pricing, tying and bundling, or imposing barriers to entry by new player, etc); (iii) regulation or prevention of anti-competitive mergers and acquisitions; and (iv) imposition of fines and criminal penalties.

Recently, the PCC issued Memorandum Circular No. 18-001, which adjusted the thresholds for the compulsory notification of mergers and acquisitions from ₱1 bn for both the Size of Person and Size of Transaction tests to ₱5 bn for the Size of Person and ₱2 bn for the Size of Transaction as defined in the Implementing Rules and Regulations.

Adjusted Thresholds to be Implemented		
Test	Old Threshold	New Threshold
Size of Person Test	₱1 bn	₱5 bn
Size of Transaction Test	₱1 bn	₱2 bn

This means that the value of the assets or revenues of the Ultimate Parent Entity (UPE) of at least one of the parties must exceed ₱5 bn instead of ₱1 bn. The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity. In addition, the value of the assets or revenues of the acquired entity must exceed ₱2 bn instead of ₱1 bn. Both thresholds must be breached in order for the compulsory notification requirement to apply.

The Aboitiz Group, in its effort to create shareholder value by growing its businesses and in the conduct of its business practices, closely monitors its compliance with the Philippine Competition Act.

Banking and Financial Services

4. General Banking Law of 2000 and the Issuances of Bangko Sentral ng Pilipinas

AEV's banking and financial services group adhere to the provisions of the General Banking Law of 2000 (Republic Act No. 8791) and the Anti-Money Laundering Act of 2001 (Republic Act No. 9160), as amended. Rules and regulations issued by the BSP in the forms of circulars, circular letters, and memoranda relevant to the business of AEV are compiled together in the (i) Manual of Regulations for Banks, and (ii) the Manual of Regulations for Foreign Exchange Transactions. These manuals are updated by the BSP through issuances of supervisory and regulatory policies, which AEV's banking and financial services group regularly monitor.

5. Anti-Money Laundering Laws and Know Your Customer Procedures

UnionBank and its subsidiaries comply with the Anti-Money Laundering Act of 2001 (Republic Act No. 9160), as amended, its Implementing Rules and Regulations, and regulatory issuances of the BSP. The Bank adheres to the Know Your Customer (KYC) rules and customer due diligence requirements of both the law and regulations from the start of bank-client relationship until its termination.

Since June 2015, UnionBank and its subsidiaries has put in place a new AML System equipped with monitoring tools and reporting capabilities. Beginning September 2016, UnionBank has likewise implemented a real-time sanctions screening system to screen transactions that pass through the SWIFT network. Since 2017, Unionbank has also implemented monitoring processes for transactions within a certain threshold. KYC process remains to be robust through documentation of client information, determination of acceptable IDs for transactions, and senior management approval, where warranted.

Finally, on an annual basis, UnionBank, through its Compliance and Corporate Governance Office, provides annual formal AML trainings to the members of the Board of Directors, Senior Management and its Branches. Senior Management, branches and other units are also required to take the annual electronic AML refresher module in coordination with HR Group and the Compliance and Corporate Governance Office.

Power Generation, Generation, and Retail Electricity Supply

6. Electric Power Industry Reform Act of 2001 (EPIRA)

Since the enactment of the Electric Power Industry Reform Act of 2001 (EPIRA), the Philippine power industry has undergone and continues to undergo significant restructuring. Among the provisions of the EPIRA which have had or will have considerable impact on AboitizPower's businesses relate to the following:

(a) Wholesale Electricity Spot Market (WESM)

The WESM is a mechanism established by the EPIRA to facilitate competition in the production and consumption of electricity. It aims to provide the mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity by: (a) establishing the merit order dispatch instructions for specific time periods; (b) determining the market clearing price for such time periods; (c) reflecting accepted economic principles; and (d) providing a level playing field to all electric power industry participants.

The WESM provides an avenue whereby generators may sell power and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two. Where there are such bilateral contracts, these contracts are nevertheless declared in the market but only to determine the appropriate merit order of generators. Settlement for bilateral contracts between the contracting parties will, however, occur outside the market. Traded electricity not covered by bilateral contracts will be settled through the market on the basis of the market clearing prices for each of the trading periods.

An amended Joint Resolution No. 2 was issued by the DOE, ERC, and PEMC on December 27, 2013 adjusting the WESM Offer Price Cap. In this resolution, the Offer Price Ceiling of ₱62,000.00 per MWh as set by the WESM Tripartite Committee was reduced to ₱32,000.00 per MWh. This price cap is provisional in nature and shall be subject to public consultations and review by the WESM Tripartite Committee.

In May 2014, the ERC issued an urgent resolution which established a mechanism to impose an interim secondary price cap of ₱6,245.00 per MWh in the WESM. In December 2014, the ERC adopted a permanent pre-emptive mitigation measure, where the price cap of ₱6,245.00 per MWh would be imposed in the event the average spot price in WESM would exceed ₱9,000.00 per MWh over a rolling seven (7)-day period.

The Philippine Independent Power Producers Association, Inc. (PIPPA) filed a petition for declaratory relief with the Regional Trial Court (RTC) of Pasig City on the ground that the resolutions establishing the interim secondary price cap and the permanent pre-emptive mitigation measure are invalid and void.

In 2015, DOE Circular 2015-10-0015 entitled “Providing Policies for Further Enhancement of the Wholesale Electricity Spot Market (WESM) Design and Operations” was issued. The enhancements to the WESM Design are summarized below:

- (a) Removal of Pmin constraint in the Market Dispatch Optimization Model;
- (b) Five minutes dispatch intervals from one hour;
- (c) Ex-ante pricing only;
- (d) Maintaining the one hour settlement interval for settlement purposes;
- (e) Automated pricing corrections;
- (f) Mandatory integration of distribution utilities’ sub-transmission network (with material effect) into the Market Network Model (MNM);
- (g) Changing the values and priorities of some of the Constraint Violation Coefficients (CVCs);
- (h) Imposition of WESM offer cap and floor for energy and reserve as determined through joint study by the DOE, ERC and PEMC;
- (i) Implementation of hourly Day-Ahead Projection (DAP) with sensitivities and Hour-Ahead Dispatch (HAD);
- (j) Implementation of nodal-based short-term demand forecasting;
- (k) Enhanced training of WESM participants; and
- (l) Any other enhancements as may be deemed necessary and issued by the DOE.

On May 17, 2017, PEMC filed an application docketed as ERC Case No. 2017-042 RC for the approval of the Price Determination Methodology for the WESM, which includes, inter alia, (i) scheduling and pricing of energy and reserves, and (ii) revised settlement formula. The application was last heard for expository presentation on November 22, 2017. No Order or pronouncement from the ERC as to the next incident of this case was released as of December 31, 2017.

(b) Interim Mindanao Electricity Market (IMEM) and WESM Mindanao

On January 9, 2013, the DOE issued Department Circular No. 2013-01-0001 establishing the Interim Mindanao Electricity Market (IMEM). The IMEM intends to address the supply shortage in Mindanao through transparent and efficient utilization of available capacities. However, there were some deficiencies on the processes of the IMEM that

led to its inability to collect from customers and to pay the generators. Though the IMEM started in December 2013, it has been suspended indefinitely after three (3) months of operation.

(c) Retail Competition and Open Access (Open Access)

The EPIRA provides for a system of Open Access to transmission and distribution wires, whereby Transco, its concessionaire, the NGCP, and any distribution utility may not refuse the use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges. Conditions for the commencement of Open Access are as follows:

- (a) Establishment of the WESM;
- (b) Approval of unbundled transmission and distribution wheeling charges;
- (c) Initial implementation of the cross subsidy removal scheme;
- (d) Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- (e) Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPPAs.

As provided in the EPIRA, Open Access shall be implemented in phases. The WESM began operations in Luzon in June 2006 and in Visayas in December 2010.

In 2011, the ERC *motu proprio* initiated proceedings to determine whether Open Access may already be declared in Luzon and Visayas. Following various public hearings, the ERC declared December 26, 2011 as the Open Access Date when full operations of the Competitive Retail Electricity Market (CREM) in Luzon and Visayas should commence. All electricity end-users with an average monthly peak demand of 1 MW for the twelve (12) months preceding December 26, 2011, as certified by the ERC to be Contestable Customers, were given the right to choose their own electricity suppliers. However, on October 24, 2011, upon the request of MERALCO, the Private Electric Power Operators Association and the Philippine Rural Electric Cooperatives Association, Inc. for re-evaluation of the feasibility of the December 26, 2011 Open Access Date, the ERC declared the deferment of the implementation of Open Access in Luzon and Visayas by reason of the inadequacy of rules, systems, preparations, and infrastructure required therefore.

In 2012, the ERC, together with the DOE and PEMC, worked on the development of the Transitory Rules to govern the initial implementation of Open Access, which rules were finalized and issued by the ERC in December 2012. Under the said rules, the ERC declared December 26, 2012 as the Open Access Date, while the period from December 26, 2012 to June 25, 2013 was declared as the transition period during which the required systems, processes, and information technology structure relating to Open Access would be developed and finalized, and registration of retail electricity suppliers and Contestable Customers into the WESM database would be instituted. The period from June 26, 2013 to December 25, 2013 would cover the initial commercial operation of Open Access. From December 26, 2013 onwards, full retail competition was implemented, with PEMC assigned to perform the functions of the Central Registration Body tasked to undertake the development and management of the required systems, processes, information technology structure, and the settlement of transactions in the WESM relating to Open Access.

In Mindanao, a truly competitive environment required by Open Access is not expected in the near future because the largest generating asset owned by NPC in Mindanao has yet to be privatized. In December 2013, however, the IMEM commenced operations to address the supply shortfall in the Grid through the utilization of available resources such that all registered generating facilities are mandated to fully account for their capacities in the market.

In December 2013, ERC issued revised licensing regulations for RES operating in the retail supply segment. In the ERC revised rules, no RES licenses would be issued to generating companies, IPPA and affiliates of distribution utilities during a transition period or until the ERC deems appropriate in consideration of market conditions. Additional restrictions were provided such as: (a) including the contracted capacity of the RES in the grid limitations imposed on the total capacity controlled by its affiliate generation companies; (b) limiting the supply by a RES to its affiliate end-users up to 50% of the RES' capacity; and (c) limiting the supply by a generation company to its affiliate RES up to 50% of the generation requirements of such RES. The Retail Electricity Suppliers Association of the Philippines, Inc. has a petition for declaratory relief with an urgent application for an injunction with the RTC of Pasig on the ground that the revised rules are unconstitutional and invalid.

On October 22, 2014, the ERC issued Resolution No. 17, Series of 2014, which holds in abeyance the evaluation of RES license applications and suspends the issuance of RES licenses pending the ERC's promulgation of the amended RES License Rules. Currently, ERC is reviewing the RES Licensing Rules and Rules for Contestability.

On May 12, 2016, the ERC issued Resolution No. 11, Series of 2016, which disallows distribution utilities from engaging in the supply of electricity to end-users in the Contestable Market unless it is a Supplier of Last Resort. Local RES are also mandated to wind down business within three years from the effectivity of ERC Resolution No. 11-16. Retail Supply Contracts (RSC) executed by Local RES shall remain valid until their expiration, but no new RSCs can be signed or executed. ERC Resolution No. 11-16 further provides that no RES are allowed to supply more than 30% of the total average monthly peak demand of all Contestable Customers in the CREM. Further, RES are not allowed to transact more than 50% of the total energy transactions of its supply business with its affiliate Contestable Customers.

In its Resolution No. 10, Series of 2016, the ERC approved the Revised Rules of Contestability, which establishes the conditions and eligibility requirements for end-users to be part of the Contestable Market.

On May 27, 2016, MERALCO filed a Petition for Declaratory Relief, docketed as SCA No. 4149-PSG, with a prayer for the issuance of a Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction to: (a) enjoin the DOE and the ERC from enforcing and implementing: (i) DOE Circular No. DC2015-06-0010 in connection with the full implementation of RCOA, (ii) Article 1, Sections 2 and 3 of ERC Resolution No. 5, Series of 2016, (iii) ERC Resolution No. 10, Series of 2016 on the revised rules for contestability, and (iv) ERC Resolution No. 11, Series of 2016 regarding restrictions imposed on the operations of DUs and RES in the CREM; and (b) declare the said DOE Circular and ERC Resolutions void. On July 13, 2016, a Writ of Preliminary Injunction enjoining the implementation of the issuances of the ERC was granted by Branch 157, RTC of Pasig City. The ERC and the DOE, assailing the jurisdiction of the RTC, separately filed Petitions for Certiorari and Prohibition before the Supreme Court on July 5, 2016 (G.R. No. 225141) and on September 27, 2016 (G.R. No. 226800), respectively.

On October 10, 2016, the Supreme Court, acting on the Petition filed by DOE, issued a TRO enjoining Branch 157, RTC of Pasig City from continuing with the proceedings in SCA No. 4149-PSG and from enforcing all orders, resolutions, and decisions rendered in SCA No. 4149-PSG.

In December 2016, the Philippine Chamber of Commerce and Industry, San Beda College Alabang, Inc., Ateneo de Manila University, and Riverbanks Development Corporation filed a new petition before the Supreme Court to enjoin the ERC and the DOE from implementing DOE Circular No. 2015-06-0010, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC Resolution No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

On February 21, 2017, the Supreme Court issued a TRO, effective immediately, enjoining the DOE and the ERC from implementing DOE Circular No. DC2015-06-0010, Series of 2015, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

In a letter to MEZ dated November 7, 2017, the ERC through Commissioner Alfredo J. Non, stated that:

"Distribution Utilities are reminded to facilitate the switch of contestable customers as the said TRO did not operate to suspend the implementation of RCOA. The RCOA scheme is still effective and the rules governing the same, except for those covered by the TRO, are valid and enforceable."

In this letter, the ERC also reminded MEZ to refrain from any action which would prevent the implementation of the contestability of 1 MW and above in the CREM and the voluntary switch of Contestable Customer to and/or from RES.

On November 29, 2017, the DOE promulgated DC2017-12-0013 entitled "Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Contestable Customers in the Philippine Electric Power Industry." The circular provides, *inter alia*, that: (a) upon the effectivity of Circular, all Contestable Customers with a monthly average peak demand of 750 kW and above, for the preceding twelve (12) months, may participate in the Contestable Market; (b) by June 26, 2018 or on an earlier date specified by the ERC, all eligible electricity end-users to become Contestable Customers with a monthly average peak demand of 500 kW to 749 kW for the preceding twelve months may voluntarily participate in the Contestable Market; and (c) by December 26, 2018 or on an earlier date specified by the ERC, electricity end-users within a contiguous area whose aggregate average peak demand is not less than 500

kW for the preceding twelve (12)-month period may aggregate their demand to be part of the Contestable Market and may voluntarily enter into RSC with the Aggregators.

On November 29, 2017, the DOE promulgated DC2017-12-0014 entitled "Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Retail Electricity Suppliers (RES) Philippine Electric Power Industry." The circular provides the list of entities that may become Retail Electricity Suppliers. The circular also stipulates that distribution utilities may provide electricity services to Contestable Customers within its franchise area as a Local RES upon authorization from the ERC.

(d) Unbundling of Rates and Removal of Subsidies

The EPIRA mandated the unbundling of distribution and wheeling charges from retail rates, with such unbundled rates reflecting the respective costs of providing each service. It also mandated the removal of cross subsidies other than the lifeline rate for marginalized end-users which shall subsist for a period of twenty (20) years, unless extended by law. The lifeline rate is a socialized pricing mechanism set by ERC for low-income, captive electricity consumers who cannot afford to pay the full cost of electricity.

(e) Reduction of Taxes and Royalties on Indigenous Energy Resources

EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel, and other imported fuels. Following the promulgation of the implementing rules and regulations, former President Gloria Macapagal-Arroyo enacted Executive Order No. 100 to equalize the taxes among fuels used for power generation.

(f) Proposed Amendments to the EPIRA

Since the enactment of the EPIRA, members of Congress have proposed various amendments to the law and its implementing rules and regulations. A summary of the significant proposed amendments are as follows:

- (a) Classification of power projects as one of national significance and imbued with public interest;
- (b) Exemption from VAT on the sale of electricity by generation companies;
- (c) Modification of the definition of the term "Aggregator," which is proposed to refer to a person or entity engaged in consolidating electric power demands of end-users of electricity in the contestable market, for the purpose of purchasing, reselling, managing for optimum utilization of the aggregated demand, or simply pooling the tendering process in looking for a supply of electricity on a group basis;
- (d) Requirement for distribution utilities to conduct public and competitive selection processes or Swiss challenges for the supply of electricity and to fully or adequately contract their future and current energy and demand requirements;
- (e) Grant of access to electric cooperatives over the missionary electrification fund collected through universal charges;
- (f) Exclusion of the following items from the rate base charged by Transco and distribution utilities to the public: corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;
- (g) Regulation of generation, transmission, distribution, and supply rates to allow RORB up to 12%;
- (h) Classification of power generation and supply sectors as public utilities, which would be required to secure legislative franchises;
- (i) Prohibition of cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials or directors within the fourth civil degree of consanguinity;
- (j) Prohibition against or restriction on distribution utilities from sourcing electric power supply requirements, under bilateral electric power supply contracts, from a single generation company or from a group of generating companies wholly-owned or controlled by the same interests;
- (k) Lowering of the allowable extent of ownership, operation and control of a company or related groups as determined from the installed generating capacity of the grid and/or nationally installed generating capacity;

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- (l) Exemption or deferral of the privatization of some assets of NPC, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes, and Angat Dam;
 - (m) Expansion of the definition of host communities to include all barangays, municipalities, cities, and provinces or regions where hydro generation facilities are located and where waterways or water systems that supply water to the dam or hydroelectric power generating facility are located;
 - (n) Prohibition on distribution utilities, except rural electric cooperatives to recover systems losses and placing a 5% cap on recoverable system loss;
 - (o) Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes;
 - (p) Grant of authority for NPC to generate and sell electricity from remaining assets;
 - (q) Removal of the requirement of a joint congressional resolution before the President may establish additional power generating capacity in case of imminent shortage of supply of electricity; and
 - (r) Creation of a consumer advocacy office under the organizational structure of the ERC.

7. Implementation of the Performance-based Rating-setting Regulation (PBR)

On December 13, 2006, the ERC issued the Rules for Setting Distribution Wheeling Rates (RDWR) for privately-owned distribution utilities entering PBR for the second and later entry points, setting out the manner in which this new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR replaces the Return-on-Rate Base (RORB) mechanism, which has historically determined the distribution charges paid by customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a four (4)-year regulatory period is set by reference to projected revenues which are reviewed and approved by ERC and used by ERC to determine the distribution utility's efficiency factor. For each year during the regulatory period, the distribution utility's distribution-related charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor as against changes in overall consumer prices in the Philippines.

The ERC has also implemented a PIS whereby annual rate adjustments under PBR will take into consideration the ability of a distribution utility to meet or exceed service performance targets set by ERC, such as the: (a) average duration of power outages; (b) average time of restoration to customers; and (c) average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

The second regulatory period of Cotabato Light ended on March 31, 2013, while that of VECO and Davao Light ended on June 30, 2014. In addition, the second regulatory period of SEZ and SFELAPCO ended on September 30, 2015. A reset process should have been initiated eighteen (18) months prior to the start of the third regulatory period of April 1, 2013 to March 31, 2017 for Cotabato Light, July 1, 2014 to June 30, 2018 for VECO and Davao Light, and October 1, 2015 to September 30, 2019 for SEZ and SFELAPCO. The reset process, however, has been delayed due to the issuance by the ERC in 2013 of an Issues Paper on the Implementation of PBR for distribution utilities under RSDWR. Said paper aims to revisit various matters relating to the reset process. The ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities Entering Performance Based Regulation (PBR). Based on said Resolution, the Fourth Regulatory Period shall be as follows:

- (a) Cotabato Light: April 1, 2017 to March 31, 2021
- (b) Davao Light and VECO: July 1, 2018 to June 30, 2022
- (c) SEZ and SFELAPCO: October 1, 2019 to September 30, 2023

On November 21, 2016, the ERC posted for comments the draft Regulatory Asset Base (RAB) Roll Forward Handbook for Privately Owned Electricity Distribution Utilities. Public consultations were conducted on January 6 and 9, 2017 in Cebu and Manila, respectively.

On December 22, 2015, Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK) filed a petition proposing a modified RORB methodology or a modified PBR methodology, wherein the distribution utilities' capital expenditures and rate recovery thereon are approved in advance but the charges to the customers will only commence after the investments have actually been made and validated by ERC auditors. Public consultations were set by the ERC on March 17 and April 10 in its main office, and on March 22 and 24 in its field offices in Cebu and Davao, respectively.

The reset process for the fourth regulatory period has not started for all private distribution utilities as the abovementioned ERC rules have not been published yet for its effectivity. Due to the rules change on PBR, AboitizPower Distribution Utilities have not undergone the third regulatory period.

8. Philippine Distribution Code and the Philippine Grid Code

Each of AboitizPower's Distribution Utilities has submitted to ERC a Compliance Monitoring Report based on a self-assessment of a distribution utility's compliance with the Philippine Distribution Code. These Compliance Monitoring Reports were accompanied by Compliance Plans, which outline the activities and projects to be undertaken by a distribution utility to fully comply with the prescribed technical, performance and financial standards of the Philippine Distribution Code.

Similarly, APRI, TMI, and Hedcor have submitted to the ERC their respective Grid Compliance Monitoring Reports based on self-assessments of their compliance with all prescribed technical specifications and performance standards of the Philippine Grid Code. Reliable and attainable compliance plans accompanied these reports to outline the activities and projects that will cause compliance by a generation company with the requirements of the Philippine Grid Code.

On October 5, 2016, the ERC approved the 2016 Edition of the Philippine Grid Code in Resolution No. 22, Series of 2016. Pertinent revisions are as follows:

- (a) Redefinition of various reserves;
- (b) Inclusion of Run-of-River power plants requirements;
- (c) Amendments to Variable Renewable Energy (VRE) requirements;
- (d) Changes on definition of Large Generating Plant; and
- (e) Inclusion of Must-Run Unit (MRU), Constrained Off and Constrained On.

9. The Renewable Energy Act of 2008 (RE Law)

The RE Law was signed into law by former President Gloria Macapagal-Arroyo on December 16, 2008 and became effective in January 2009. One of the RE Law's declared policies is to accelerate and develop the use of the country's renewable energy resources to: (a) reduce the country's dependence on fossil fuels, thereby minimizing exposure to price fluctuations in the international markets, and (b) reduce or prevent harmful emissions and promote a healthy and sustainable environment.

The RE Law imposes a government share on existing and new renewable energy development projects at a rate of 1% of the gross income from the sale of renewable energy and other incidental income from generation, transmission and sale of electric power, except for indigenous geothermal energy which shall be at a rate of 1.50% of gross income. Proceeds from micro-scale projects for communal purposes and non-commercial operations, not exceeding 100 kW, and proceeds from the development of biomass resources will not be subject to the said government share.

The RE Law offers fiscal and non-fiscal incentives to renewable energy developers, including developers of hybrid systems, subject to certification by the DOE in consultation with the BOI. These incentives include an ITH for the first seven (7) years of commercial operations; duty-free importations of renewable energy machinery, equipment and materials effective within ten (10) years upon issuance of certification, provided, said machinery, equipment and materials are directly and actually needed and exclusively used in renewable energy facilities; special realty tax rates on civil works, equipment, machinery and other improvements of a registered renewable energy developer not exceeding 1.50% of the net book value; net operating loss carry-over; corporate tax rate of 10% after the seventh year; accelerated depreciation; zero-percent VAT on sale of fuel or power generated from renewable energy sources and other emerging sources using technologies such as fuel cells and hydrogen fuels and on purchases of local supply of goods, properties and services needed for the development, construction and installation of renewable energy facilities; cash incentives for missionary electrification; tax exemption on the sale of carbon emission credits; and tax credit on domestic purchases of capital equipment and services.

All fiscal incentives apply to all renewable energy capacities upon the effectivity of the RE Law. Renewable energy producers from intermittent renewable energy resources are given the option to pay transmission and wheeling charges on a per kilowatt-hour basis at a cost equivalent to the average per kilowatt-hour rate of all other electricity transmitted through the Grid. Qualified and registered renewable energy generators with intermittent renewable

energy resources shall be considered “must dispatch” based on available energy and shall enjoy the benefit of priority dispatch. Electricity generated from renewable energy resources for the generator’s own consumption and/or for free distribution to off-grid areas is exempt from the universal charge. The RE Law further provides financial assistance from government financial institutions for the development, utilization and commercialization of renewable energy projects, as may be recommended and endorsed by the DOE.

Pursuant to Department Circular No. DO2009-05-008 dated May 25, 2009 (Rules and Regulations Implementing the Renewable Energy Act of 2008), the DOE, the BIR, and the Department of Finance shall, within six (6) months from its issuance, formulate the necessary mechanism and/or guidelines to implement the entitlement to the general incentives and privileges of qualified renewable energy developers. However, as of this date, no specific guidelines or regulations have been issued by the relevant implementing agencies. Such being the case, the renewable energy companies of AboitizPower, such as APRI, LHC, Hedcor Sibulan, Hedcor Tamugan, SN Aboitiz Power-Magat, and SN Aboitiz Power-Benguet filed, on August 6, 2010, a request before the BIR Law Division for a ruling on the application of zero-rated VAT on all its local purchases of goods and services needed for the development of renewable energy plant facilities, exploration and development of renewable energy sources and their conversion into power. To date, the said request is still pending with the BIR Law Division.

In Resolution No. 10, Series of 2012, the ERC adopted the following FIT and degression rates for electricity generated from biomass, run-of-river hydropower, solar, and wind resources:

Renewable Energy Source	FIT Rate (PhP/kWh)	Degression Rate
Wind	8.53	0.5% after year 2 from effectivity of FIT
Biomass	6.63	0.5% after year 2 from effectivity of FIT
Solar	9.68	6% after year 1 from effectivity of FIT
Hydro	5.90	0.5% after year 2 from effectivity of FIT

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, the ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On October 6, 2015, the ERC issued Resolution No. 14, Series of 2015 adopting the Wind FIT2 rate of ₱7.40/kWh. On September 29, 2016, a Petition for Rule Making was filed by Alternergy Wind One Corporation, Petrowind Energy, Inc., and Trans-Asia Renewable Energy Corporation seeking to amend Resolution No. 14, Series of 2015, and praying to increase the Wind FIT2 rate of ₱7.40/kWh to ₱7.93/kWh. A public consultation was held on the Petition for Rule Making on January 6, 2017.

Acting upon the application of Transco as Fund Administrator of the FIT Allowance (FIT-All), the ERC issued its final approval for the FIT-All of ₱0.0406 per kWh, for calendar years 2014 and 2015. Subsequently, Transco filed an application for approval of the FIT-All for calendar year 2016. In an Order dated February 16, 2016, the ERC provisionally approved a FIT-All of ₱0.1240 per kWh. In a Decision dated May 9, 2017, the ERC authorized Transco to collect an additional FIT-All of ₱0.0590 per kWh, thereby bringing the FIT-All to ₱0.1830 per kWh.

In 2013, the ERC had issued the rules enabling the net metering program for renewable energy. The rules, among others, seek to encourage end-users to participate in renewable energy generation by requiring distribution utilities, upon the request of a distribution end-user with an installed renewable energy system, to enter into a net metering agreement with such end-user, subject to technical considerations and without discrimination.

In early 2014, the ERC issued the guidelines on the collection of the FIT-All and the disbursement of the FIT-All Fund by Transco. The FIT-All shall be a uniform charge to be collected for the guaranteed payment of the FIT for electricity generator from emerging renewable energy technologies and actually delivered to the transmission and/or distribution network by RE developers. The distribution utilities and RES entities started collecting the FIT-All from their respective customers in February 2015.

On December 22, 2017, the DOE promulgated the "Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas" or the "RPS On-Grid Rules," which: (a) requires mandated electric power industry participants to source or produce portion of their electricity requirements from eligible renewable energy resources, (b) establishes a minimum annual incremental RE percentage, (c) prescribes the eligible renewable

energy facilities and the compliance mechanism, (d) monitor the compliance of mandated electric power industry participants, and (e) provide penalties for non-compliance.

On January 15, 2018, the DOE released a draft circular prescribing the guidelines to govern the establishment of the Green Energy Option Program (GEOP). Under the RE Law, the GEOP will provide end-users the option to choose renewable energy resources as their sources of energy. The DOE is still in the process of finalizing the DOE circular establishing the GEOP.

10. ERC Regulation on Systems Loss Cap Reduction

Under ERC Resolution No. 17, Series of 2008, the actual recoverable systems losses of distribution utilities was reduced from 9.50% to 8.50%. The new systems loss cap was implemented in January 2010. Under this regulation, actual company use of electricity shall be treated as an expense of the distribution utilities, particularly, as an operations and maintenance (O&M) expense in the PBR applications.

On December 5, 2017, the ERC issued the Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency. This rules adjusted the manner on which system losses shall be set by private distribution utilities and electric cooperatives. Public consultations were held on various dates in different locations in the country. Also, there are proposed Senate and House bills seeking to revisit the level of allowable system losses passed on to end-users. Information gathering is currently being done to study the proposed bills further.

11. Proposed Power Supply Agreement (PSA) Rules

In October 2013, ERC introduced the draft “Rules Governing the Execution, Review and Evaluation of Power Supply Agreements Entered into by Distribution Utilities for the Supply of Electricity to their Captive Market”. In the proposed rules, a distribution utility is required to undertake a competitive selection process before contracting for supply of electricity to its captive market, and ERC shall establish a benchmark rate that shall serve as reference price to assess the price that a generation company may offer. The draft rules also provide that the ERC’s decision on a power supply agreement shall be binding on the parties and any termination or “walk-away” clause shall not be allowed. AboitizPower submitted its position paper to the ERC stating that the proposed rules will violate the equal protection clause of the 1987 Philippine Constitution and the mandate and intent of the EPIRA in connection with the ERC’s regulatory power. To date, public consultations on the proposed rules were concluded and AboitizPower is still awaiting the final rules from the ERC.

On October 20, 2015, ERC issued Resolution No. 13, Series of 2015, entitled, “A Resolution Directing All Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market.” This resolution provides that a PSA shall be awarded to a winning Generation Company following a competitive selection process or by direct negotiation, after at least two failed Competitive Supply Process (CSP). ERC Resolution 13-2015 was restated in ERC Resolution No. 1, Series of 2016, entitled, “A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015.”

ERC Resolution No. 1, Series of 2016 further clarified that automatic renewal clauses or extension of PSAs will no longer be permitted. However, PSAs approved by the ERC or filed with the ERC before the effectivity of this Resolution may have one automatic renewal or extension for a period of one (1) year from the end of their respective terms.

On February 9, 2018, the DOE issued Department Circular No. DC2018-02-0003, modifying the existing policy on CSP of power supply contracting, followed by all distribution utilities. Distribution utilities are now mandated by the DOE to undertake the creation of an independent, five-man third-party bids and awards committee (TPBAC) that will manage the CSP. The circular also allows the distribution utilities to conduct CSP through an accredited third-party auctioneer.

12. Pricing and Cost Recovery Mechanism (PCRM)

Reserves are forms of ancillary services that are essential to the management of power system security. The provision of reserves facilitates orderly trading and ensures the quality of electricity.

As provided in the WESM rules, when reasonably feasible, the WESM Market Operator, in coordination with the WESM System Operator, shall establish and administer a spot market for the purchase of certain reserve categories.

The reserve categories that shall be traded in the WESM are regulating, contingency and dispatchable reserves as well as interruptible loads in lieu of reserves.

The WESM Reserve PCRM is intended to supplement the WESM Price Determination Methodology for purposes of providing the details of formula and procedures by which reserve trading amounts and reserve cost recovery charges for the categories of reserve that will be traded in the WESM are calculated. Once approved by the ERC, this Reserve PCRM will apply to all reserve categories traded in the WESM and will supersede, to this extent, the Ancillary Services Cost Recovery Mechanism of the Transco.

The Reserve PCRM covers the determination of: (a) reserve trading amounts of reserve providers; (b) reserve cost recovery charges; and (c) administered reserve prices and reserve cost recovery charges. To date, the Reserve PCRM is the subject of an application by the WESM Market Operator, which is pending the approval of the ERC.

On December 2, 2014, DOE Circular No. 2014-12-0022, otherwise known as the Central Scheduling and Dispatch of Energy and Contracted Reserves, was issued. The circular aims to prepare the market participants in the integration of ancillary reserves into the WESM. The ancillary service providers will be paid based on their respective ASPAs with NGCP, while the scheduling of capacity and energy will be based on market results.

13. Proposed Joint Resolution for the Establishment of Additional Generating Capacity

On September 12, 2014, former President Benigno C. Aquino III requested the House of Representatives and the Senate for authority to establish additional generating capacity. The President cited the DOE's report and projection of a critical electricity situation in the summer of 2015 in Luzon arising from the expected effects of the El Niño phenomenon, the 2015 Malampaya turnaround, increased and continuing outages of power plants, and anticipated delays in the commissioning of committed power projects.

After due deliberation, the Philippine House of Representatives ("House") approved House Joint Resolution No. 21, entitled "A Joint Resolution Authorizing the President of the Philippines, His Excellency Benigno S. Aquino III, to Provide for the Establishment of Additional Generating Capacity as Mandated by Republic Act No. 9136, also known as the 'Electric Power Industry Reform Act (EPIRA)', to Effectively Address the Projected Electricity Shortage in the Luzon Grid from March 1, 2015 to July 31, 2015." On the other hand, the Philippine Senate ("Senate") approved Senate Joint Resolution No. 12, entitled "A Joint Resolution Authorizing the President of the Philippines, His Excellency Benigno S. Aquino III, to Address the Projected Electricity Imbalance in the Luzon Grid and Providing the Terms and Conditions Therefor." A bicameral conference committee was constituted to reconcile the provisions of said House and Senate versions of the Joint Resolution. No bicameral conference committee version has been approved as of the date of submission of this Information Statement.

The Joint Resolution aims to address the projected critical power supply situation in Luzon through the expansion of the Interruptible Load Program (ILP), acceleration of power projects and implementation of energy efficiency programs. On the other hand, the ERC has issued its Resolution No. 5, Series of 2015, which would enable the implementation of the ILP with respect to Contestable Customers, customers directly-connected to the Grid, ecozone locators, and ecozone utility enterprises. Prior to ERC Resolution No. 5, the ILP could only be implemented by distribution utilities which enter into an agreement with their captive customers.

14. DOE Circular Directing All Power Generation Companies, the Transmission Service Provider, and All Distribution Utilities to Ensure Adequate and Reliable Electric Power Supply in the Country

Under DOE Department Circular No. 2010-03-0003 dated February 26, 2010, generation companies are enjoined to ensure the availability of their generation facilities at all times subject only to technical constraints duly communicated to the WESM System Operator in accordance with existing rules and procedures. For this purpose, generation companies shall have, among others, the following responsibilities:

- (a) All generation companies shall operate in accordance with their maximum available capacity which shall be equal to the registered maximum capacity of the (aggregate) unit less: (1) forced unit outages, (2) scheduled unit outages, and (3) de-rated capacity due to technical constraints which include: (i) plant equipment related failure and ambient temperature, (ii) hydro constraints which pertain to limitation on the water elevation/ turbine discharge and megawatt output of the plant, and (iii) geothermal constraints

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- which pertain to capacity limitation due to steam quality, steam pressure and temperature variation, well blockage and limitation on steam and brine collection and disposal system;
- (b) Oil-based generation companies shall maintain an adequate in-country stocks of fuel equivalent to at least fifteen (15) days of running inventory which includes shipments in transit;
 - (c) Coal power plants shall ensure the required thirty (30) day coal running inventory which includes shipments in transit;
 - (d) During scheduled maintenance of the Malampaya natural gas facilities, all affected generation companies shall maintain at least fifteen (15) days of running inventory of alternative fuel and shall operate at full capacity;
 - (e) All generation companies with natural gas-fired, geothermal and hydroelectric generating plants shall submit to the DOE a monthly report on the current status and forecast of the energy sources of its generating plants;
 - (f) All generation companies must notify and coordinate with the WESM System Operator of any planned activity such as the shutdown of its equipment;
 - (g) All generation companies must immediately inform the DOE of any unexpected shutdown or de-rating of the generating facility or unit thereof; and
 - (h) Generation companies shall seek prior clearance from the DOE regarding any plans for deactivation or mothballing of existing generating units or facilities critical to the reliable operation of the Grid.

(xii) Amount Spent on Research and Development Activities

AEV and its Subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by its Subsidiaries and Affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

(xiii) Costs and Effects of Compliance with Environmental Laws

AEV's Subsidiaries and Affiliates are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations, such as the RA 8749 or the Philippine Clean Air Act (Clean Air Act), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic and hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. The Business Units have incurred and are expected to continuously incur operating costs to comply with the above laws and regulations. However, these costs and expenses cannot be segregated or itemized as these are embedded in, and are part and parcel of, the Business Units' overall system in compliance with both industry standards and the government's regulatory requirements.

Standard regulations that govern business operations other than the Clean Air Act are Ecological Solid Waste Management Act (RA 9003), Clean Water Act (RA 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act (RA 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586). Designated pollution control officers in the different Business Units closely monitor compliance with the requirements of these regulations.

AboitizPower's generation and distribution operations are subject to extensive, evolving, and increasingly stringent environment, safety and health laws and regulations. These laws and regulations address concerns relating to, among other things, air emissions; wastewater discharges; the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste; workplace conditions; and employee's exposure to hazardous substances. Laws and regulations that govern business operations include, among others, the Clean Air Act (RA 8749), Ecological Solid Waste Management Act (RA 9003), Clean Water Act (RA 9275), Toxic Chemical Substances and Hazardous and Nuclear Wastes Control Act (RA 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586). The RE Law added new and evolving measures that must be complied with. These laws usher in new opportunities for the Company and set competitive challenges for businesses covered by these laws. Additional regulations such as Energy Regulation No. 1-94 require companies to allocate funds for the benefit of host communities for the protection of the natural environment and also for the benefit of the people living within the area. Further, funds are set for the management of carbon sinks and watershed areas through a nationwide reforestation program.

AboitizPower and its Subsidiaries have allocated budgets for environmental expenditures covering costs for waste disposal, remediation, pollution control, environmental initiatives and programs in 2017, as follows: ₱3,427,174.00

for APRI's environmental management programs; ₱11,404,498.00 for the Hedcor Group to environmentally manage its renewable energy operations; ₱4,871,565.00 for TSI; ₱4,528,714 for the Oil Group; and ₱4,696,684 for the SN Aboitiz Power Group, representing a fourfold increase of program cost from previous years.

The environmental footprint of all AboitizPower facilities is compliant to standards, thus noting zero expenditure for remediation costs.

The alignment to international best practices in all power plants is exemplified with a 100% achievement of ISO certification for the management systems of Quality, Environment, Occupational Health and Safety. To edge even further, Hedcor continues to maintain its ISO certification for Information Security and Asset Management Systems.

DENR-EMB Region IV-A conferred a Plaque of Recognition to APRI's Makban Plant for its best practice in the implementation of Solid Waste Management and participation to Adopt-a-River Program. APRI's Tiwi Plant received the Special Environmental Achievement Award from EMB-Region V; while TMI's Mobile 2 Plant received a Certificate of Appreciation as a Partner Private Stakeholder of Philippine Coast Guard – Northern Mindanao.

The DOE's Safety & Health Association of the Philippines Energy Sector (SHAPES) Inc. has recognized APRI's Tiwi Plant and the SN Aboitiz Power Group's Ambuklao and Binga Plants as 2017 Hall of Famers for Corporate Safety and Health Excellence Award, with their respective focal points: Hollis Fernandez, Jessie Palma, Clifford Dailay, Rachele Severo, Jillan Jacinto, Eliseo Ingles, Cesar Vicente, and Cheryl Ragsac individually receiving awards for Outstanding Safety Professionals.

The Safety Organization of the Philippines, Inc. (SOPI) awarded APRI's Makban and Tiwi Plants with the Award of Excellence for its continued no lost time injury for the past five years.

Workplace Advocates on Safety in the Philippines Inc. (WASPI) recognized TSI as a Safety Excellence Awardee.

In 2017, AboitizPower and its Subsidiaries did not incur any major sanctions for violation of environmental standards and law. Moreover, AboitizPower continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to promote safety and prevent adverse impacts to the environment or affected ecosystems.

Beyond Compliance

AEV's brand promise of advancing business and communities extends beyond compliance to government laws and regulations. The Aboitiz Group is committed to stakeholder-focused environmental management projects like the A-Park nationwide reforestation partnership with the Department of Environment and Natural Resources (DENR), Philippine Business for Social Progress (PBSP), and RAFI; the Race to Reduce (R2R) resource efficiency initiative with the National Youth Commission, Globe Telecoms, and the active participation of Aboitiz team members (employees); the Aboitiz Cleanergy Park with DENR and local government in Davao City; and the Cleanergy Center in Laguna.

AEV's partnership with the DENR for the National Greening Program targets to plant 9 million trees by 2020. As of yearend 2017, we have planted 5.7 mn trees. By October 2017, the Company has forged a ₱46-mn partnership with PBSP and RAFI to fulfill our 9 mn target.

On resource efficiency, the Company continuously monitors its consumption of power, water, and paper together with its Business Units. To bring the resource efficiency mindset to the Team Members, the Company ran its version of the No Impact Project global initiative titled Aboitiz No Impact Challenge, which displaced a total of 205 mn grams of carbon equivalent by voluntarily participating in simple lifestyle choices that promote wellness while reducing carbon footprint.

AEV's waste management campaign, in partnership with the National Youth Commission, allowed young stakeholders to come up with green design solutions through the inter-school competition "Aboitiz Green Fashion Revolution". In 2017, this was held in Cebu and Manila with University of the Philippines-Cebu and School of Fashion and the Arts (SoFA Institute), respectively. Each school were awarded ₱50,000 each and another ₱50,000 to implement a corporate social responsibility project.

The year 2017 was an auspicious one for the pawikans as the Aboitiz Cleanergy Park (the "Park") saw the highest number of discovered nests and hatchlings released ever since the Park started its conservation efforts in 2014.

From the 11 nests found in 2017, a total of 1,450 pawikans have been released, beating the record of 1,301 hatchlings released in 2014. The Aboitiz Cleanergy Park is an eight-hectare ecological preserve located in Sitio Punta Dumalag, Matina Aplaya, Davao City. Home to the critically endangered Hawksbill turtle (*Eretmochelys imbricata*), various species of endemic and migratory birds, as well as numerous plant species, it showcases urban-based habitat conservation and biodiversity management.

Lastly, in its four years of operation, the Cleanergy Center located in the compound of the Tiwi-Makban geothermal facilities in Laguna and Batangas has welcomed more than 37,558 visitors who discovered how AboitizPower contributes to the Philippines' renewable energy program. Visitors, mostly students, government executives, and representatives of foreign institutions, enjoy interactive displays and learning materials devoted to sustainable ways of generating and consuming energy.

The 650-square meter Cleanergy Center is the first energy education facility of AboitizPower, which is focused on environmental awareness and renewable energy education through the use of audio visual presentations, interactive displays, and a tour of a working geothermal power plant. Through AboitizPower, the Aboitiz Group aims to provide energy solutions that leave a lighter impact on Earth's climate and its limited resources.

(xiv) Employees

On the parent company level, as of March 31, 2018, AEV has a total of 297 employees composed of executives, managers, supervisors, rank and file and contractual employees. There is no existing collective bargaining agreement (CBA) covering AEV employees.

The following table provides a breakdown of total employee headcount per strategic Business Unit, divided by function, as of March 31, 2018:

Number of Employees	Employees						
	AEV	UnionBank and Subsidiaries	Pilmico and Subsidiaries	AboitizLand and Subsidiaries	PETNET	RCBM and Subsidiaries	AboitizPower and Subsidiaries
Executives	57	174	29	23	14	6	150
Managers	71	1,282	72	46	53	140	293
Supervisors	55	1,238	191	139	159	358	775
Rank & File	102	788	397	113	1,041	440	2,449
Fixed Term Employees	12	0	46	74	6	N/A	200
TOTAL	297	3,482	735	395	1,273	944	3,835
Unionized Employees	N/A	788	26	N/A	N/A	721	622
Expiry of CBA	N/A	2020	May 31, 2020	N/A	N/A	N/A	N/A

The Company does not anticipate any increase in manpower within the next twelve months unless new development projects and acquisitions would materially require an increase.

(xv) Major Risk/s Involved in the Business of AEV and its Subsidiaries

An integral part of AEV's Enterprise Risk Management efforts is to anticipate, understand and address the risks that the company may encounter in the businesses it is involved in.

1. Cybersecurity risks

AEV is cognizant to the recent cybersecurity breach events happening globally and the increasingly complex challenges of digital transformation. As the range of traditional crimes are now being perpetrated through cyberspace, AEV's management understands that information security threats should be addressed in order to avoid instances of cybersecurity breach, which can have catastrophic implications on the organization's bottom line and reputation.

With the Group's core businesses of power generation and distribution, banking and financial services, food, land, and infrastructure, there is an increased risk for high-impact events that could disrupt operations and services. In light of the risk and potential consequences of cyber events, strengthening the security and resilience of the organization's network has become an important goal of the Aboitiz Group.

In 2017, the Company has started with the roll out and implementation of ISMS for the whole Aboitiz Group. This is an eighteen (18)-month project that will be completed in 2018. AEV and its subsidiaries will implement an ISMS using the ISO 27001:2015 framework. The goal is to build a strategy to make information security part of the corporate culture, permeating from the Board and senior management down to the team members. AEV management empowers its cybersecurity programs to succeed by integrating privacy protections from the onset, embedding as part of business processes. To support this, the Company has developed and cascaded IT Security Policies and Standards across the Aboitiz Group. AEV is also working on achieving an information security risk-aware culture to further strengthen prevention, detection and comprehensive response process to keep pace with the growing cybersecurity threat landscape.

2. Regulatory Risks

For AEV and its Subsidiaries, regulatory risk arising from new or existing regulation is considered as one of the critical areas in the overall business management. A significant amount of attention is given to regulatory risk due to the type of industries the Group is engaged in – power, food, banking, construction, and infrastructure. Where each industry may have specific regulatory risks, one thing is common, regulations are challenging and changing all the time and the Company has to keep up with the demands for regulation compliance.

AEV management fully understands that complex regulations may affect other risk areas which could lead to undesired business consequences. AEV therefore takes a proactive approach to minimize the disruption that may be caused by new or changing regulations. Its primary approach is through the adoption of best practices, whether required by current regulations or not, as a results of which AEV saves a significant amount of company resources. Another proactive approach is through maintaining regular communications with regulators to ensure a good understanding of the regulators' perspective and compliance can be effectively planned ahead. One good example is that when the Food business expanded its jurisdictions in Vietnam, AEV engaged local experts who understand Vietnam's regulatory environment to ensure compliance with the general and business specific regulatory requirements.

With relevant teams consistently analyzing and monitoring the existing legal, regulatory, and business requirements alongside people, process, and technology aspects, gaps are identified in the performance of different functions within the organization. This practice increased AEV's governance in ways which conform to the new compliance requirements, efficiency, and effectiveness of company processes, the compliance with laws and regulations, the Company By-Laws, and internal procedures.

In 2017, the Board and senior management approved the Compliance Management Framework and Governance. The Aboitiz group is currently formulating the procedures and guidelines to support the compliance policy that would lead to automation of Compliance Management.

3. Competition Risk

As the impact of oversupply of power in the Philippines becomes more evident, AboitizPower and its subsidiaries continue efforts to market and contract ahead of time, all projected capacities from investments, as well as expiring contracts from existing capacities. This mitigating strategy is to ensure that plant operations are optimized, and that revenue and cash flow streams are protected.

4. Open Access and Retail Competition

With Open Access, eligible Contestable Customers are given the option to source their electricity from eligible suppliers that have secured a RES license from the ERC. This may adversely affect the distribution franchises of the AboitizPower Group when supply contracts have to be reduced, as customers switch from being captive customers to Open Access-eligible customers. The Distribution Utilities have to adjust the supply obtained from its contracted power generators at a minimal cost impact to customers.

At the same time, AboitizPower's generation assets that have uncontracted capacities will have indirect access to Open Access eligible customers through the Company's licensed RES entities, specifically AESI and AdventEnergy.

5. Electricity Trading Risks

In the face of a more dynamic trading environment, lower electricity market prices due to oversupply, anticipated shortened trading and dispatch interval of five (5) minutes, and the impending take-off of WESM in Mindanao, AboitizPower continues to enhance its trading capabilities by continuing its efforts to upgrade its trading software, infrastructure, processes, and manpower.

6. Project Risks

With an established Aboitiz Group Risk Management Framework, risk management is an embedded concept in project management to ensure project stability and success. Each significant and potential project is evaluated by the Project Management Team to gain a more rigorous understanding of the risks that the organization will take. While known risks are identified and managed throughout the project life cycle, the Project Management Team is also constantly looking into other categories of risks that may arise as a result of unexpected turns but could have a positive impact on the project. Risk management is highly relevant and recognized as a crucial part in all projects.

One of the best practices adopted by the Aboitiz Group in project management is the conduct of a "lessons learned" session in each major project milestone. This exercise does not only allow the management and the project team to celebrate quick wins but also learn from the past and current challenges and seize emerging opportunities from the project. This practice enhances the company's ability to capture the opportunities that helps define the future of the organization.

Audit plays a major role in projects being the third line of defense. Audit validates the existence of risk treatment plans during construction and validation of operational readiness during the transition from construction to operations.

As AboitizPower continues the construction of its ongoing projects in TVI, Pag3, and Hedcor Manolo Fortich, regular reviews of project risk management plans are conducted, in order to monitor implementation of risk control measures. Efforts to monitor performance of selected partners and reputable contractors and third-party suppliers are in place. Careful review is also done to ensure that appropriate insurance coverage is obtained.

In anticipation of commercial operations of the TVI, Pag3, and Hedcor Manolo Fortich plants in 2018, operational readiness reviews are also performed.

7. Business Interruption Due to Natural and Man-made Calamities

A significant portion of AEV's risk management program is dedicated to address business interruption exposures of the Aboitiz Group. In addition to standard perils such as fire, lightning or wind storm, typhoons, and floods, AEV also highly recognizes the emerging man-made calamities such as cyberattacks and acts of terrorism.

In the recent years, AEV and its Subsidiaries are taking a step further in addressing the potential interruptions in business operations by partnering with insurance providers in conducting trainings and engineering surveys to realistically align the exposures with the best-fit insurance solutions. A strong partnership with Weather Philippines Foundation, Inc. (WPF) also helps AEV and its Subsidiaries better prepare for weather related business disruptions and minimize the impact of these events to operations. A communication process across all business units have been institutionalized for inter-business support and back-up system.

Existing business interruption scenarios and continuity plans for each of these scenarios are constantly reviewed, evaluated, and updated through "table top exercises" and "lessons learned" sessions to ensure that they remain relevant with the current business conditions. For emerging risks, new scenarios are created and deliberated, and continuity plans are communicated to business units. In addition, teams are prepared for emergencies through mandatory trainings and drills while testing and improving procedures are performed on an ongoing basis.

In 2017, the Company have engaged a third party to conduct Business Continuity Audit which aims to assess the Business Continuity Management (BCM) Maturity of the Aboitiz Group and its Business Units (BUs) and their

conformity to ISO 22301:2012. Similar to the ISMS initiative, the output of the audit is a Business Continuity Roadmap which will be the basis of our subsequent BCM initiatives for the next three (3) years.

The Company have also continued with its BCM maintenance activities including the regular testing of Business Continuity Plans (BCP) as well as the review and revisions of BCP documentation. In 2017, the Company continued crafting regional business continuity plans which is vital for the provision of mutual aid and location specific support in our widely dispersed business locations.

8. Reputation Risk

AEV recognizes that the Company's reputation is its single most valuable asset, a competitive advantage that has enabled it to earn the trust of its stakeholders. Likewise, the Company is aware that the reputation it has today took generations to strengthen and is, therefore, something the Company wants to protect, build, and enhance continuously. In today's world of higher corporate governance standards, heightened public consciousness brought on by social media, and greater scrutiny from key stakeholders, the Company finds itself operating in a new environment where corporate reputation has become a differentiating asset as well as the number one risk.

AEV continues to manage its reputational risk, which could be the effect of an occurrence of another risk, through the following:

- (a) Building organization capability through a formalized governance structure and intelligence process across the Group;
- (b) Assessing and mitigating risks;
- (c) Identifying and engaging all stakeholders through information, education campaigns, and relationship building programs;
- (d) Anticipating, resolving, and proactively managing issues;
- (e) Conducting regular "table top exercise" for emergency response and incident management and business recovery plans;
- (f) Developing and implementing a Group-wide social media policy, strategy, and social media listening;
- (g) Developing brand champions and brand advocates through effective corporate communication and engagement programs;
- (h) Enhancing the Company's crisis communication protocol and continued to train stakeholder-facing team leaders who have been designated as spokespersons;
- (i) Ensuring brand integrity by establishing reputation metrics and conducting reputation surveys; and
- (j) Integrating sustainable practices across the value chain to promote inclusive growth and shared value.

Ultimately, managing AEV's reputation requires an understanding of our reputational terrain, which includes all its stakeholders.

9. Financial Risks

In the course of its operations, AEV is exposed to the following financial risks:

- (a) Interest rate risks resulting from movements in interest rates that may have an impact on outstanding long-term debt;
- (b) Credit risks involving possible exposure to counter-party default on its cash and cash equivalents, available-for-sale investments and trade and other receivables;
- (c) Refinancing and liquidity risks in terms of the proper matching of the type of financing required for specific investments as well as maturity of these loans; and
- (d) Foreign exchange (forex) risks in terms of forex fluctuations that may significantly affect its foreign currency-denominated placements, transactions and borrowings.

10. Fuel Supply and Price Risk

AboitizPower's thermal plants - TLI, TSI, and TVI (which is currently in construction phase) utilize coal; while CPPC, EAUC, TMI, and TMO utilize Bunker-C fuel. These fuel types are exposed to global market price movements and supply challenges.

In 2017, coal prices in the global market temporarily spiked due to policy changes made by and demand from China that affected supply.

For its coal-fired power plants, AboitizPower has put in place a Fuel Committee and a Coal Supply and Freight Contracting strategy to better manage high price volatility of coal, freight prices, and counterparty risk. This includes diversifying to other sources of coal to ensure security of energy supply at competitive prices.

For its diesel-fired generation plants, CPPC, EAUC, TMI, and TMO, AboitizPower pursues the strategy on the fuel supply side of entering into or renewing their medium-term supply contracts with the leading oil companies in the country.

AboitizPower's exposure to fuel supply and price risk is limited as a result of the utilization of capacity-based contracts for approximately half of its PSAs. Such contracts come with a provision for the pass-through of fuel costs, where fuel prices are indexed versus the commodity markets for oil and coal for the energy generated by the AboitizPower's Business Units.

Item 2. Properties

The office space occupied by AEV is leased from a third party.

On a consolidated basis, the property, plant and equipment of the Group were valued at ₱213.02 bn and ₱202.02 bn as of December 31, 2017 and 2016, respectively. Breakdown of these assets is as follows:

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31	2017	2016
Power, Plant & Equipment	₱141,329,134	₱137,519,744
Construction in progress	54,384,896	44,469,763
Buildings, Warehouses and Improvements	26,193,431	25,605,389
Transmission and Distribution Equipment	17,438,847	16,043,761
Machinery & Equipment	6,723,759	5,997,681
Office Furniture, Fixtures and Equipment	6,890,220	4,498,864
Leasehold Improvements	3,612,022	3,562,062
Land	2,262,109	2,054,603
Transportation Equipment	2,288,531	1,893,622
Flight Equipment	713,675	1,021,263
Handling Equipment	255,589	255,589
Others	1,660,612	1,575,679
	263,752,825	244,498,020
Less: Accumulated Depreciation and Amortization	50,520,285	42,260,409
TOTALS	₱213,232,540	₱202,237,611

Note: Values for the above schedule are in thousand Philippine Pesos.

*2016 Property, Plant and Equipment account has been restated to effect the adjustments arising from the finalization in 2017 of the purchase price allocation on the acquisition of GMCP in 2016.

*2016 Total Assets and other Balance Sheet accounts have been restated to effect the adjustments arising from the finalization in 2017 of the purchase price allocation on the acquisition of GMCP in 2016.

Property, plant and equipment with carrying amounts of ₱125.4 billion and ₱117.0 billion as of December 31, 2017 and 2016, respectively, are used to secure the Group's long-term debts. For further details, refer to Note 19 (disclosure on Long-term Debts) of the attached AEV 2017 consolidated financial statements.

Locations of Principal Properties and Equipment of AEV Subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Cotabato Light	Industrial land, buildings/ plants, equipment and machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/ plants, equipment and machineries	P. Reyes Street, Davao City: Bajada, Davao City	In use for operations
VECO	Industrial land, buildings/ plants, equipment and machineries	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Pilmico	Industrial land, buildings/ plants, equipment and machineries	Kiwalan Cove, Dalipuga, Iligan City	In use for operations
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet; and Bakun, Benguet	In use for operations
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Tudaya	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In use for operations
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In use for operations
EAUC	Bunker-C thermal power plant	Lapu-Lapu City, Cebu	In use for operations
APRI	Geothermal power plants	Tiwi, Albay, Caluan, Laguna; and Sto. Tomas, Batangas	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley	In use for operations
PANC	Industrial land, buildings/ plants, equipment and machineries	Barangay Sto. Domingo II, Capas, Tarlac	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	In use for operations
GNPower - Mariveles	Coal-fired thermal power plant	Mariveles, Bataan	In use for operations
TVI	Land	Bato, Toledo, Cebu	For plant site
LEZ	Industrial land, buildings/ plants, equipment and machineries	Lipa City and Malvar, Batangas	In use for operations
BEZ	Industrial land, buildings/ plants, equipment and machineries	Balamban, Cebu	In use for operations
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
AboitizLand	Raw land and improvements	Metro Cebu, Balamban, Cordova, Mactan, Liloan, Samar, Misamis Oriental, Davao	Existing or undergoing development; for future use
Lima Land	Raw land and improvements	Lipa and Malvar, Batangas	Existing or undergoing development; for future use
Aseagas	Raw land and improvements	Lian, Batangas	Ceased operations
PETNET	Raw land and improvements	Better Living Subdivision, Paranaque City	In use for operations
PETNET	Raw land and improvements	J. Catolico Avenue cor Matco Road Lagao General Santos City	In use for operations
RCBM	Cement manufacturing plants	Barangay Minuyan, Norzagaray, Bulacan; Bo. Bigte, Norzagaray, Bulacan; Bo. Mapulo, Taysan, Batangas; Barangay Dulumbayan, Teresa, Rizal	In use for operations
RCBM	Cement grinding station	Bo. Dungo-an, Danao, Cebu	In use for operations
RCII	Cement manufacturing plant	Barangay Kiwalan, Iligan City, Iligan	In use for operations

Item 3. Legal Proceedings

AEV and its Subsidiaries are currently involved in various legal proceedings in the ordinary conduct of their businesses. The Company believes that the results of these actions will not have a material effect on the Company's financial position and results of operations.

The material pending legal proceedings involving the Company and its Subsidiaries are as follows:

G.R. No. 210245 entitled "Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.," Supreme Court; December 19, 2013

G.R. No. 210255 entitled "National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.," Supreme Court; December 20, 2013

G.R. No. 210502 entitled "Manila Electric Company, et al. vs. Philippine Electricity Market Corporation, et al.," Supreme Court; January 8, 2014

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against ERC and the MERALCO with the Supreme Court, questioning the alleged substantial increase in MERALCO's power rates for the billing period of November 2013.

These cases raised, among others: (a) the legality of Section 6, 29 and 45 of the EPIRA; (b) the failure of ERC to protect consumers from high prices of electricity; and (c) the alleged market collusion by the generation companies.

These cases were consolidated by the Supreme Court, which issued a TRO preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended by the Supreme Court for another sixty (60) days, or until April 22, 2014. On April 22, 2014, the Supreme Court extended the TRO indefinitely.

MERALCO filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by MERALCO from the WESM. The Supreme Court also ordered all power industry participants (the DOE, ERC, PEMC, PSALM and the generation companies) to respond to MERALCO's counter-petition.

The Supreme Court set the consolidated cases for oral arguments last January 21, 2014, February 4 and 11, 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. MERALCO has been prevented from collecting the differential increase of the price hike. Because of MERALCO's counter-petition against the generation companies, the PEMC withheld settlement of the power purchases during the covered period.

The cases before the Supreme Court are pending resolution.

SC GR No. 224341 entitled Philippine Electricity Market Corporation vs. Therma Mobile, Inc., Supreme Court [CA G.R. SP No. 140177 entitled "PEMC v. Therma Mobile Inc.", Court of Appeals, Manila] [SP Proc. No. 12790 entitled "Therma Mobile Inc. v. PEMC", Regional Trial Court Branch 157-Pasig City] [PEMC ECO-2014-0009 entitled "Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule, Investigation Summary Report, dated August 4, 2014"]

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation ("PEMC-ECO") conducted an investigation on TMO for possible non-compliance with the Must-Offer-Rule for the period October 26, 2013 to December 25, 2013.

PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 mn.

TMO filed its letter request for reconsideration on September 5, 2014, contending that it did not violate the Must-Offer-Rule because its maximum available capacity was limited to 100 MW due to: (a) the thermal limitations of the old TMO 115-kV transmission line, and (b) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation.

In its letter dated January 30, 2015, the PEMC Board of Directors (PEMC Board) denied TMO's request for reconsideration and confirmed its earlier findings of 3,578 counts of breach of the Must-Offer-Rule and sustained the imposition of financial penalties amounting to ₱234.9 mn on TMO. According to the PEMC Board, the penalties will be collected from TMO through the WESM settlement process.

TMO maintains that there is no basis for the PEMC decision. TMO did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on November 21, 2013. At this period, TMO's engines and transmission lines were still undergoing rehabilitation after having been non-operational for the five years.

On February 13, 2015, TMO filed a Notice of Dispute with the PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On February 16, 2015, TMO filed an Urgent Petition for the Issuance of Interim Measures of Protection for the Issuance of a Writ of Preliminary Injunction with prayer for Temporary Order of Protection before the Pasig City RTC. In its Order dated February 24, 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to (a) refrain from demanding or collecting the amount of ₱234.9 mn as financial penalty; (b) refrain from charging interest on the financial penalty and having the same accrue; and (c) refrain from transmitting PEMC-ECO's investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 mn to answer for any damage that PEMC may suffer as a result of the Order. On April 1, 2015, the RTC rendered a Decision in favor of TMO. PEMC filed a Petition for Review with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals (CA) which sought to reverse and set aside the Decision of the RTC.

On December 14, 2015, the CA rendered a Decision denying PEMC's Petition for Review and affirming the April 1, 2015 Decision of RTC in favor of TMO.

On June 6, 2016, PEMC filed a Petition for Review on Certiorari with the Supreme Court to assail the December 14, 2015 CA Decision. On November 14, 2016, TMO filed its Comment to PEMC's Petition for Review. In its Motion for Leave to File Reply to Comment dated December 9, 2016, PEMC prayed with the Supreme Court that it be granted

leave to file its Reply. On June 1, 2017, TMO received the Supreme Court Notice dated March 29, 2017 with an attached Resolution. In the Resolution, the Supreme Court noted TMO's Comment and PEMC's Reply.

PEMC's Petition is still pending before the Supreme Court.

Consolidated Regulated Price Case against the Energy Regulatory Commission, Petition for Review on Certiorari, Court of Appeals, Manila;

ERC Case No. 2014-021 MC entitled "In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants" March 28, 2014

The ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, the ERC issued an Order in ERC Case No. 2014-021 MC dated March 3, 2014 (the "ERC Order"), declaring as void the Luzon WESM prices during the November and December 2013 supply months. The ERC also declared the imposition of regulated prices for such billing periods and directed the PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for MERALCO whose November 2013 WESM bill was maintained in compliance with the TRO issued by the Supreme Court.

The ERC also ordered the PEMC, through its Enforcement and Compliance Office (ECO) to conduct an investigation, within a period of no less than ninety (90) days, on the alleged violation of the Must-Offer-Rule.

Pursuant to the ERC Order, on March 18, 2014, the PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

The Company's Affiliates and Subsidiaries, APRI, TLI, TMO, AESI, AdventEnergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others. In its March 27, 2014 Order, the ERC ordered deferral of PEMC's implementation of the adjusted billing statements for 45 days. This was subsequently extended with no clear timeline by the ERC in its order dated June 6, 2014.

The ERC, in its Order dated October 15, 2014, denied said Motions for Reconsideration. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, and TMO filed their Petitions for Review (the "Petitions") before the Court of Appeals on November 19, 24, December 1, and 4, 2014, respectively. The Court of Appeals ordered the consolidation of the Petitions on October 9, 2015.

On November 7, 2017, the Court of Appeals granted the Petitions. The ERC's March 3, 2014 Order, among other orders, were declared null and void, and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, ERC and Meralco filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI and TMO filed their oppositions to the motions for reconsideration and motions to intervene. To date, the motions for reconsideration and motions to intervene are still pending resolution with the Court of Appeals.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

(1) Market Information

AEV’s common shares are traded in the Philippine Stock Exchange, Inc.

The high and low stock prices of AEV’s common shares for each quarter for the past two (2) years and first quarter of 2018 were as follows:

	2018		2017		2016	
	High	Low	High	Low	High	Low
First Quarter	79.00	67.50	75.30	70.55	65.00	54.40
Second Quarter	N/A	N/A	77.65	72.75	79.00	63.70
Third Quarter	N/A	N/A	75.95	72.50	84.40	72.85
Fourth Quarter	N/A	N/A	75.75	67.50	66.95	80.00

The closing price of AEV common shares, as of March 28, 2018 is ₱67.50 per share.

(2) Holders

As of March 28, 2018, AEV has 8,982 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 5,633,792,557 shares.

The top 20 stockholders of AEV as of March 28, 2018 are as follows:

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
1	Aboitiz & Company, Inc.	Filipino	2,735,600,915	48.56%
2	PCD Nominee Corporation (Filipino)	Filipino	758,375,561	13.46%
3	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	557,763,421	9.90%
4	Ramon Aboitiz Foundation, Inc.	Filipino	424,538,863	7.54%
5	Sanfil Management Corporation	Filipino	120,790,211	2.14%
6	Chanton Management & Development Corporation	Filipino	62,118,484	1.10%
7	Windemere Management & Development Corporation	Filipino	49,666,352	0.88%
8	Donya 1 Management & Development Corporation	Filipino	41,054,511	0.73%
9	Morefund Management & Development Corporation	Filipino	37,918,115	0.67%
10	Bauhinia Management Inc.	Filipino	34,683,799	0.62%
11	Anso Management Corporation	Filipino	30,369,707	0.54%
12	MYA Management & Development Corporation	Filipino	22,494,414	0.40%

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
13	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%
14	Guada Valley Holdings Corporation	Filipino	17,688,445	0.31%
15	Parraz Development Corporation	Filipino	14,483,067	0.26%
16	Annabelle O. Aboitiz	Filipino	13,975,834	0.25%
17	Ma. Cristina Aboitiz; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.24%
18	Mary Anne Aboitiz Arculli	Filipino	10,767,556	0.19%
19	Arrayanes Corporation	Filipino	10,650,070	0.19%
20	UnionBank TISG For IMA#PH3Q201692	Filipino	8,709,900	0.15%
	SUB-TOTAL		4,985,347,125	88.49%
	Other Stockholders		648,445,432	11.51%
	TOTAL SHARES		5,633,792,557	100%
	NET ISSUED AND OUTSTANDING SHARES		5,633,792,557	100%

(3) Dividends

The cash dividends declared by AEV to common stockholders from fiscal year 2015 to the first quarter of 2018 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2018 (regular)	₱1.28	03/08/2018	₱7.21 bn	03/22/2018	04/12/2018
2017 (regular)	₱1.33	03/07/2017	₱7.49 bn	03/21/2017	04/10/2017
2016 (regular)	₱1.06	03/08/2016	₱5.89 bn	03/22/2016	04/19/2016
2015 (regular)	₱1.11	03/10/2015	₱6.15 bn	03/24/2015	04/20/2015

In a special meeting held on January 11, 2007, the AEV Board of Directors approved the policy of distributing at least 1/3 of its previous year's earnings as cash dividends to its stockholders for subsequent years.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

AEV does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.



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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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

P H I L I P P I N E S

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

MANUEL ALBERTO R. COLAYCO

Contact Person

(02) 886-2338

Company Telephone Number

1 2 3 1

Month Day
Fiscal Year

Letter

FORM TYPE

3rd Monday of

0 5 2 1

Month Day
Annual Meeting

N/A

Secondary License Type, if Applicable

SEC

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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March 27, 2018

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City, 1307

Attention: **Dir. Vicente Graciano P. Felizmenio, Jr.**
Markets and Securities Regulation Department

Re: **SEC Form 17-Q for First Quarter 2018**

Dear Mr. Felizmenio:

This refers to Aboitiz Equity Ventures, Inc.'s (the "Company") SEC Form 17-Q for first quarter 2018 (Quarterly Report), which is due on or before May 15, 2018. As in the previous years, the Company undertakes to distribute copies of the Quarterly Report to the Company's stockholders during our Annual Stockholders' Meeting on May 21, 2018.

We trust that everything is in order.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES, INC.

By:

A handwritten signature in black ink, appearing to read "Manuel Alberto R. Colayco".

Manuel Alberto R. Colayco
Corporate Secretary

Item 6. Management's Discussion and Analysis or Plan of Action

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF ACTION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

TOP FIVE KEY PERFORMANCE INDICATORS

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

1. EQUITY IN NET EARNINGS OF INVESTEES

Equity in net earnings (losses) of investees represents the Group's share in the undistributed earnings or losses of its associates and joint ventures for each reporting period subsequent to acquisition of said investment. This account reflects the result of the operating performance of an associate or a joint venture and indicates its contribution to the Group's consolidated net income.

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

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

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

3. CASH FLOW GENERATED

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

4. CURRENT RATIO

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

5. DEBT-TO-EQUITY RATIO

Debt-to-Equity ratio gives an indication of how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2017	JAN-DEC 2016
EQUITY IN NET EARNINGS OF INVESTEES	9,053,733	9,651,787
EBITDA	56,977,228	48,127,754
CASH FLOW GENERATED:		
Net cash flows from operating activities	32,682,219	32,013,422
Net cash flows used in investing activities	(11,749,681)	(84,668,374)
Net cash flows from (used in) financing activities	(19,458,941)	52,848,445
Net Increase in Cash & Cash Equivalents	1,473,597	193,493
Cash & Cash Equivalents, Beginning	63,857,528	63,581,884
Cash & Cash Equivalents, End	64,870,214	63,857,528
	DEC 31, 2017	DEC 31, 2016
CURRENT RATIO	1.56	2.51
DEBT-TO-EQUITY RATIO	1.56	1.68

DISCUSSION OF KEY PERFORMANCE INDICATORS:

All the KPI values were within management's expectation during the year in review.

Management teams of the different business units continued to effectively handle their respective operations and financial requirements. As a result, profitability was sustained and the Group's financial position remained strong and liquid.

Associates continued to generate substantial earnings and enhance the Group's consolidated bottomline despite the 6% decline in their income contribution to the Group during the period in review. Consolidated EBITDA, which increased by 18% during 2017, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. These internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations, and pay cash dividends.

With substantial long-term debt prepayments and growth in equity during 2017, debt-to-equity ratio moved down to 1.56x (versus end-2016's 1.68x). Meanwhile, the end-2017 current ratio stood at 1.56x (versus end-2016's 2.51x) as current liabilities grew more than current assets.

REVIEW OF JAN-DEC 2017 OPERATIONS VERSUS JAN-DEC 2016

RESULTS OF OPERATIONS

For the year ended December 31, 2017, AEV and its subsidiaries posted a consolidated net income of ₱21.61 billion, a 4% year-on-year (YoY) decrease. This translates to an earnings per share of ₱3.84 for the year in review. In terms of income contribution, Power Group still accounted for the bulk at 69%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 18%, 7%, 3% and 3%, respectively.

The Group generated a non-recurring net loss of ₱2.30 billion during 2017 (versus a ₱347 million loss in 2016) mainly from the Power Group's asset impairment and debt prepayment costs, which were partially reduced by a one-off recognition of lower interest expense from an acquired loan. Stripping out these one-off items, the Group's core net income for the year amounted to ₱23.91 billion, 5% higher than last year. AEV recorded an 18% increase during 2017 in consolidated earnings before interest, tax, depreciation and amortization (EBITDA), from ₱48.13 billion to ₱56.98 billion.

BUSINESS SEGMENTS

The following discussion describes the performance of the major business segments for 2017.

Power

Aboitiz Power Corporation's (AP) income contribution for 2017 was ₱15.70 billion, a 2% increase from 2016's ₱15.38 billion. Netting out impairment costs on its Aseagas Corporation (Aseagas) investment, pretermination costs on the refinancing made by its subsidiary, GNPowder Mariveles Coal Plant Ltd. Co. (GMCP), and a one-off recognition of lower interest expense from an acquired loan, AP's contribution to core net income grew by 13% from ₱15.85 billion in 2016 to ₱17.95 billion in 2017.

Power Generation Group's bottomline contribution to AEV grew 9% during 2017 from ₱12.05 billion to ₱13.12 billion. Adjusted for non-recurring items, Generation Group's core net income contribution increased by 19% YoY to ₱15.51 billion. This improvement was substantially attributed to the strong performance of the Power Generation Group's hydro units and the full-period income contributed by GMCP, which was acquired in December 2016.

The Power Generation Group's capacity sold during 2017 increased by 41% year-on-year (YoY), from 2,223 megawatts (MW) to 3,124 MW, mainly driven by the additional capacity of GMCP, higher generation of its hydro units, and an increase in capacities contracted.

Power Distribution Group's earnings contribution to AEV increased by 16% during 2017 from ₱2.82 billion to ₱3.29 billion. Attributable electricity sales of 5,288 GWh increased by 4% during 2017. Gross margin per kilowatt-hour (kWh) for 2017 increased to ₱1.73 from ₱1.59 in 2016. The improved margins resulted from adequate power supply, better supply mix, and recoveries on purchased power costs.

Banking & Financial Services

Income contribution from this industry group declined by 16%, from ₱4.91 billion in 2016 to ₱4.12 billion in 2017.

On a stand-alone basis, Union Bank of the Philippines (UBP) and its subsidiaries recorded a net income of ₱8.4 billion for 2017, 17% lower compared to the ₱10.1 billion earned in 2016. The decline was primarily due to a ₱3.8 billion one-off trading gain booked in the third quarter of 2016. UBP's net income excluding securities trading gains, however, grew by 31% to ₱8.2 billion in 2017 from ₱6.2 billion in 2016.

PETNET Inc. contributed ₱20 million during 2017 from a loss of ₱2 million in 2016.

Food

Income contribution from Pilmico Foods Corporation (PILMICO) and its subsidiaries decreased by 2% during 2017 to ₱1.7 billion from ₱1.73 billion the previous year. For 2017, Feeds Philippines and Flour both reported decreases in income contribution while Farms and Feeds Vietnam both showed increases. The decline in net earnings of Feeds Philippines and Flour was largely due to higher raw material and operating costs. On the other hand, Feeds Vietnam reported an increase in bottomline during 2017 due to growth of commercial and export product lines and some foreign exchange gains. For Farms, the recovery during 2017 in live hog selling prices resulted in improved profits.

Real Estate

Income contribution of Aboitiz Land, Inc. (AboitizLand) during 2017 amounted to ₱744 million, up 295% from ₱188 million in 2016. This growth was mainly attributed to higher industrial lot sales, improved construction progress by the residential business unit, and healthy occupancy levels from the commercial business unit. AboitizLand also recognized fair valuation gains on investment properties in 2017.

Infrastructure

Republic Cement and Building Materials, Inc. (Republic) posted an income contribution of ₱671 million in 2017, down 57% from 2016's ₱1.55 billion. Cement demand grew modestly in 2017, offset by lower prices and increased fuel and power costs.

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

For the year ended December 31, 2017, AEV and its subsidiaries posted a consolidated net income of ₱21.61 billion, a 4% YoY decrease.

Operating profit for 2017 totalled ₱36.58 billion, a 26% increase YoY, as the ₱34.01 billion increase in revenues surpassed the ₱26.35 billion rise in costs and expenses. The increase in revenue was mainly attributed to the performance of the Power Group.

Power subsidiaries reported a 30% YoY increase in operating profit during 2017, from ₱26.31 billion to ₱34.17 billion, mainly due to the full-year earnings before interest and taxes (EBIT) contribution from GMCP.

Share in net earnings of associates for 2017 declined by 6% YoY (₱9.05 billion vs ₱9.65 billion in 2016) largely due to the decrease in UBP's income from the sale of securities and to RCBM's income decline for 2017 resulting from lower selling prices and higher production costs. This is partly offset by growth in the net income of SN AboitizPower-Magat (SNAP-Magat) and SN AboitizPower-Benguet (SNAP-Benguet) for 2017 due to higher volume sold and ancillary revenue resulting from better hydrology.

The growth in net interest expense and other charges during 2017, coupled with the decrease in equity earnings, more than offset the increase in operating profit, and as a result, pulled down the Group's overall profitability. Net interest expense in 2017 increased by ₱3.61 billion YoY as debt level increased following the consolidation of GMCP debt in December 2016, and the full year impact of interest expense incurred on additional debts availed of after December 2016.

Other charges of ₱26 million were incurred in 2017 versus ₱2.05 billion other income in 2016. This was mainly due to Power Group's impairment of its investment in Aseagas and refinancing costs during 2017, versus 2016's unrealized forex gains and Therma South, Inc.'s (TSI) collection of settlements with suppliers.

Net income attributable to non-controlling interests increased to ₱7.67 billion in 2017 from ₱6.18 billion in 2016, substantially due to the full-period recognition of the net income after tax (NIAT) share of GMCP's minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders increased by 2% from ₱22.07 billion in 2016 to ₱22.56 billion in 2017. The 4% decrease in consolidated net income was offset by the combined surge in AEV's share of an associate's unrealized mark-to-market (MTM) gains on its available-for-sale (AFS) investments and cumulative translation adjustments.

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

Assets

Compared to year-end 2016 level, consolidated assets increased 6% to ₱492.24 billion as of December 31, 2017, due to the following:

- a. Trade and other receivables, inclusive of noncurrent portion, increased by 13% (₱24.77 billion end-2017 vs ₱22.01 billion as of December 31, 2016) mainly due to higher level of receivables of the Power and Food Groups.
- b. Inventories increased by 22% (₱12.45 billion as of end-2017 vs ₱10.22 billion as of December 31, 2016) mainly due to increase in raw materials inventory of the Food Group and coal inventory of the Power Group.
- c. Gross of depreciation expense, the combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) as of December 31, 2017 was mainly due to the following: (i) ₱12.70 billion

for on-going construction of AP's power plants; (ii) ₱6.07 billion in various capital expenditures of Power, Food and Real Estate Groups, (iii) ₱2.99 billion first-time consolidation of San Carlos Sun Power, Inc. (Sacasun) assets; and (iv) ₱862 million gain recognized on the re-appraisal of certain investment properties. This was partly reduced by the ₱2.66 billion impairment of Aseagas' biomass plant during 2017.

- d. Investments in and Advances to Associates as of December 31, 2017 increased by 6% (₱91.92 billion vs ₱86.95 billion as of December 31, 2016) mainly due to AP's ₱1.25 billion capital infusion into GN Power Dinginin Ltd. Co. (GNPD) and ₱244 million capital infusion into RP Energy, the ₱275 million acquisition of Balibago Waterworks System, Inc. (BWSI) shares by Aboitiz Infracapital, Inc. (AIC), the recording of ₱9.05 billion share in net earnings of associates, and the ₱703 million share of a banking associate's MTM gains on its AFS investments during the year. This increase was partially offset by the ₱6.16 billion cash dividends received from associates during 2017.
- e. Other current assets increased by 30% as of December 31, 2017 (₱12.44 billion vs ₱9.58 billion as of December 31, 2016) mainly due to the rise in prepaid insurance and prepaid taxes of the Power Group.
- f. Available-for-sale (AFS) Investments increased by 37% (₱773 million as of December 31, 2017 vs ₱564 million as of December 31, 2016) mainly due to additional acquisitions made during the year.
- g. Held-to-maturity (HTM) Investments increased to ₱189 million as of December 31, 2017 from nil as of December 31, 2016. This was mainly due to new acquisitions made of this type of financial product during the year.
- h. Derivative Assets (current and non-current) increased by 17% (₱342 million as of December 31, 2017 vs ₱292 million as of December 31, 2016) mainly due to MTM gains recognized on existing forward contracts of the Power Group.

The above increases during 2017 were offset by the 19% decrease in Deferred Income Tax Assets (DTA), (₱1.52 billion as of December 31, 2017 vs ₱1.89 billion as of December 31, 2016), mainly due to the reversal of DTA set up in previous periods on the unrealized forex losses on loan restatement related to the prepayment of GMCP's loan.

Liabilities

Consolidated short-term bank loans increased by 187% as of end-2017 (₱23.70 billion vs ₱8.26 billion as of December 31, 2016) mainly due to availments made by Food Group, Power Group, PETNET, and AboitizLand to fund working capital requirements. On the other hand, long-term debt decreased by 4% (₱238.84 billion as of December 31, 2017 vs ₱249.46 billion as of December 31, 2016) substantially due to the prepayment of ₱15.93 billion in Therma Power, Inc. and ₱2.43 billion in Aseagas loans, and the ₱6.72 billion settlement of maturing loans and finance lease amortization. This was partly offset by the following: (a) AP's ₱3.0 billion bond issuance; (b) GMCP's ₱3.17 billion loan; (c) the combined ₱8.29 billion additional loan availment of Therma Visayas, Inc., Hedcor Bukidnon, and Pagbilao Electric Corporation (PEC) to finance on-going plant constructions; and (d) the ₱1.38 billion non-cash movement from foreign exchange differential and deferred financing costs.

Trade and other payables, inclusive of noncurrent portion, increased by 12%, from ₱22.67 billion as of end-2016 to ₱25.42 billion as of end-2017, mainly due to higher level of payables to suppliers and contractors resulting from the on-going plant construction by the Power Group.

Customers deposits decreased by 11%, from ₱7.04 billion as of end-2016 to ₱6.27 billion as of end-2017 as special deposits were refunded by distribution utilities to its customers during 2017.

Asset retirement obligation (ARO) increased by 62% from ₱1.82 billion as of end-2016 to ₱2.96 billion as of end-2017 due to incremental provisions recorded during 2017.

Derivative liabilities (current and non-current) decreased by 87% as of end-2017 (₱48 million vs ₱361 million as of December 31, 2016) mainly due to the derecognition of the derivative liability related to GMCP's loan, which was prepaid during 2017.

Equity

Equity attributable to equity holders of the parent increased by 11% from the year-end 2016 level of ₱140.28 billion to ₱155.01 billion as of end-2017 mainly due to the ₱21.61 billion net income recorded during 2017 and AEV's ₱709 million share in UBP's unrealized MTM gains recognized on its AFS investments, reduced by ₱7.49 billion cash dividends paid.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 31, 2017, the Group continued to support its liquidity mainly from cash generated from operations, additional short-term loan availments, and dividends received from associates.

Compared to 2016, consolidated cash generated from operating activities in 2017 increased by ₱669 million to ₱32.68 billion, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the year.

AEV ended 2017 with ₱11.75 billion net cash used in investing activities versus ₱84.67 billion in 2016. This was mainly due to lower amounts spent for ongoing plant construction and investments in associates.

Net cash used in financing activities in 2017 was ₱19.46 billion versus ₱52.85 billion generated in 2016. This was largely attributed to long-term loan repayments made during 2017 versus higher loan availments and the sale of treasury shares during 2016.

For 2017, net cash inflows surpassed cash outflows, resulting in a 2% increase in cash and cash equivalents from ₱63.86 billion as of year-end 2016 to ₱64.87 billion as of December 30, 2017.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 1.56x as of end-2017 from 2.51x at the start of the year, since current liabilities grew more than current assets. Debt-to-Equity ratio stood at 1.56:1 as of end-2017 (versus year-end 2016's 1.68:1). This was mainly due to the growth in total equity coupled with substantial prepayment of long-term debt during 2017.

Outlook for the Upcoming Year/ Known Trends, Events, Uncertainties which may have Material Impact on Registrant

Based on the information provided by Unionbank's Economic Research Unit, AEV expects the Philippines to outperform its peers in 2018, with a projected 7% Philippine GDP growth rate compared to 6.5% for Developing Asia. AEV believes that it, along with its Strategic Business Units (SBUs) are in a position to take advantage of opportunities emerging from a fast-growing economy, and will continue to sustain the growth of its SBUs over the long-term.

Power SBU

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

I. Power Generation Business

Despite increased competition in the power generation market, AboitizPower believes it has built the foundation to sustain growth over the long term. In line with its growth target of reaching 4,000 MW in net attributable capacity by 2020 from its capacity of 2,999 MW as of December 31, 2017. AboitizPower expects to expand its portfolio of generation assets by implementing the projects described below:

A. Greenfield and Brownfield Developments

AboitizPower, together with its Subsidiaries and Associates, is in various stages of construction or completion of the following Greenfield and Brownfield projects.

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1. **8.5-MW Maris Canal Hydropower Plant Project in Ramon, Isabela.** This project, undertaken by SN Aboitiz Power-Magat, was inaugurated in January 2018.
 2. **420-MW Pulverized Coal-Fired Expansion Unit 3 in Pagbilao, Quezon.** This project is undertaken by PEC, a partnership between TPI, a wholly-owned Subsidiary of AboitizPower, and TPEC Holdings Corporation. PEC started commercial operations in March 2018.
 3. **340-MW CFB Coal-Fired Project in Toledo City, Cebu.** This project is undertaken by TVI, a partnership between AboitizPower and the Vivant Group. The project involves the construction of a 2x170-MW coal-fired power plant. TVI is targeting commercial operations in May 2018 for Unit 1 and in August 2018 for Unit 2.
 4. **68.8-MW Manolo Fortich Hydropower Plant in Manolo Fortich, Bukidnon.** The project is undertaken by Hedcor Bukidnon. The completion of Unit 1 (43.4-MW) and Unit 2 (25.4-MW) is expected in April 2018 and in July 2018, respectively.
 5. **19-MW La Trinidad Hydropower Plant in La Trinidad, Benguet.** This project is undertaken by Hedcor. It is currently under construction and targeted commercial operation date is in the second half of 2019.
 6. **2x668-MW Dinginin Supercritical Coal-Fired Power Plant in Mariveles, Bataan.** This project is undertaken by GNPow Mariveles, a partnership composed of TPI, AC Energy Holdings, Inc., a wholly-owned subsidiary of Ayala Corporation, and Power Partners Ltd. Co. Both Unit 1 and Unit 2, each of 668-MW, are under construction, with targeted commercial operations expected in June 2019 and July 2020, respectively.

B. Alimit Hydropower Complex

This project, undertaken by SN Aboitiz Power-Ifugao, involves the construction of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility, and the 20-MW Olilicon hydropower plant in the municipalities of Aguinaldo, Lagawe, Lamut, and Mayoyao in Ifugao. SN AboitizPower-Ifugao is currently completing the feasibility study phase of the project. The company is also progressing in the permitting process, and is expected to continue working with the government, indigenous peoples' representatives, and industry partners. An important component of the feasibility review for this project is the Free Prior and Informed Consent from the indigenous peoples.

C. Naga Power Plant

Senator Sergio R. Osmeña III filed a petition for certiorari with the Supreme Court to nullify the right-to-top granted by PSALM to SPC in relation to the 153.1 MW NPPC bidding, and to enjoin the award on the ground that SPC's right-to-top is against public policy.

On February 14, 2017, TPVI, thru counsel, received a copy of the Entry of Judgment from the Supreme Court dated January 9, 2017, stating that its September 28, 2015 Decision declaring the right-to-top as null and void and October 5, 2016 Resolution reinstating the Notice of Award in favor of TPVI, have become final and executory and have been recorded in the Book of Entries of Judgment. With regard to the Motion for Leave to File and Admit the attached Motion for Reconsideration dated December 9, 2016, and the Supplemental Motion/Petition for Referral to the En Banc dated January 16, 2017 filed by SPC, these were denied by the Supreme Court in a Resolution dated April 26, 2017.

D. RP Energy PSA

The 660-MW CFB coal-fired power plant located in Redondo Peninsula, Subic, Zambales, is a project undertaken by RP Energy, a joint venture among MPGC, TPI, and TCIC.

On April 20, 2016, RP Energy entered into a PSA with Meralco for a contracted capacity of 225MW within a 20-year term. This PSA was filed for approval with the ERC on April 29, 2016. Public hearings were subsequently held, and were concluded on January 6, 2017. To date, RPE is still awaiting the ERC's PSA approval.

E. Expansion of Existing Net Attributable Capacity

AboitizPower is focused on addressing the needs of its markets, including reliable supply, reasonable cost, and minimal impact on the environment and communities. AboitizPower recognizes that there is no single technology that can address the country's energy requirements. Thus, AboitizPower believes that a mix of power generation technologies is necessary to address the country's needs. AboitizPower will continue to pursue both renewable projects and thermal technologies, where and when it makes sense.

II. Power Distribution Business

AboitizPower expects that its existing Distribution Utilities will continue to realize modest growth. It continuously seeks efficiency and improvements in its Distribution Utilities' operations in order to maintain healthy margins.

A. Performance-Based Rate-Setting

Performance-Based Rate-setting Regulation (PBR) replaced the Return on Rate Base (RORB) mechanism, that had historically determined the distribution charges paid by customers. Under PBR, distribution utilities can collect rates from customers over a four-year regulatory period.

The ERC has implemented a Performance Incentive Scheme (PIS) whereby annual rate adjustments under PBR are made. The annual rate adjustments take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as: (i) the average duration of power outages; (ii) the average time of restoration to customers; and (iii) the average time to respond to customer calls. The distribution utilities are either rewarded or penalized, depending on their ability to meet these performance targets.

In April 2016, the ERC posted on its website the following documents: (1) Draft Rules for Setting Distribution Wheeling Rates or "RDWR" for Privately Owned Distribution Utilities Operating under Performance Based Regulation, First Entry Group, Fourth Regulatory Period; (2) Draft Position Paper: Regulatory Reset for the July 1, 2015 to June 30, 2019, Fourth Regulatory Period for the First Entry Group of Privately-Owned Distribution Utilities Subject to Performance Based Regulation; and (3) Draft Commission Resolution on the Issues on the Implementation of PBR for Privately Owned DUs under the RDWR. Comments on the said draft documents were submitted to the ERC on May 13, 2016.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the "Resolution Modifying the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities Entering Performance Based Regulation (PBR)". Based on this Resolution, the Fourth Regulatory Period shall be as follows:

- (i) Cotabato Light: April 1, 2017 to March 31, 2021
- (ii) Davao Light and VECO: July 1, 2018 to June 30, 2022
- (iii) SEZ and SFELAPCO: October 1, 2019 to September 30, 2023

On November 21, 2016, the ERC posted the draft "Regulatory Asset Base (RAB) Roll Forward Handbook for Privately Owned Electricity Distribution Utilities" for comments. Public consultations were conducted on January 6 and 9, 2017 in Cebu City and Metro Manila, respectively.

In December 2015, a Petition was filed by Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK) with the ERC wherein MSK proposed a modified RORB methodology or even a modified PBR methodology, in which the distribution utilities' capital expenditures and rate recovery thereon are approved in advance but the charges to the customers will only start after the investments have actually been made and validated by ERC auditors. Public consultations were set by the ERC on March 17 and April 10, 2017 in its main office, and on March 22 and 24, 2017, in its field offices in Cebu City and Davao City, respectively.

The reset process for the Fourth Regulatory Period has not started for all private distribution utilities as the abovementioned ERC rules have not been published, which is a condition for their effectivity. Due to the rules change on PBR, all Distribution Utilities of AboitizPower have not undergone the Third Regulatory Period.

B. Policy on Competitive Selection Process in Securing Power Supply Agreements

In 2015, the DOE issued Department Circular No. DC2015-06-0008, entitled “Mandating all Distribution Utilities to Undergo Competitive Selection Process (CSP) in securing Power Supply Agreements (PSA).” The DOE recognizes that CSP in the procurement of PSAs by the distribution utilities ensures long term security and certainty of electricity prices of electric power to end-users.

On November 4, 2015, the ERC issued Resolution No. 13, Series of 2015, entitled "A Resolution Directing All Distribution Utilities to Conduct a Competitive Selection Process in the Procurement of their Supply in the Captive Market".

The adoption and implementation of the CSP is expected to increase transparency and competition in power supply contracting. The impact of CPS is prospective and, as such, its effectivity will not affect AboitizPower’s existing contracts.

On February 9, 2018, the DOE issued Department Circular No. DC2018-02-0003, essentially modifying the existing policy on CSP of power supply contracting, applicable to both electric cooperatives and private distribution utilities. Distribution utilities are now mandated to create either an independent five-man third party bids and awards committee (TPBAC) that will manage their CSP supply procurements, or have a third party auctioneer (TPA). The TPBAC and the TPA shall be accountable to its decision in the conduct of the CSP.

If a TPBAC is established, it shall be comprised of five (5) members, three (3) of whom shall be officers and/or employees of the distribution utility, and two (2) members shall be captive customers that are not directly or indirectly connected/affiliated with the distribution utility.

If the relevant distribution utility opts to have a TPA to undertake CSP in its procurement of power supply, the TPA shall be composed of a team of private individuals or a private corporation duly recognized in the Philippines with expertise on competitive bidding and with sufficient knowledge of the electric power industry. The TPA should not be connected/affiliated either directly or indirectly with the relevant distribution utility. The accreditation of potential TPAs is handled by the ERC.

C. Renewable Portfolio Standards

On December 30, 2017, the DOE issued Department Circular No. DC2017-12-0015, or the “Renewable Portfolio Standards (RPS) On-Grid Rules.” The new policy mandates distribution utilities, RES, generation companies supplying directly connected customers, and other mandated energy sector participants (each, a “Mandated Participant”) to source or produce a certain percentage share of their energy mix from eligible renewable energy (RE) facilities. Under the new policy, eligible RE facilities include the following technologies: biomass, waste-to-energy technology, wind, solar, hydro, ocean, geothermal, and such other RE technologies that may be later identified by the DOE.

The new policy mandates identified energy sector participants to comply with minimum annual RPS requirement in order to meet an “aspirational target” of 35% renewable energy supply in the generation mix by the year 2030. The RPS guidelines will implement a Minimum Annual Increment RE Percentage to be sold to mandated participants, initially set at 1% of the net electricity sales of the mandated participant for the previous year. Furthermore, this Minimum Annual Increment RE Percentage will be used to determine the current year’s requirement for RE Certificates (RECs) of the Mandated Participant. RE sourcing shall be enforced on the third year from the issuance of the DOE Circular in the year 2020, with the period 2018-2019 considered as the transition phases to project developments.

The RPS On-Grid Rules, which shall be implemented nationwide, also envisions the creation of a RE market where mandated participants comply with the Minimum Annual RPS Requirement through the allocation, generation, purchase or acquisition, or generation from net-metering arrangements, of RE Certificates. The RE Certificates will represent 1 MWh of generation produced from an eligible RE facility. Furthermore, all Mandated Participants must undertake a CSP in sourcing RE generation supply for its customers.

D. System Loss Caps

In February 2018, the ERC issued Resolution No. 20, Series of 2017 (ERC Resolution No. 20-2017) entitled “A Resolution Adopting the ERC Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency”. This set of rules provide for the new Distribution System Loss (DSL) cap that can be recovered

and charged by distribution utilities to its customers, beginning in the May 2018 billing period. Private distribution utilities shall charge a 6.50% DSL cap for 2018, which shall be reduced gradually on an annual basis until a DSL cap level of 5.50% is achieved by the year 2021. The aforementioned caps are exclusive of sub-transmission and substation losses.

Thereafter, the Private Electric Power Operators Association (PEPOA) wrote a letter to the ERC seeking for a one year delay of the effectivity of the recoverable rate under the new DSL cap, to the May 2019 billing period. With the additional year, the member distribution utilities could make the appropriate upgrades to their distribution systems for cost-effective system loss reduction measures, and ultimately, achieve efficient operation of their utilities. These capital expenditure projects such as upgrading transformers or primary and secondary voltage distribution lines, require careful planning, implementation, and ERC approval. These material and physical changes to distribution systems cannot be achieved in two months.

AboitizPower is considering the filing of individualized system loss applications to the ERC, where justifiable for a particular Distribution Utility. The foregoing ERC Resolution 20-2017 provides that a distribution utility may elect to use an alternative method in determining its applicable individualized DSL cap. AboitizPower believes that costs and benefits must be analyzed from the viewpoint of the customer determining the reasonable level of individualized DSL cap.

In February 2018, the Philippine Senate passed a bill setting the recoverable system loss rate for the private distribution utilities at 5%. Meanwhile, the Philippine House of Representatives is conducting technical working group meetings to gather inputs from industry stakeholders.

III. Market and Industry Developments

A. Retail Competition and Open Access (Open Access)

DOE Circular No. 2015-06-0010 and ERC Resolutions 5, 10 and 11 Series of 2016 are all subject of a Petition for Declaratory Relief filed by Meralco with the Regional Trial Court of Pasig (the "Pasig RTC") in June 2016 (the "Petition"). On July 13, 2016, the Pasig RTC has issued a writ of preliminary injunction enjoining the DOE and ERC from implementing the aforementioned Circular and Resolutions, insofar as relating to the prohibition on distribution utilities from engaging in the supply business, and the imposition of restrictions, contract term limits, mandatory contestability, and market caps.

On September 21, 2016, the DOE filed a Petition for Certiorari and Prohibition to the Supreme Court praying, among others, for the nullification of all Orders and Decisions issued by the Pasig RTC. The Supreme Court issued a Resolution on October 10, 2016 granting a Temporary Restraining Order enjoining the Pasig RTC from enforcing its decisions, orders, and resolutions related to the Petition until its final resolution.

On November 15, 2016, the ERC issued Resolution No. 28, Series of 2016, revising the timeframe of mandatory contestability from December 26, 2016 to February 26, 2017.

On February 21, 2017, the Supreme Court issued a TRO in relation to the petition to stop the implementation of the new regulations imposing mandatory contestability filed by Philippine Chamber of Commerce and Industry, San Beda College Alabang Inc., Ateneo de Manila University, and Riverbanks Development Corporation before the Supreme Court in December 2016. The TRO enjoined the ERC and the DOE from implementing ERC Resolutions No. 5, 10, 11, and 28, Series of 2016, and DOE Circular No. 2015-06-0010.

B. Possibility of the Mindanao Wholesale Electricity Spot Market (WESM)

On May 4, 2017, the DOE issued DC 2017-05-0009 entitled "Declaring the Launch of WESM in Mindanao and Providing Transition Guidelines." This DOE Circular took effect on June 7, 2017, with the following pertinent provisions:

1. Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the Philippine Electricity Market Corporation (PEMC) Board;
2. Launch of WESM in Mindanao on June 26, 2017, with the commencement of full commercial operations dependent on various conditions precedent, including installation of metering facilities, approval of the Price Determination Methodology by the ERC, and trial operations of the WESM, among others;
3. Conduct of the Trial Operation Program for the WESM;

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4. Automatic termination of IMEM; and
 5. Implementation of an Interim Protocol to govern the dispatch and scheduling of power generation plants, while the WESM is still not operational.

C. Reserve Market

On December 2, 2013, the DOE issued Department Circular No. DC2013-12-0027 entitled: “Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Market”. This DOE Circular sets the responsibility of the PEMC, National Grid Corporation of the Philippines (NGCP), National Electrification Administration, and all WESM members in relation to the operation of the Reserve Market (market that basically provides back-up power that could be tapped by the NGCP). As of this writing, no date has been set for the launch of the Reserve Market.

Pending the ERC’s approval of the Price Determination Methodology of the Reserve Market, the DOE and PEMC implemented the Central Dispatch and Scheduling of Energy and Reserves in the WESM starting January 2016. The protocol follows that of the Reserve Market, with participants being only be those contracted with NGCP, and that no settlement amount will come from the WESM.

D. Feed-in-Tariff (FIT) scheme

On May 2017, the DOE approved the new FIT-All rate for 2016 at ₱0.1830/kWh. The new FIT-All rate for 2016 took effect in the immediately succeeding billing period following the receipt by National Transmission Corporation of the aforementioned decision.

In March 2017, the ERC issued Resolution No. 01, Series of 2017 entitled “Resolution Setting the Degressed Feed-In Tariff Rates for Run-of-River Hydro and Biomass, as provided in Section 2.11 of the Feed-In-Tariff Rules (FIT Rules)”. The degressed rates will be applied for run-of-river hydro and biomass plants which commenced commercial operations in the period January to December 2017. The degressed rate for hydro is ₱5.8705/kWh, and ₱6.5969/kWh for biomass.

E. Maintaining the Share of RE in the Installed Capacity

The DOE, through the National Renewable Energy Board (NREB), aims to release the final rules for the Green Energy Option (GEOP) in 2018. The NREB has conducted several public consultations nationwide as part of the requirements for the approval of the policy.

Under the GEOP, electricity end-customers will be allowed to access renewable energy resources through their distribution utility, electric cooperatives, or electricity suppliers. The NREB is expected to submit its output on the policy to the DOE for the latter’s review and eventual promulgation.

Capital Expenditure for 2018

AboitizPower is allotting ₱62 bn for capital expenditure in 2018, of which 82% is for new thermal projects, 3% for new renewable projects, and 15% for exploratory and operating activities.

Banking & Financial Services SBU

I. UnionBank of the Philippines, Inc. (UnionBank)

UnionBank continues to progress with its 10-year business transformation roadmap called FOCUS 2020, with its vision of becoming one of the top 3 universal banks in the Philippines. This vision is not merely in terms of asset size or branch network, but rather in terms of metrics of financial value to stakeholders, operational excellence, customer franchise/share of wallet, unique customer experience, and delivering superior and innovative products and services.

Furthermore, the UnionBank’s primary objective is to become a premier retail bank. This means that it needs to increase its core earning asset base, attain a balanced source of revenue, and shift towards a recurring income business model as it fortifies its balance sheet.

Now that UnionBank is reaching the end-point of its FOCUS 2020 strategic plan, the shift has become more evident, with UnionBank showing progress in terms of reaching its objective. A significant portion of its revenues are already recurring in nature. More importantly, the growth in recurring revenue can now cover for the gap that trading income used to fill. Likewise, more than half of UnionBank's revenues are already coming from the retail segment.

Amid these milestones, UnionBank will continue to leverage the core strengths that drive its performance:

1. It leverages on Capital, which prompts UnionBank to shift from trading to building recurring income to provide stable returns and predictability in the growth of shareholder value.
2. It leverages on Transforming its Branches and establishing competence of its sales force, rather than expanding its brick-and-mortar network, in order to cater to changing customer expectations.
3. It leverages on Corporate Relationships, by providing superior cash management solutions to anchor clients and, in the process, penetrate their entire ecosystem.
4. It leverages on Processes, which is about building the foundation of the Bank's automation and digital transformation initiatives.
5. It leverages on Partners, to build synergies for the expansion of products and services, as well as customer reach.
6. It leverages on having a unique UnionBank DNA, focused on building the right culture and organizational capabilities.
7. Last but not the least, It leverages on its subsidiaries, such as CitySavings, which is the Bank's avenue to expand its reach towards underserved customer segments for inclusive prosperity.

On top of this, UnionBank is also embarking on a Digital Transformation Strategy which aims to enhance its competitive advantage beyond 2020. This is comprised of three major plans:

1. Plan A is to digitize the bank by building the necessary infrastructure to support digital initiatives, by including having 24/7 availability, 6sigma reliability, T+0 processes, and secured banking transactions;
2. Plan B is to launch a digital bank, which will deliver a fully digital customer experience through the EON brand; and
3. Plan C is to engage fintechs, in order to expand UnionBank's platform partnership base and fast track customer acquisition. All these plans are deemed crucial in sustaining its level of efficiency as it scales up its business operations.

The combined financial and technological capabilities of UnionBank and CitySavings, driven by the purpose to deliver smart banking solutions and promote inclusive prosperity, are expected to catapult UnionBank and its Subsidiaries to greater heights and towards elevating the lives of its stakeholders and the communities they serve.

UnionBank is allotting ₱2 bn for capital expenditure in 2018.

II. PETNET, Inc. (PETNET)

PETNET will continue to face an environment that is more competitive in business trends and more stringent in regulation. Thus, PETNET has and will continue to put in place IT, risk management, and compliance systems and processes, to respond to these challenges. As testament to this commitment, PETNET secured ISO 9001:2015 (Quality Management System) Certification with Zero Non-Conformance in December 2017. PETNET intends to continue improving its business operations to adapt and better respond to the ever-growing needs of the market.

Strengthening its retail brand, PERA HUB, will remain as one of PETNET's priorities as they explore new and better ways to heighten customer delight. As part of its digital initiatives to be more accessible and convenient for customers, PETNET introduced the PERA HUB Mobile Application in January of 2017, the first of its kind in the financial services industry. Through the simple click of a button, customers will be able to locate the nearest PERA HUB branch, view the list of loan requirements, and monitor PERA HUB Rewards Card points. In addition, the mobile app users can also check the latest PERA HUB promos and rewards, and explore its other products and services. Through future PERA HUB version updates with added functionalities, customers will soon be able to conduct transactions through this mobile application.

PETNET shall continue to support the CSR activities of the Aboitiz Group to complement its own continuing efforts to develop more purposive CSR activities. PETNET remains steadfast in its commitment to provide as much value as it can to all its stakeholders. As such, it intends to be fully aligned with the Aboitiz Group's level of corporate governance as it remains true to its core values as an organization.

UnionBank’s subsidiaries, City Savings Bank and Union Properties, Inc., agreed to purchase AEV’s shares in PETNET on February 9, 2018. The sale is subject to approvals by the Philippine Competition Commission and the Bangko Sentral ng Pilipinas.

Food SBU

Pilmico remains aggressive in growing its core businesses in the Philippines while building new ones in the ASEAN region. True to its brand promise of being its customer’s Partners for Growth, Pilmico will continue to strive for business excellence by providing solutions and building partnerships for growth.

Pilmico intends to continue to spread its reach in the ASEAN region, with plan of effectively increasing its customer base from 100 million to 600 million. Through diversification and integration, Pilmico expects to grow domestically and internationally as it aims to increase shareholder value.

For its Flour business, Pilmico plans to expand its market reach in the ASEAN region with the export of its flour products and by exploring production capabilities in the region. Likewise, Pilmico expects to broaden its flour product portfolio offering for both local and international distribution.

The Farms business plans to proceed to the next sow level ramp up of 20,000 sows, and integrate the business further through the value chain with a new meat processing plant. It expects to likewise grow its current monthly egg production from 4 million in 2017 to 15 million by quadrupling its current layers’ capacity.

To further grow and strengthen its Feeds business in the Philippines, Pilmico plans to expand its feed mill capacity in both Iligan and Tarlac. Also, investments in the improvement of warehousing and logistics will be put in place to cater to ever-evolving customer needs. These enhancements should enable Pilmico to serve its growing animal feeds-related businesses in the Philippines by increasing its foothold in the industry.

Internationally, Pilmico will continue to practice operational excellence in its existing aqua feed mill in Dong Thap, Vietnam, and expand its market reach both locally and regionally. At the same time, Pilmico will start operationalizing its newly acquired animal feed mill in Binh Duong, Vietnam while aggressively penetrating the local animal feed mill industry.

Pilmico plans to replicate the success of its feed-milling business in the Philippines in Vietnam. Its acquisitions in Vietnam are a strategic entry point to explore new markets in the Indochina region and be a true ASEAN Feeds player. Furthermore, Pilmico will continue to actively pursue other opportunities in the region through expansion, as well as via mergers and acquisitions.

2018 will be complex, volatile, and uncertain, but Pilmico sees this as more opportunities to advance business and communities. Pilmico will leverage its continuing strategies of building an agile culture, people development and digital transformation in order to deliver solutions to customers as it expands its market reach in the ASEAN region. Through an agile workforce enabled by technology, Pilmico is confident that it is well-positioned to capitalize on market volatility and still deliver its brand promise of being its customer’s partner for growth.

Pilmico is allotting ₱5 bn for capital expenditure in 2018.

Infrastructure SBU

I. Aboitiz InfraCapital (AIC)

AIC remains committed to participating in the Philippine infrastructure space and contributing to the nation’s development.

It will use Apo Agua Infraestructura, Inc. (Apo Agua) and Lima Water as strategic platforms to build up the Group’s water business. It also continues to look into unserved highly-urbanized cities for opportunities to expand its footprint in the water space across the country.

Apo Agua, the project company between AEV and J.V. Angeles Construction Corp. (JVACC), will design, construct, and operate a hydroelectric powered-raw water treatment facility and a conveyance system which will deliver a minimum contracted annual volume of 109.5 mn cubic meters (equivalent to 300 million liters per day) of treated bulk water to Davao City over a 30-year period.

On March 17, 2015, Apo Agua signed the Contractual Joint Venture Agreement and Bulk Water Purchase Agreement (BWPA) with Davao City Water District (DCWD) for the financing, design, construction, and operations of the Tamugan Surface Water Development Project.

On March 1, 2016, Apo Agua secured the project endorsement and approval from the Council Members of the Davao City Government.

On October 9, 2017, Apo Agua received approval for the allowable use of land from the Sangguniang Panlungsod. Other key permits obtained in 2017 include the Environmental Compliance Certificate and tree cutting permit from the DENR.

Apo Agua continues to work on obtaining the final permits necessary to begin construction. In parallel, Apo Agua continues to work on finalizing the design of the facility and continually engaging with our stakeholders to set the stage for the commencement of construction in 2018.

AIC is allotting ₱4 bn for capital expenditure in 2018.

II. Republic Cement and Building Materials, Inc. (RCBM)

Overall cement demand grew modestly in 2017. Market demand in residential and non-residential markets remained steady and public-sector infrastructure projects started to accelerate. However, RCBM faced strong headwinds during 2017 from imports, cost inflation and competitive pressures.

The sector is expected to remain highly competitive with new local capacity and continued imports.

RCBM remains focused on serving its key markets throughout the county with high-quality products, while improving efficiencies and reducing costs to best adapt to the challenging environment. RCBM believes that the long-term outlook for the Philippine construction industry remains strong.

Land SBU

By securing land in strategic areas, crafting unique project designs, and focusing on lucrative niches, AboitizLand is firmly committed to building and nurturing communities. Focused on growth, AboitizLand looks forward to the addition of new projects to its residential and commercial business, whilst expanding its industrial portfolio.

In 2018, AboitizLand expects to launch three (3) residential projects, as well as its largest commercial project to date, The Outlets at Lipa. AboitizLand is confident that these new projects launching in Luzon will be key in driving and sustaining the company's growth towards becoming a competitive player in the national real estate industry.

The Outlets at Lipa demonstrated early signs of success through the Holiday Wonderfair preview event, which took place in December 2017. In addition, as residential sales remain on a firm uptrend with the launch of new projects, AboitizLand also continues to better its construction rhythm, priming the residential business unit for growth opportunities.

Based on an internal assessment of other top performing industrial parks in the Calabarzon region, AboitizLand ranked 1st in industrial lot sales (hectares) for 2017. AboitizLand's industrial business unit will continue to be a key performer in the years ahead. The industrial business unit has been outperforming its prior years and has consistently exceeded sales targets, whilst sustaining its business through additional land acquisitions and the development of its existing land portfolio.

AboitizLand is allotting ₱5 bn for capital expenditure in 2018.

REVIEW OF JAN-DEC 2016 OPERATIONS VERSUS JAN-DEC 2015

RESULTS OF OPERATIONS

For the year ended December 2016, AEV and its subsidiaries posted a consolidated net income of ₱22.47 billion, a 27% YoY increase. This translated to an earnings per share of ₱4.02 for 2016. In terms of income contribution, Power Group still accounted for the bulk at 65%, followed by the Banking and Financial Services, Food, Infrastructure and Real Estate Groups at 21%, 7%, 7% and 1%, respectively.

The Group generated a non-recurring net loss of ₱347 million (versus a ₱602 million loss in 2015) mainly from the Power unit's refinancing costs and goodwill impairment, which were partly offset by the net foreign exchange gains from revaluation of dollar-denominated assets and liabilities. Stripping out these one-off items, the Group's core net income for 2016 amounted to ₱22.82 billion, up 25% YoY.

BUSINESS SEGMENTS

The individual performance of the major business segments is discussed as follows:

Power

Aboitiz Power Corporation (AboitizPower) ended 2016 with an income contribution of ₱15.38 billion, a 14% increase from 2015's ₱13.53 billion.

Power generation group's bottomline contribution to AEV increased by 17% in 2016 to ₱12.50 billion from ₱10.70 billion in 2015. This was substantially attributed to the full-year income contribution of Therma South, Inc. (TSI), which started to generate earnings in September 2015.

AboitizPower's attributable energy sold for 2016 grew by 8% YoY, from 12,550 gigawatt hours (GWh) to 13,495 GWh, mainly due to the 8% YoY growth in power sales through bilateral contracts. In line with the group's efforts to reduce its exposure to spot market sales, bilateral sales constitute 91% of total power sold. Spot market sales likewise increased by 4% YoY to 1,216 GWh.

As of year-end 2016, AboitizPower's net sellable capacity stood at 2,975 MW after the PCC approval of the acquisition of GNPowder Mariveles Coal Plant Ltd. Co. (GMCP).

On the other hand, AboitizPower's distribution group's earnings contribution to AEV decreased by 4% from ₱2.92 billion to ₱2.82 billion. Attributable electricity sales rose by 7% to 5,105 GWh in 2016 from 4,759 GWh in 2015 as energy sales grew across all customer segments. However, gross margin per kWh in 2016 decreased to ₱1.59 from ₱1.61 in 2015. The decline mostly came from the under-recoveries as a result of a shift in supply mix.

Banking and Financial Services

Income contribution from this industry group grew 93%, from ₱2.54 billion to ₱4.91 billion for 2016. Union Bank of the Philippines (UBP) income contribution rose 94% from ₱2.53 billion to ₱4.91 billion mainly due to profits from the sale of securities, coupled with higher net interest income and fees posted during 2016. Net interest income surged by 24% to ₱14.8 billion as UBP continued the build-up of its earning asset portfolio. Fee income likewise increased by 19% to ₱4.4 billion attributed to the increasing customer base in both loans and deposits.

Food

Income contribution from Pilmico Foods Corporation (Pilmico) and its subsidiaries increased slightly by 1% in 2016 to ₱1.73 billion from ₱1.71 billion in 2015. Feeds Philippines and Flour reported an increase in income contributions, while Feeds Vietnam and Farms both showed a decrease. Feeds Philippines income contribution increase was due to strong volume growth while Flour's improvement was a result of better performance of its by-products. On the other hand, Feeds Vietnam reported a decline in income contribution mainly due to lower selling prices and volume. For Farms, the significant drop in live hog prices more than offset the rise in volume on account of sow level expansion.

Real Estate

Income contribution of AboitizLand in 2016 amounted to ₱188 million, 65% down from the ₱536 million in 2015. Revenue at ₱2.4 billion posted a 7% decline from 2015 mainly due to deferred industrial business unit revenue recognition. The decline in net income was mainly due to the increase in opex spending to strengthen the organization and to support entry into the national real estate scene. In addition, AboitizLand recognized a fair valuation gain on investment properties in 2015, which did not recur in 2016.

Infrastructure

Newly-acquired infrastructure companies started contributing in mid-September 2015 and posted a combined income contribution of ₱1.55 billion for 2016, up 700% from ₱194 billion in 2015.

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

For the year ended December 31, 2016, consolidated net income allocable to the equity holders of AEV registered a 27% YoY increase, reaching ₱22.47 billion from ₱17.68 billion posted in 2015.

Operating profit for 2016 amounted to ₱28.9 billion, a 5% increase YoY, as the ₱5.16 billion increase in revenues surpassed the ₱3.65 billion rise in costs and expenses. This increase was mainly attributed to the performance of the Power Group.

Power subsidiaries reported a 7% YoY increase in operating profit from ₱24.69 billion to ₱26.31 billion mainly due to the growth in Earnings Before Income and Taxes (EBIT) of the Therma Power subsidiaries attributed to the full-year EBIT contribution from TSI.

Share in net earnings of associates rose by 46% YoY (₱9.65 billion vs ₱6.59 billion in 2015) largely due to the growth of UBP's net income during 2016, which resulted from higher net interest income and substantial gains from sale of securities, as well as, and full-year equity earnings contribution of infrastructure group.

The growth in equity earnings and other income, coupled with an increase in operating profit, more than offset the increase in net interest expense, and as a result, pulled up the Group's overall profitability. Net interest expense increased by ₱1.38 billion YoY resulting from higher level of debt.

Other Income reached ₱2.50 billion in 2016, from ₱224 million in 2015, mainly due to TSI's collection of insurance proceeds from settlement of liquidated damages, AP's gain on step acquisition of EAUC, and lower foreign exchange losses.

Net income attributable to non-controlling interests increased to ₱6.18 billion from ₱5.48 billion in 2015, substantially due to the increase in AP's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders correspondingly increased by 42% from ₱15.54 billion in 2015 to ₱22.07 billion in 2016. The 27% increase in consolidated net income, combined with the 92% drop in AEV's share of an associate's unrealized mark-to-market losses on its available-for-sale (AFS) investments, accounted for this growth.

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

Assets

Compared to year-end 2015 level, consolidated assets increased 36% to ₱464.08 billion as of December 31, 2016, due to the following:

- a. Trade and other receivables, inclusive of noncurrent portion, rose by 16% (₱22.01 billion vs ₱19.05 billion as of December 31, 2015) mainly due to the first-time consolidation of ₱2.15 billion receivable accounts of newly-acquired subsidiary, GMCP, and higher receivables of the real estate group.

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- b. Inventories increased by 29% (₱10.22 billion vs ₱7.95 billion as of December 31, 2015) mainly due to the increase in power group's coal inventory as a result of the first-time consolidation of GMCP's accounts.
- c. Derivative Assets, net of derivative liabilities (current and non-current) shifted from a net derivative asset of ₱563 million as of end-2015 to a net derivative liability of ₱69 million as of end-2016. This movement is a result of combined mark-to-market and realized swap losses on existing derivatives.
- d. Other Current Assets increased by 48% (₱9.58 billion vs ₱6.49 billion as of December 31, 2015) substantially due to the recording of TSI's ₱2.10 billion restricted cash to comply with its project debt covenant and the ₱679 million prepaid accounts of GMCP.
- e. Gross of depreciation expense, the resulting ₱65.82 billion combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) in 2016 was mainly due to the following: 1.) ₱28.4 billion construction of AP's power plants and Food Group's swine farms and plant facilities; 2.) ₱1.4 billion acquisition of AP generation and distribution assets; 3.) ₱34.7 billion first-time consolidation of EAUC and GMCP assets; and 4.) ₱917 million additional lot purchases by Real Property Group.
- f. Investments in and Advances to Associates increased by 18% (₱86.95 billion vs ₱73.43 billion as of December 31, 2015) mainly due to the ₱11.2 billion acquisition of GNPowr Dinginin Ltd. Co. (GNPD) by AP, ₱587 million purchase of UBP shares, ₱596 million capital infusion into San Carlos Sun Power, Inc. (Sacasun), Maaraw Holdings San Carlos, Inc. and RP Energy by AP, and recording of ₱9.65 billion share in net earnings of associates for 2016. This increase was partially reduced by the ₱8.04 billion cash dividends received from associates, ₱232 million de-equitized investment in EAUC, and ₱190 million share of a banking associate's mark-to-market loss on its AFS investments for the year 2016.
- g. Available-for-Sale (AFS) Investments increased by 53% (₱564 million vs ₱368 million as of December 31, 2015) mainly due to additional acquisitions made during 2016.
- h. Deferred Income Tax Assets increased by 171% (₱1.89 billion vs ₱700 million as of December 31, 2015) mainly due to the corresponding deferred tax benefits recognized on the unrealized foreign exchange losses, actuarial losses on defined benefit plans and impairment provisions of the Group during 2016.
- i. Goodwill increased by 1889% (₱41.25 billion vs ₱2.07 billion as of December 31, 2015) due to the ₱39.34 billion positive goodwill generated from AP's acquisition of GMCP, partly offset by the impairment of goodwill amounting to ₱169 million on the investment in MEZ.
- j. Other Noncurrent Assets increased by 46% (₱15.22 billion vs ₱10.43 billion as of December 31, 2015) primarily due to the build-up of deferred input VAT by Power Group in 2016 due to the ongoing construction of its power plants, and the ₱2.88 billion loan extended by ARI to Sacasun.

Liabilities

Consolidated short-term bank loans decreased by 7% (₱8.26 billion vs ₱8.88 billion as of December 31, 2015) mainly due to loan repayments made by Power Group in 2016. On the other hand, long-term debt increased by 64% (₱249.46 billion vs ₱152.46 billion as of December 31, 2015) substantially due to the ₱31.0 billion bridge financing availed by TPI to fund GMCP acquisition, ₱28.02 billion combined additional loan availment by TVI, PEC, Hedcor Bukidnon and Aseagas to finance plant constructions, ₱28.12 billion first-time consolidation of GMCP debt, and ₱15.98 billion loan availment by APRI and Hedcor Sibulan. This was reduced by ₱6.12 billion payment of finance lease and loan amortizations, and financing costs on new loan availments.

Trade and other payables, inclusive of noncurrent portion, increased by 22%, from ₱18.87 billion to ₱23.02 billion, mainly due to the increase in payables to suppliers and contractors of certain power subsidiaries and a joint operation investee as a result of ongoing plant construction in 2016, and first-time consolidation of GMCP's ₱1.81 billion accounts.

Income tax payable decreased by 28% in 2016 from ₱957 million to ₱685 million due to recording of lower income tax liability of Power and Food Groups for the year.

Customers deposits increased in 2016 by 7%, from ₱6.58 billion to ₱7.04 billion, mainly due to the growth in the customer base of power distribution subsidiaries and additional deposits from retail electricity supply (RES) customers.

Asset retirement obligation (ARO) decreased by 40% in 2016 from ₱3.02 billion to ₱1.82 billion, as a result of the change in the estimated future costs.

Pension liability, net of pension asset, decreased by 64%, from ₱649 million to ₱232 million, mainly on account of retirement contributions made by AEV, AP and the majority of the subsidiaries in 2016.

Equity

Equity attributable to equity holders of the parent increased by 19% in 2016 from year-end 2015 level of ₱118.22 billion to ₱140.28 billion, mainly due to the following: 1.) ₱16.59 billion increase in Retained Earnings resulting from the ₱22.47 billion net income recorded during 2016, reduced by the ₱5.89 billion cash dividends paid, and 2.) ₱5.87 billion sale of treasury shares. This was partly offset by the ₱368 million additional share in UBP's unrealized mark-to-market losses on its AFS investments and actuarial losses on its defined benefit plans.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 2016, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2015, consolidated cash generated from operating activities in 2016 increased by ₱4.75 billion to ₱32.01 billion mainly due to the significant growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries in 2016 despite higher income taxes paid.

As of December 31, 2016 ended up with ₱84.67 billion net cash used in investing activities versus ₱36.59 billion in 2015. This was mainly due to higher funds spent on the ongoing plant constructions, acquisition of GMCP and GNPD, and step acquisition of EAUC.

Net cash from financing activities was ₱52.85 billion as of end-2016 versus ₱22.39 billion in 2015. This was largely attributed to the Group's higher level of long-term loan availments during the current year, coupled with higher cash generated from the sale of treasury shares.

For the period ended December 31, 2016, net cash inflows surpassed cash outflows, resulting in a 0.4% increase in cash and cash equivalents from ₱63.58 billion as of year-end 2015 to ₱63.86 billion in 2016.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio as of end-2016 stood at 2.51x compared to 2.84x at the start of 2016, as current liabilities grew stronger than current assets. Debt-to-equity ratio climbed to 1.68:1 as of end-2016 (versus year-end 2015's 1.31:1). This was mainly due to the growth in total liabilities which outpaced the increase in equity.

REVIEW OF JAN-DEC 2015 OPERATIONS VERSUS JAN-DEC 2014 RESULTS OF OPERATIONS

For the year ended December 2015, AEV and its subsidiaries posted a consolidated net income of ₱17.68 billion, a 4% YoY decrease. This translated to an earnings per share of ₱3.18 in 2015. In terms of income contribution, Power Group accounted for the bulk at 73%, followed by the Financial Services, Food, Real Estate and Infrastructure Groups at 14%, 9%, 3%, and 1%, respectively.

The Group generated a non-recurring net loss of ₱602 million (versus a ₱436 million gain in 2014) mainly from the foreign exchange loss on the revaluation of dollar-denominated loans and placements of the Power business units. Stripping out these one-off items, the Group's core net income for 2015 amounted to ₱18.28 billion, up 2% YoY.

BUSINESS SEGMENTS

The individual performance of the major business segments is discussed as follows:

Power

Aboitiz Power Corporation (AboitizPower) ended 2015 with an income contribution of ₱13.53 billion, a 6% increase from 2014's ₱12.75 billion. Power generation group's bottomline contribution to AEV increased by 3% in 2016 to ₱10.70 billion from ₱10.36 billion in 2014. This was substantially attributed to the following: a.) higher sales volume from the coal and large hydro groups, b.) lower financing cost of the large hydro group, and c.) lower operating expenses of the geothermal and oil groups. This was partly offset by the decrease in geothermal group's revenue due to steam decline and the increase in income tax provisions owing to the income tax holiday (ITH) expiration of Magat, Binga and Therma Marine plants that occurred.

AboitizPower's attributable net generation for 2015 grew by 11% YoY, from 11,272 gigawatthours (GWh) to 12,550 GWh, due to the 18% YoY growth in power sales through bilateral contracts. In line with the group's efforts to reduce its exposure to spot market sales, bilateral sales constitute 91% of total power sold for the year 2015, and as a consequence, spot sales decreased by 28% YoY to 1,168 GWh.

On a capacity basis, attributable sales increased by 6% in 2015 to 1,900 MW. The new capacities during 2015 from Therma South and Hedcor Sabangan, along with the higher ancillary revenues of the large hydros and higher dispatch of the oil group, more than offset the decrease in APRI's available capacity due to steam decline. The completion of the 14MW Sabangan run-of-river hydroelectric and 260MW (net) Davao Coal plants during 2015 resulted in an increase in the Power group's net attributable sellable capacity to 2,532 MW.

Likewise, AboitizPower's distribution group's earnings contribution to AEV during 2015 rose 19% from ₱2.46 billion to ₱2.93 billion. Driven by the growth in energy sales across all customer segments, as well as the 2015 full-year contribution of Lima Enerzone, attributable electricity sales rose by 6% to 4,759 GWh, from 4,480 GWh in 2014.

Banking and Financial Services

Income contribution from this industry group fell 22%, from ₱3.24 billion in 2014 to ₱2.54 billion for 2015.

UBP's income contribution fell 22% in 2015 from ₱3.24 billion to ₱2.53 billion mainly due to the absence of trading gains posted in 2015. This decline was partially countered by the 13% growth to ₱12 billion of net interest income during 2015 in view of higher interest income coupled with lower cost of deposits. Service fee revenue likewise grew by 13% to ₱3.7 billion brought about by the strong expansion in retail loans.

PETNET, Inc. (PETNET), acquired by AEV in June 2015, contributed ₱8.16 million to the Group's consolidated net income from the date of acquisition.

Food

Income contribution from Pilmico Foods Corporation (PILMICO) and its subsidiaries amounted to ₱1.71 billion, up 31% YoY, mainly attributed to the strong performance of Feeds Philippines and the full-year contribution of Feeds Vietnam. Flour earnings contribution remained flat at ₱556 million. The improvement in Net Income After Tax (NIAT) of the Feeds and Flour business more than made up for the decline in Farms' bottomline, resulting from lower prevailing market selling price of live hogs.

Real Estate

Full-year 2015 income contribution of AboitizLand amounted to ₱536 million, 15% down from 2014's ₱633 million. This was mainly due to the decline in revenue from residential unit sales and higher manpower cost as a result of ongoing organizational expansion. Despite the 8% increase in residential unit sales, the corresponding revenue recorded under the percentage-of-completion method was lower since the pace of construction in 2015 was slower than that for 2014

Infrastructure

AEV CRH Holdings, Inc. and CRH Aboitiz Holdings, Inc., which were acquired in started contributing in mid-September of 2015 and posted a combined income contribution of ₱194 million.

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

For the year ended December 31, 2015, consolidated net income allocable to the equity holders of AEV registered a 4% decline, reaching ₱17.68 billion from the ₱18.38 billion posted in the 2014.

Operating profit for 2015 amounted to ₱27.42 billion, a 12% increase YoY, as a result of the ₱1.39 billion increase in revenues coupled with the ₱1.48 billion decline in costs and expenses. This increase was mainly attributed to the performance of the Power and Food Groups.

Power subsidiaries reported a 10% YoY increase in operating profit during 2015 from ₱22.35 billion to ₱24.69 billion mainly due to the growth in (a) EBIT of the Therma Power subsidiaries attributed to lower fuel and purchased power costs of Therma Luzon, better selling prices of Therma Marine, and the fresh EBIT contributions from Therma South, Inc. (TSI) and the rehabilitated barges of Therma Mobile, and (b) gross margins of the distribution utilities attributed to higher electricity demand from customers. Food group also reported an increase in operating income in 2015 by 51% (₱2.67 billion vs ₱1.77 billion in 2014) largely from better performance of the Farms division.

Share in net earnings of associates dropped by 9% YoY (₱6.59 billion in 2015 vs ₱7.24 billion in 2014) mainly due to the decline in net income of UBP. This was largely attributed to absence of trading gains.

The drop in equity earnings and other income, coupled with increases in net interest expense and income tax provision, more than offset the increase in operating profit, and as a result, pulled down the Group's overall profitability. Net interest expense increased by ₱644 million in 2015 resulting from higher level of debt.

Other Income declined by 88% YoY (₱224 million in 2015 vs ₱1.91 billion in 2014) mainly due to the ₱634 million gains generated from the sale of Aboitiz Jebsen Transport Corporation (ABOJEB) and Cebu International Container Terminal, Inc. (CICTI) during , versus nil in 2015. The higher net foreign exchange loss (₱1.28 billion vs ₱199 million in 2014) recorded in the restatement of Power Group's dollar-denominated debt and placements, further contributed to the drop in Other Income.

Net income attributable to non-controlling interests increased in 2015 to ₱5.48 billion, from ₱5.18 billion in 2014, substantially due to the increase in AP's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders correspondingly decreased by 24%, from ₱20.35 billion in 2014 to ₱15.54 billion in 2015. The 4% decrease in consolidated net income combined with 217% decrease in AEV's share of an associate's fair valuation differential on its available-for-sale (AFS) investments, accounted for this decline.

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

Assets

Compared to year-end 2014 level, consolidated assets increased 21% to ₱340 billion as of December 31, 2015, due to the following:

- a. Cash & Cash Equivalents increased by 26% (₱63.58 billion vs ₱50.48 billion as of December 31, 2014) as the funds generated from operations and debt raising exceeded the funds used in acquiring additional investments, financing capital expenditures, repayment of maturing obligations and payment of cash dividends.
- b. Investments in and Advances to Associates increased by ₱21.17 billion (₱73.43 billion vs ₱52.27 billion as of December 31, 2014) mainly due to the ₱23.74 billion acquisition of Lafarge S.A.'s cement business, ₱452 million acquisition of San Carlos Sun Power, Inc and Maaraw Holdings San Carlos, Inc. by AP, ₱321 million purchase of UBP shares by AEV and recording of ₱6.59 billion share in earnings of associates. This increase

was partially offset by the ₱2.65 billion redemption of MORE preferred shares, ₱4.95 billion cash dividends received from associates, and ₱2.25 billion share of a banking associate's fair valuation loss on its AFS investments during the current period.

- c. Available-for-Sale (AFS) Investments increased by 472% (₱368 million vs ₱64 million as of December 31, 2014) mainly due to the first-time consolidation of PETNET's AFS investments.
- d. Gross of depreciation expense, the resulting ₱24.14 billion combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) during 2015 was mainly due to the following: (a) ₱18.3 billion on-going construction of AP's power plants, Aseagas' biomass plant and Food Group's swine farms and plant facilities; (b) ₱3.6 billion acquisition of AP generation and distribution assets; (c) ₱780 million purchase of a piece of property and renovation costs by CPDC; and (d) ₱1.4 billion additional lot purchases and various capital expenditures by Real Property Group.
- e. Trade and Other Receivables, inclusive of noncurrent portion, increased by 13% (₱19.05 billion vs ₱16.93 billion as of December 31, 2014) mainly due to the growth in: (a) Real Estate Group's installment sales and AEV's revenues which correspondingly brought up trade receivables, and (b) advances to contractors attributed to the on-going plant construction.
- f. Derivative Assets (current and non-current) increased by 401% (₱563 million vs ₱113 million as of December 31, 2014) mainly due to mark-to-market gains recognized during 2015 on new forward contracts entered into by Power Group to hedge its foreign exchange risk on forecasted dollar-denominated payments related to the construction of a power plant.
- g. Other Current Assets increased by 61% (₱6.49 billion vs ₱4.04 billion in December 31, 2014) substantially due to Power Group's increase in prepaid insurance and reclassification of VAT inputs from Non-current to Current Assets due to the expected application of these VAT inputs against generated VAT outputs at the start of a power generation subsidiary's commercial operation.
- h. Deferred Income Tax Assets increased by 100% (₱700 million vs ₱350 million as of December 31, 2014) mainly due to the corresponding deferred tax benefits recognized on the unrealized foreign exchange losses, actuarial losses on defined benefit plans and impairment provisions net operating loss carry-over (NOLCO) generated by the Group in 2015.
- i. Goodwill increased by 34% (₱2.07 billion vs ₱1.55 billion as of December 31, 2014) due to the ₱524 million positive goodwill generated from the acquisition of PETNET shares.

The above increases were tempered by the following decreases:

- a. Intangible Asset-Service Concession Rights decreased by 5% (₱3.23 billion vs ₱3.40 billion in December 2014) mainly due to the amortization charged to consolidated net income during the period.
- b. Other Noncurrent Assets decreased by 8% (₱10.43 billion vs ₱11.38 billion as of December 31, 2014) primarily due to the reclassification of a portion of the VAT inputs lodged in Non-current Assets to Current Assets in anticipation of their eventual application against future VAT outputs. Liabilities

Consolidated short-term bank loans increased by 21% (₱8.88 billion vs ₱7.34 billion as of December 31, 2014) due to availment by the Food and Real Estate Groups to fund working capital requirements. Likewise, long-term debt increased by 37% (₱152.46 billion vs ₱111.44 billion as of December 31, 2014) substantially due to the ₱24 billion retail bond issuance of AEV to fund investment acquisitions, and the ₱19.86 billion combined additional loan availment by TVI, Hedcor Bukidnon, TSI, PEC, Food Group and Aseagas to finance ongoing plant construction, which were partially offset by the ₱2.2 billion payment of maturing finance lease and loan amortizations.

Trade and other payables, inclusive of noncurrent portion, were higher in 2015 by 18%, from ₱15.98 billion to ₱18.87 billion, mainly due to the increase in payables to suppliers and contractors of certain power subsidiaries and a joint operation investee as a result of ongoing plant construction.

Income tax payable increased in 2015 by 38%, from ₱695 million to ₱957 million, due to recording of additional income tax liability of the Power Group during the year 2015.

Customers deposits increased by 11%, from ₱5.94 billion to ₱6.58 billion, mainly due to the growth in the customer base of power distribution subsidiaries.

Asset retirement obligation (ARO) increased by 28% from ₱2.35 billion to ₱3.02 billion due to additional provision and accretion of interest recorded in 2015.

Pension liability, net of pension assets, increased by 56%, from ₱416 million to ₱649 million, mainly on account of additional retirement costs and actuarial losses recorded by the Group, partially offset by the contributions made, in 2015.

Deferred income tax liabilities (DTL) decreased by 9% during the year, from ₱1.76 billion to ₱1.61 billion, mainly due to the reversal of some deferred tax provision resulting from the unrealized foreign exchange losses incurred, and lower unrealized fair valuation gain recorded on investment property during 2015.

Equity

Equity attributable to equity holders of the parent increased by 10% from the year-end 2014 level of ₱107.94 billion to ₱118.22 billion, mainly due to the following: (a) ₱11.53 billion increase in Retained Earnings resulting from the ₱17.68 billion net income recorded during 2015, reduced by the ₱6.15 billion cash dividends paid, and (b) ₱885 million sale of treasury shares. This was partially offset by the ₱2.25 billion increase in the Group's share of UBP's unrealized mark-to-market losses on its AFS investments.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 2015, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2014, consolidated cash generated from operating activities in 2015 increased by ₱155 million to ₱27.26 billion mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the current year despite higher income taxes paid and increase in operating assets.

During 2015, ₱36.59 billion totaled net cash used in investing activities compared to ₱14.42 billion in 2014. This was mainly due to the acquisition of the cement business, higher cash spent on PPE and LI acquisitions and lower cash dividends received from associates. This increase in cash usage was partly offset by the higher cash generated from the ₱2.65 billion redemption of MORE redeemable preferred shares, vis-a-vis the ₱638 million proceeds from the sale of ABOJEB and CICTI in 2014.

Net cash from financing activities in 2015 was ₱22.39 billion versus ₱1.66 billion in 2014. This was largely attributed to AEV's ₱24 billion retail bond issuance, the Group's other long- and short-term loan availments, lower cash dividends paid by AEV ₱6.15 billion vs ₱9.94 billion in 2014), and the ₱885 million sale of treasury shares.

In 2015, net cash inflows surpassed cash outflows, resulting in a 26% increase in cash and cash equivalents, from ₱50.48 billion as of year-end 2014 to ₱63.58 billion in 2015.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 2.84x as of end 2015 from 2.76x at the start of 2015, since current assets grew stronger than current liabilities. Debt-to-equity ratio climbed to 1.31:1 (versus year-end 2014's 1.08:1). This was mainly due to the growth in total liabilities which outpaced the increase in equity.

Item 7. Financial Statements

The audited consolidated financial statements of AEV will be incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules will be filed as part of this SEC Form 20-IS.

Item 8. Information on Independent Accountant and other Related Matters

(A) External Audit Fees and Services

The following table sets out the aggregate fees paid by the Registrant for professional services rendered by SGV:

Fee Type	Year ended December 31, 2017	Year ended December 31, 2016
Audit Fees		
Audit Fees	₱495,040.00	₱468,910.00
Audit-Related Fees	143,667.00	-
Total	₱638,707.00	₱468,910.00
Non-Audit Fees		
Tax Fees	-	-
Consultancy Fees	₱1,537,418.69	-
Total		
Total Audit and Non-Audit Fees	₱2,176,125.69	₱468,910.00

Aside from audit services, the Company also engaged SGV in 2017 to provide financial advisory services for ongoing business development projects.

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre-approves audit plans, scope and frequency before the audit is conducted.

Audit services of external auditors for the years 2017 and 2016 were pre-approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of SGV during the two (2) most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

PART III – CORPORATE GOVERNANCE

Starting in 2014, AEV refreshed its efforts to strengthen the roles and responsibilities of its Board. This was guided by the Organization for Economic Co-operation and Development (OECD)'s five (5) principles of Corporate Governance. AEV adopted new protocols and improved existing systems and policies to protect the rights of its shareholders. It safeguarded shareholders' equitable treatment and continuously recognized the value and participatory role of all stakeholders. AEV also practiced the appropriate level of transparency and improved corporate disclosures. AEV continues to create long term value for all stakeholders, to drive change for a better world by advancing business and communities.

Shareholder Rights and Equitable Treatment

All shareholders, regardless of the amount of their shareholdings, are given the right to participate in the decision-making, pursuant to the Company's One Share, One Vote policy.

Moreover, to ensure that directors, officers, and even majority shareholders do not take advantage of their positions, all shareholders within the Aboitiz Group are apprised of all related party transactions, with amounts disclosed. All related party transactions in the Aboitiz Group are reported in AEV's Consolidated AFS every year.

All shareholders likewise receive notices of all shareholders' meetings, and all agenda items to be discussed and decided upon during the said meetings are set out in the notices and that no new agenda item will be taken up during the conduct of the meeting. For the guidance of shareholders, included in the notices to shareholders' meetings are the rationale of agenda items which are submitted to the shareholders for their approval.

Stakeholder Engagement

The Aboitiz Group is committed to the principles of sustainability to balance the interests of People, Planet, and Profit. By following this rule, AEV has obtained and maintained a good health, safety, and environmental track record. The Group launched its Sustainability Policy in 2013, in the belief that all stakeholders must be treated with fairness and that corporate social responsibility is an integral part of doing business. In support of this policy, in 2014, the Group launched its BetterWorld campaign to encourage all stakeholders to adopt this policy for sustainability.

AEV has a Manual of Corporate Governance (Manual) and a Code of Ethics and Business Conduct (Code) to guide the attainment of its corporate goals and the implementation of its strategies. In 2016, the Board of Directors, upon the endorsement of the Board Corporate Governance Committee, approved the revised Code which now includes a more defined anti-corruption and bribery policy, sustainability policy, and digital media policy, among others. In 2017, the Board of Directors, approved the revised Manual which specifies the composition and duties of the newly-created and restructured board committees, the qualifications of the Corporate Secretary, an information security management policy, a sustainability policy, a risk management policy, a communication process and training process, a reportorial or disclosure system of the Company's corporate policies, a shareholders' benefit statement, and a monitoring and assessment system. The revised Manual is generally aligned to the principles and recommendations laid down by the SEC under the Corporate Governance Code for Publicly-Listed Companies (CG Code) to further strengthen the Company's corporate governance practices. The Compliance Officer, together with the Human Resources Department, regularly monitors and evaluates compliance by the Board of Directors, management and employees to the Manual, the Code, other company policies, and existing laws and regulations. The Compliance Officer also ensures the implementation of AEV's policy against conflicts of interests and the misuse of confidential and proprietary information throughout the organization.

The Compliance Officer regularly reports to the Board Corporate Governance Committee the Company's compliance status with existing laws and regulations, as well as the Board's, management's and employees' compliance with internal governance policies.

There are no major deviations from the Manual as of the date of this report. The Board of Directors regularly reviews the Manual to ensure that the same remains relevant and responsive to the needs of the organization.

Any amendments to the Manual are promptly submitted to the SEC for confirmation and approval.

Disclosure and Transparency

Pursuant to its commitment to transparency and accountability, AEV's website, www.aboitiz.com, has its own dedicated corporate governance webpage which serves as a resource center and library for its stakeholders. The Company also maintains a

Comprehensive Corporate Governance Report every year which is distributed before the Annual Stockholders' Meeting.

Board Responsibility

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investments, and to achieve disciplined and sustainable growth. To this end, board attendance and active participation during board and committee meetings are encouraged from the directors. Attendance during board meetings are closely monitored and reported by the Compliance Officer to the SEC and PSE, as well as in the Company's 2016 SEC Annual Corporate Governance Report uploaded in the company website.

In 2017, the Board held ten (10) regular and special meetings. Below is a summary of the attendance of the Directors.

ABOITIZ EQUITY VENTURES, INC. BOARD MEETINGS		Regular and Special Meetings in 2017										Total No. of Meetings Attended by Each Member	Percentage of Attendance
		REG	SP	REG	SP	REG	ASM	ORG	REG	REG	REG		
		26-Jan	7-Mar	23-Mar	3-May	15-May	15-May	15-May	27-Jul	28-Sept	23-Nov		
1	Jon Ramon Aboitiz	P	P	P	P	P	P	P	P	P	P	10	100%
2	Erramon I. Aboitiz	P	P	P	P	P	P	P	P	P	P	10	100%
3	Enrique M. Aboitiz	P	P	P	P	A	A	A	P	A	P	6	60%
4	Mikel A. Aboitiz*	-	-	-	-	P	P	P	P	P	A	5	83%
5	Roberto E. Aboitiz*	A	A	P	-	-	-	-	-	-	-	1	33%
6	Justo A. Ortiz	P	P	P	P	P	P	P	P	P	P	10	100%
7	Antonio R. Moraza	P	P	P	P	A	A	A	P	P	P	7	70%
8	Jose C. Vitug	P	P	P	P	P	P	P	P	P	P	10	100%
9	Raphael Perpetuo M. Lotilla	P	P	P	P	P	P	P	P	P	P	10	100%
10	Stephen T. CuUnjieng	P	P	P	P	P	P	P	P	P	P	10	100%
	Total No. of Members Present in Each Meeting	8	8	9	8	7	7	7	9	8	8		
	Percentage of No. of Members Present in Each Meeting	88.89%	88.89%	100.00%	88.89%	77.78%	77.78%	77.78%	100.00%	88.89%	88.89%		

*On April 17, 2017, AEV reported the passing of its director, Mr. Roberto E. Aboitiz. Mr. Aboitiz has been a director of AEV since May 9, 1994 and served as AEV's Chairman of the Board from 2005 to 2008. On May 3, 2017, Mr. Mikel A. Aboitiz was elected as director to serve the unexpired term of Mr. Roberto E. Aboitiz.

Legend: P - Present, A - Absent

Corporate governance is further fostered by the Board's active role in reviewing and approving corporate goals and strategies set by management, as well as in monitoring and evaluating management performance in meeting such goals. The different Board committees - Audit, Corporate Governance, Risk and Reputation Management, and Related Party Transactions - report regularly to the Board and are crucial in maintaining Board oversight in key management areas.

The mandate and the composition of each Board committee are described below:

- a. The **Board Corporate Governance Committee** represents the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles, and the various compensation matters. Independent Directors comprise majority of the voting members of the Board Corporate Governance Committee.

Chairman: Jon Ramon Aboitiz; Members: Mikel A. Aboitiz, Jose C. Vitug, Raphael P.M. Lotilla, Stephen T. CuUnjieng; Ex-Officio Members: M. Jasmine S. Oporto¹⁰ and Xavier Jose Aboitiz

- b. The **Board Audit Committee** represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise majority of the members of the Board Audit Committee, including its Chairman.

Chairman: Jose C. Vitug, Members: Raphael P.M. Lotilla, Stephen T. CuUnjieng, Mikel A. Aboitiz and Justo A. Ortiz;

- c. The **Board Risk and Reputation Management Committee** represents the Board in discharging its responsibility relating to risk management related matters for the Group.

Chairman: Enrique M. Aboitiz; Members: Justo A. Ortiz, Jon Ramon Aboitiz, Stephen T. CuUnjieng, Erramon I. Aboitiz, Jose C. Vitug and Raphael P.M. Lotilla; Ex-Officio Members: Manuel R. Lozano and Susan V. Valdez

- d. The **Board Related Party Transaction Committee** represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its subsidiaries, affiliated, directors and officers.

Chairman: Stephen T. CuUnjieng; Members: Justice Jose C. Vitug (ret.) and Raphael Perpetuo M. Lotilla

Corporate Governance Initiatives

Going beyond mere compliance and box-ticking, the Company regularly updates its corporate governance policies to ensure that they are relevant to the needs of the organization and, at the same time, at par with global best practices.

On November 22, 2016, the SEC issued the Code of Corporate Governance for Publicly Listed Companies (2016 CG Code). Shortly thereafter, the Board Corporate Governance Committee reviewed the Company's existing governance policies and practices to assess its level of compliance with the 2016 CG Code. As a result, the Board Corporate Governance Committee recommended the adoption of new and updated governance policies, Board and Board Committee Charters, and the creation of a new Board Committee.

The Board of Directors, during its first Board meeting in 2017, approved additional policies and protocols recommended by the Board Corporate Governance Committee. These Board Protocols include Policy on Information Disclosure, Policy on Related Party Transactions, Policy on Conflict of Interest, and Whistle Blowing Policy.

The Board of Directors also approved the Board Charter recommended by the Board Corporate Governance Committee for continuous improvement of solutions to shareholder concerns.

Moreover, in 2016, the Compliance Officer together with the Chief Financial Officer and the Controller of AboitizPower made a benchmark study on the related party transactions of the Company, the result of which was presented to the Board Corporate Governance Committee. On March 23, 2017, the Board approved the adoption of a new Related Party Transactions (RPT) Policy and the creation of RPT Committees and corresponding RPT Committee Charters.

¹⁰ Mr. Manuel Alberto R. Colayco will replace Ms. M. Jasmine S. Oporto as ex-officio non-voting member of AEV's Board Corporate Governance Committee effective March 1, 2018.

For a full discussion on the Company's initiatives, a copy of the complete CG Report of the Compliance Officer will be available at www.aboitzpower.com under Full Corporate Governance Report of Corporate Governance webpage.

Corporate Governance Awards

As a testament to its commitment to adopt best practices, AEV has been consistently recognized in local and international surveys, assessments, and scorecards as among the Philippines' best-managed companies and cited for its commitment to good corporate governance practices.

In November 2015, the company was recognized as one of the Top 50 Publicly Listed Companies in 2015 ASEAN at the first-ever ASEAN Corporate Governance Awards. The event was organized by the ASEAN Capital Markets Forum and the SEC and held at the Manila Polo Club, Makati City. The Company was likewise recognized as one of the awardees of Top Philippine Publicly Listed Companies in the 2015 PSE Bell Awards. AEV received the PSE Bell Awards for exemplary corporate governance practices.

In 2017, AEV has been recognized with the following awards:

Award Giving Body	Awards	Awards Received
Philippine Stock Exchange, Inc. Corporate Governance Asia	2017 PSE Bell Awards for Excellence in Corporate Governance 5th Asian Excellence Awards	Finalist
		Best Compliance & Ethics Program
		Best Environmental Responsibility
Employers Confederation of the Philippines Finance Asia	Kapatiran sa Industriya Awards 15th Finance Asia Best Companies in Asia	Employer of the Year
		Most Committed To Paying Good Dividends (8th place)
		Best In Corporate Governance (10th place)
		Best In Corporate Governance (10th place)
The Asset	The Asset Triple A Asia Infrastructure Awards 2017	Renewable Energy Deal of The Year – Hedcor Sibulan, Inc.
Department of Environment and Natural Resources Region V (DENR-V)	17th Saringaya Awards	Special Environmental Achievement Award
Asian Legal Business	2017 Philippine Law Awards	Debt Market Deal of the Year for AboitzPower's Shelf-Registered Bonds; M&A Deal of the Year for AboitzPower's Acquisition of Stake in GNPowder Plants; and Philippine Deal of the Year for AboitzPower's Acquisition of Stake in GNPowder Plants

ANNEX "A"

EXPLANATION OF AGENDA ITEMS REQUIRING STOCKHOLDERS' APPROVAL

ITEM NO. 2: Proof of Notice of Meeting

RATIONALE: To inform the stockholders that notice requirements for the 2018 Annual Stockholders' Meeting (2018 ASM) have been complied with in accordance with the Company's By-Laws and the Corporation Code of the Philippines.

The Corporate Secretary will certify the date when notices for the 2018 ASM were sent out to the stockholders of record, including the date of publication and the newspapers where the notice was published.

ITEM NO. 3: Determination of Quorum

RATIONALE: To inform the stockholders of the existence of a quorum for the 2018 ASM, and of the procedure for the conduct of voting for the agenda items being put to a vote.

The Corporate Secretary will certify the existence of a quorum, as verified and confirmed by the Board of Election Inspectors. Stockholders representing at least a majority of the outstanding capital stock, in person or by proxy, shall constitute a quorum for the transaction of business.

Should there be agenda items put to a vote, the following are the rules of conduct and procedures:

- (i) During the registration process, Company personnel with nametags labeled "AEV ASM Staff" will issue numbered voter receipts to stockholders and proxies. The AEV ASM Staff will keep the receipts and details of the voters in the ASM registration records.
- (ii) Voting shall be done manually. The AEV ASM Staff will distribute to the stockholders and proxies the relevant ballot for the particular agenda item put to a vote. The sample ballot for the agenda item will also be displayed on the screen in front of the Ballroom.
- (iii) The stockholders and proxies are required to present their voter receipts to the AEV ASM Staff so that they will be provided with the ballots. Valid ballots bear the signature of the Corporate Secretary at the back.
- (iv) To vote, a stockholder is required to fill up the ballot, indicate his voting number, and the number of shares of stock he owns consistent with the records of the Company. The AEV ASM Staff will collect the ballots for counting.
- (v) Each outstanding share of stock entitles the stockholder to one (1) vote, except for the election of directors where a stockholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected. The total number of votes cast should not exceed the total number of shares a stockholder owns.
- (vi) In general, the approval of the stockholders owning and representing at least a majority of the capital stock present at the meeting is sufficient to approve an agenda item. There is no item in the 2018 ASM Agenda that requires a higher percentage of votes from the stockholders.
- (vii) All votes received shall be tabulated by the Office of the Corporate Secretary and the results shall be validated by Luis Cañete & Company, an independent auditing firm which has been appointed as the Board of Election Inspectors.
- (viii) The Corporate Secretary shall report the votes received and inform the stockholders if the particular agenda item is carried or disapproved. The total number of votes cast for all items for approval under the agenda will be flashed on the screen.

ITEM NO. 4: Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on May 15, 2017

RATIONALE: To allow the stockholders to confirm that the proceedings during the ASM were recorded accurately and truthfully.

The minutes of the meeting held on May 15, 2017 was posted at AEV's website, www.aboiz.com, on May 16, 2017. Copies of the minutes were also distributed to the stockholders before the 2018 ASM.

A resolution approving the minutes of the May 15, 2017 ASM will be presented to the stockholders for approval.

ITEM NO. 5: Presentation of the President's Report

RATIONALE: To apprise the stockholders of the Company's operating performance, financial condition and outlook.

The President and Chief Executive Officer, Mr. Erramon I. Aboitiz, shall deliver a report to the stockholders on the 2017 operating and financial performance of the Company, as well as its outlook for 2018.

ITEM NO. 6: Approval of the 2017 Annual Report and Financial Statements

RATIONALE: To present to the stockholders the results of the Company's operations in 2017, in accordance with Section 75 of the Corporation Code.

The Company's audited financial statements as of December 31, 2017 is integrated and made part of the Company's 2017 Definitive Information Statement (2017 Information Statement). The 2017 Information Statement will be sent to the stockholders at least fifteen (15) days prior to the ASM, and the same will be posted at the Company's website at www.aboitiz.com.

A resolution approving the 2017 annual reports and audited financial statements shall be presented to the stockholders for approval.

ITEM NO. 7: Appointment of the Company's External Auditor for 2018

RATIONALE: To appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors will endorse an external auditor for 2017 for the stockholders to appoint.

The Company's Board Audit Committee endorsed, and the Board of Directors approved for shareholders consideration the election of Sycip Gorres Velayo & Co. (SGV) as the Company's external auditor for 2018.

SGV has been AEV's Independent Public Accountant for the last 24 years. Ms. Maria Veronica Andresa R. Pore has been AEV's audit partner since audit year 2017. AEV complies with the requirement of Section 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period.

There was no event in the past 24 years wherein AEV and SGV or its handling partner had any disagreement regarding any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

A resolution for the appointment of the Company's external auditor for 2018 shall be presented to the stockholders for approval.

ITEM NO. 8: Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2017 up to May 21, 2018

RATIONALE: To allow the stockholders to ratify the acts of the Board of Directors and Officers of the Company as a matter of procedure or policy.

The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board of Directors, corporate officers and management in the ordinary course of business. The board resolutions are enumerated in the 2017 Information Statement. The Company also regularly discloses material transactions approved by the Board. These disclosures are available for viewing and download at the Company's website at www.aboitiz.com.

A resolution to ratify the acts, resolutions, and proceedings of the Board of Directors, corporate officers, and management in 2017 up to the date of the 2018 ASM shall be presented to the stockholders for approval.

ITEM NO. 9: Update to the Stockholders on the Amendment of the Company's By-Laws to Move the Date of the Annual Stockholders Meetings from the 3rd Monday of May of every year to 4th Monday of April of every year, and to Clarify the Venue of the Company's Annual Stockholders' Meetings

RATIONALE: To update the stockholders on the amendment of the Company's By-Laws

On May 18, 2009, the stockholders representing at least 2/3 of the issued and outstanding capital stock approved the delegated authority of the Board of Directors to amend or repeal the Company's By-Laws or adopt new By-Laws. The same delegated authority was renewed by an affirmative vote by stockholders representing 99.46% of the issued and outstanding capital stock of the Company at the 2014 ASM.

By virtue of the delegated authority, the members of the Board of Directors of AEV, in its Special Board Meeting held on March 8, 2018, approved the amendment of the Company's By-laws to change the Company's ASM date from the third Monday of May of every year to the fourth Monday of April of every year, and to clarify that the venue of the ASM may be at any city or municipality in Metro Manila in accordance with Section 51 of the Corporation Code.

The change in the ASM date will ensure that the Company's financial reports and information statements are published within the first quarter following the end of the previous fiscal year, in accordance with best corporate governance practices.

ITEM NO. 10: Election of the Members of the Board of Directors

RATIONALE: To allow stockholders to elect the Company's Board of Directors in accordance with Section 24 of the Corporation Code and the Company's By-Laws.

A stockholder may submit his nominee to the Company's Board of Directors in accordance with the deadlines set forth in the Company's Amended By-Laws, which for this year shall be on or before April 27, 2018. Under the Amended Guidelines for the Nomination and Election of Independent Directors, the period for nominations for Independent Directors started on January 1, 2018 and the table of nominations closed on February 15, 2018. The stockholders who nominated the Independent and other directors are disclosed in the 2017 Information Statement. The Board Corporate Governance Committee assesses and evaluates the nominees before submitting the final list of qualified nominees to the stockholders for approval. The profiles of all the nominees are included in the 2017 Information Statement and uploaded in the Company's website for examination by the stockholders.

A stockholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected, provided that the total number of votes cast does not exceed his shares in the Company. The nine nominees receiving the highest number of votes will be declared elected as directors of the Company.

ITEM NO. 11: Other Matters

The Chairman of the Meeting will open the floor for comments or queries by the stockholders. Stockholders may raise matters which may be properly taken up during the 2018 ASM.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JUSTICE JOSE C. VITUG (ret.)**, Filipino, of legal age and a resident of 373 Matienza St., San Miguel, Manila, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of Aboitiz Equity Ventures, Inc. (AEV) and have been its independent director since May 16, 2005.
2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
ABS-CBN Holdings Corporation	Independent Director	2011 to present
Angeles University Foundation Medical Center	Chairman of the Board of Trustees	2007 to present
Angeles University Foundation	Board Member and Law Dean	2005 to present
Philippine Judicial Academy	Professorial Lecturer	2004 to present
San Beda College, School of Law	Graduate Professor	2005 to present


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this _____ at _____.


JOSE C. VITUG
 Affiant

SUBSCRIBED AND SWORN to before me this MAR 15 2018 at TAGUIG CITY, Affiant, who is personally known to me, personally appeared before me and exhibited to me his Driver's License No. N1062012245 issued at LTD Manila on July 8, 2015.

Doc. No. 26 ;
 Page No. 7 ;
 Book No. LXXVI ;
 Series of 2018.


ATTY. MELBIAN JEROME E. LARARO
 Notary Public for Taguig, Roll No. 59294
 Commission No. 26, until 31 Dec. 2019
 PTR No. A-3693788/ 01.03.18 / Taguig City
 JBP No. 1063530 / 11.25.17 / Cavite
 MLE Compliance No. V-1005571 / 03.14.15
 J/P Bonifacio Technopark Center 31st Street
 corner 2nd Avenue (near St. Paul West
 Global City Taguig City, Philippines

CERTIFICATION OF INDEPENDENT DIRECTORS

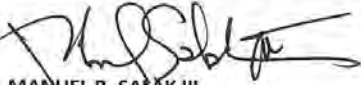
I, **MANUEL R. SALAK III**, Filipino, of legal age with business address at ING Bank, 20th Floor Tower One, Ayala Avenue, Makati City, Metro Manila, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of Aboitiz Equity Ventures, Inc. (AEV). I am nominated to the Board for the first time.
2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
ING Philippines	Senior Strategic Advisor	July 1, 2017 to Present
Alpha Primus Partners	Founder & Managing Principal	July 1, 2017 to Present
Asian Institute of Management	Trustee	2014 to Present
MAXICARE PHUS	IND Director	DEC 2017 - Present

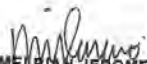
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this _____ at _____


MANUEL R. SALAK III
 Affiant

SUBSCRIBED AND SWORN to before me this MAR 15 2018 at LAGUIG CITY Affiant, who is personally known to me, personally appeared before me and exhibited to me his Philippine Passport No. EC 7143379 issued at DFA Manila on March 17, 2016.

Doc. No. 22;
 Page No. 6;
 Book No. LXXVI;
 Series of 2018.


ATTY. MELBANI JEROME E. LARAÑO
 Notary Public for Taguig, Roll No. 59294
 Commission no. 26, until 31 Dec. 2019
 PTR No. A-3693788/ 01.03.18 / Taguig City
 IBP No. 1063530 / 11.23.17 / Cavite
 MCLE Compliance No. V-0015571 / 03.14.16
 3/F Bonifacio Technology Center 31st Street
 corner 2nd Avenue Crescent Park West
 Global City Taguig City, Philippines

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **RAPHAEL PERPETUO M. LOTILLA**, Filipino, of legal age with business address at Rm. 249, School of Economics, UP Diliman, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of Aboitiz Equity Ventures, Inc. (AEV) and have been its independent director since May 21, 2012.
2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Center for the Advancement of Trade Integration and Facilitation	Chairman of the Board of Trustees	2013 to present
First Metro Investment, Inc.	Independent Director	2013 to present
Trans Asia Petroleum Corporation	Independent Director	2014 to present
Petron Foundation, Inc.	Independent Director	2014 to present
Asia-Pacific Pathways to Progress Foundation, Inc.	Chairman of the Board of Trustees	2014 to present
Philippine Institute for Development Studies	Trustee	2014 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.


Done, this _____ at _____.



RAPHAEL PERPETUO M. LOTILLA
Affiant

SUBSCRIBED AND SWORN TO before me this MAR 15 2018 at Taguig City, affiant exhibiting to me his Philippine Passport No. EC0746995 issued at DFA Manila on April 2, 2014 bearing the affiant's photograph and signature.

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Book No. LXXV
Series of 2018.



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ANNEX "C"

SUMMARY OF THE MINUTES OF THE 2017 ANNUAL STOCKHOLDERS' MEETING

The meeting was called to order on May 15, 2017 at 4:00 p.m. by the Chairman of the Board, Mr. Jon Ramon Aboitiz. The Corporate Secretary certified that on April 21, 2017, notices for the 2017 Annual Stockholders' Meeting of AEV were duly sent out to all stockholders of record as of the close of business hours on March 31, 2017. The Corporate Secretary further reported that notices of the meeting were also published in Philippine Daily Inquirer, Philippine Star, Business World on April 12, 2017.

The Corporate Secretary certified to the existence of a quorum, there being present a total of 27,413,318 shares present in person and 5,003,908,955 shares represented by proxy, or a total of 5,031,322,273 shares which constitute at least a majority of, or 89.31% of the total outstanding capital stock of 5,633,792,557 entitled to vote, or more than 2/3 of the total outstanding shares entitled to vote.

Upon motion duly made and seconded, the minutes of the previous Annual Stockholders' Meeting last May 15, 2017 was approved.

The body passed the following resolutions:

1. Approval of the 2016 Annual Report and Financial Statements
2. Delegation of the Authority to Elect the Company's External Auditors for 2017 to the Board of Directors
3. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2016 up to May 15, 2017
4. Election of the Members of the Board of Directors

After the approval of such resolutions, the meeting was duly adjourned.

The Board Audit Committee Report to the Board of Directors

The Board Audit Committee is pleased to present its report for the financial year ended December 31, 2017.

Audit Committee Responsibility

In giving effect to its duly approved charter, the Audit Committee assisted the Board of Directors in fulfilling its oversight responsibility to the Company and its stakeholders by providing advice relating to: (a) the adequacy and efficiency of the Company's system of internal controls, governance and risk management processes; (b) the quality and integrity of the Company's accounting, auditing, legal, ethical and regulatory compliances; (c) the annual independent audit of the Company's financial statements and the external auditors' qualification and independence; (d) the due observance of applicable laws and regulations that may have financial and other material exposure to the Company; and (e) according an avenue of communication among the independent auditors, the management, the internal audit and the Company.

The Committee has established a constructive and collaborative relationship with the Company's senior leadership to help in the discharge of, but careful not to pre-empt any responsibility in making final audit-related decisions.

Committee Membership

The Audit Committee is composed of five (5) members, three (3) of whom are independent directors including its Chairman. Jose C. Vitug, a retired Justice of the Supreme Court (an Independent Director) is the Chairman of the Committee. Other members of the committee are Atty. Raphael P. M. Lotilla (Independent Director), Stephen T. CuUnjieng (Independent Director), Justo A. Ortiz (Non-Executive Director) and Mikel A. Aboitiz (Non-Executive Director).

Mikel A. Aboitiz was elected to replace the late Mr. Roberto E. Aboitiz as Director and member of the Board Audit Committee during the AEV Annual Stockholder's meeting held May 15, 2017.

Meetings and Attendance

The Audit Committee carried out its function through its meetings with management, internal auditors, independent external auditors, and advisers, where appropriate.

The audit charter provides for the Committee to hold at least four (4) regular meetings a year, with the authority to convene special meetings when deemed required. It also holds an annual joint meeting with the Board Risk and Reputation Committee. In 2017, five (5) meetings were held. The attendance by each member of the committee is as so indicated below:

Member	Mar 3, 2017 Regular Meeting	May 2, 2017 Regular Meeting	July 24, 2017 Regular Meeting	Nov 7, 2017 Regular Meeting	Nov 21, 2017 Joint with Risk
JOSE C. VITUG Chairman, Independent Director	✓	✓	✓	✓	✓
STEPHEN T. CUUNJIENG Independent Director	✓	✓	✓	✓	✓
RAPHAEL P. M. LOTILLA Independent Director	✓	✓	✓	✓	✓
JUSTO A. ORTIZ Non-Executive Director	x	✓	✓	✓	✓
ROBERTO E. ABOITIZ ¹⁴ Non-Executive Director	x	x	N/A	N/A	N/A
MIKEL A. ABOITIZ Non-Executive Director	N/A	N/A	x	x	x

¹⁴ Roberto E. Aboitiz passed away April 13, 2017

Attendees to these meetings also include the Group Internal Audit Head and, by invitation, the Chief Corporate Services Officer, the Chief Financial Officer, Controller and other key leaders when deemed necessary or appropriate.

External Quality Assessment (EQA)

The Group Internal Audit (GIA) team of AEV underwent an external quality assessment review conducted by the Institute of Internal Auditors (IIA) Philippines.

It is the opinion of the IIA that on the overall, the internal audit team of Aboitiz Equity Ventures, Inc. “Generally Conforms” to the Standards and Code of Ethics. “Generally Conforms” is the highest rating awarded in connection with an EQA and the internal audit team has been commended for this achievement.

For individual Standards, where the team is rated “Partially Conforms”, opportunities for improvement have been identified and action plans have been presented to the Audit Committee.

The EQA, much like any global certification is not required. But to acquire it helps build the reputation not just of internal audit but of Aboitiz as a company that not only conforms, complies and follows but adopts and implements the Standards and best practices of the internal audit function. The EQA certification is valid for 5 years till 2022. Until then, GIA will ensure that it continually works on its Quality Assurance Improvement Program and apply it across the group

Financial Reports

The Audit Committee reviewed, discussed, and approved the 2017 quarterly unaudited consolidated financial statements. The Committee endorsed for approval by the Board the 2017 annual audited financial statements of Aboitiz Equity Ventures, Inc., its subsidiaries and alliances. Included in the review were the Management Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, accounting, and the Company’s independent external auditor, SyCip Gorres Velayo & Co. (SGV)—a “member practice” of Ernst & Young (EY) in the Philippines.

The activities of the Audit Committee are performed in the context—

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That the Company’s independent external auditor is responsible for expressing an unqualified opinion on the conformity and consistency of application of the Company’s audited financial statements with Philippine Financial Reporting Standards.

External Auditors

Upon the endorsement of the Audit Committee to the Board which, in turn, sought the approval of the shareholders of Aboitiz Equity Ventures, Inc., during its Annual General Stockholders Meeting held last May 15, 2017, SyCip Gorres Velayo & Co. (SGV) was re-appointed as the independent external auditor for 2017.

To abide by good corporate governance practices, the new signing partner for SGV, Maria Veronica Andresa R. Pore, was introduced to the Committee. Ms. Pore replaced Leovina Mae V. Chu who has been the signing partner for AEV for the past five (5) years, 2012 to 2016.

The overall scope and audit plan of SGV were reviewed and approved during the November 7, 2017 regular Audit Committee meeting. The audit plan, fees and terms of engagement which covers audit-related services provided by SGV were also reviewed and found to be reasonable.

The results of the SGV audits and its assessment of the overall quality of the financial reporting process were presented and discussed during the first Audit Committee meeting the following year, March 6, 2018. SGV presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

Non-audit services related to project evaluation were provided by SGV for AEV parent in 2017; also, trainings were conducted as an assistance to the company particularly with regard to the adoption of new standards such as PFRS 9 and 15.

Internal Auditors

The Audit Committee is satisfied with the internal audit function and has assessed that it is operating effectively and to generally cover the risks pertinent to the company in its audits. The Committee has reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.

With reference to the IPPF Attribute Standard 1100 which states that “The Internal Audit Activity must be independent, and internal auditors must be objective in performing their work.”, the Committee confirms that the function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner. The Committee further confirms that, to the best of its knowledge and belief, the auditors have no personal or other impediments that would prevent them from objectively planning, conducting, reporting, or otherwise participating and reaching independent conclusions in their audit assignments in 2017. Internal audit is organizationally positioned to be independent— functionally reporting to the Board Audit Committee and administratively to the President and Chief Executive Officer.

The Audit Committee is satisfied with the content and quality of reports prepared and issued by the internal auditors during the year under review.

The Group Internal Audit (GIA) remains to be the single-point-of-contact for the Audit Committee. It takes the lead in setting the standards, initiatives and overall direction of the group audit teams which, in turn, focus their reviews on the top risks of their respective business units. Information systems and technology-related risks however, still remain to be an area covered by the group information systems auditors.

Based on audit reports and highlights presented to the Committee and with the contribution provided by management and other key leaders on the issues raised to their attention, the Committee concurs with internal audit’s assessment that, generally, there is reasonable assurance that the existing system of internal controls, risk management and governance allow for a generally adequate management of identified risks and effectively supports the improvement of the management of the Company as a whole. There is a need, however, to further strengthen governance and controls over security standards for information and related technologies particularly in relation to cybersecurity risks.

Review of the Audit Charters

Proposed changes to the audit charters were presented in its meeting held March 6, 2018 in relation to the results of the External Quality Assessment activity. These revisions will be take effect in 2018. The review and updating of the charters are done at least once a year, endorsed by the Audit Committee and approved by the Board.

Self-Assessment

The Committee conducted its annual self-assessment in accordance with the guidelines of SEC Memo Cir. No. 4, series of 2012. The assessment result showed that it fully complied with the requirements set forth in the Audit Charter and met the necessary and most important requirements set by global standards and best practices.

Risk Management

The partnership between the functions of risk management and internal audit has remained excellent. In order to continuously provide objective assurance to the board on the effectiveness of risk management, a joint audit and risk committee meeting is held at least once a year. In November 21, 2017, internal audit presented and discussed the results of its validation review of the risk management action plans identified by the different business and corporate service units. Assurance was given when results of the review show that majority of risk action plans for the year were either acted upon (done) or being addressed (in-progress).

Also presented in the joint meeting are the top strategic risks that present a significant impact to the Company's ability to execute its plans, strategies and business objectives for the following year. These top risks serve as an input for the preparation of internal audit's master plan for the year.

Audit Forum

Continuously learning is one of the keystone activities in the Aboitiz group. A group-wide Audit Forum, was held last July 21, 2017 with the theme "The Role of Internal Audit in Advancing Business and Communities". The forum was well-attended by the Board, particularly the independent directors, senior management and auditors from the Aboitiz Group. Topics that were covered during the forum include (1) The 2017 State of the Internal Audit Profession; (2) The Role of Internal Audit in the Implementation of the Data Privacy Act; and (3) The Agile Internal Audit Function. The speakers, representing their respective institutions—PricewaterhouseCoopers (PwC) Phils., National Privacy Commission, Institute of Corporate Directors (ICD) and the Institute of Internal Auditors (IIA) Philippines—are experts in their respective fields. The forum and programmed fora continues to provide audit stakeholders a venue to keep abreast of the developments in the profession.

After considering, analyzing and reviewing all pertinent information on the integrity of financial reporting, effectiveness of internal controls, risk management, governance and compliance within the Aboitiz group of companies, the Committee is of the view that, in all material aspects, the duties and responsibilities as so outlined in its Charter have been satisfactorily performed.

On behalf of the Committee,



Jose C. Vitug
(Retired Justice, Supreme Court/Independent Director)
Chairman

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

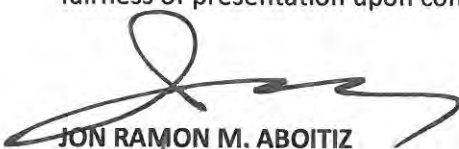
The management of **Aboitiz Equity Ventures, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

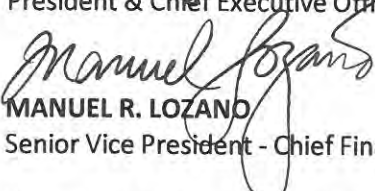
Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



JON RAMON M. ABOITIZ
Chairman of the Board



ERRAMON I. ABOITIZ
President & Chief Executive Officer



MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 8th day of March, 2018.

Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Jon Ramon M. Aboitiz	EB9718353	November 29, 2013, Cebu City
	11860761	February 09, 2018, Cebu City
Erramon I. Aboitiz	EB7151577	January 14, 2013, Cebu City
	26936151	January 15, 2018, Cebu City
Manuel R. Lozano	EC1926563	August 18, 2014, NCR South
	14226194	February 20, 2018, Taguig City

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this _____ day of MAR 20 2018. **TAGUIG CITY**

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Page No. 40 ;
Book No. LXXVI ;
Series of 2018.

Mel B. Larano
ATTY. MEL BIAN JEROME E. LARANO
Notary Public for Taguig, Roll No. 59294
Commission no. 26, until 31 Dec. 2019
PTR No. A-3893788/ 01.03.18 / Taguig City
IBP No. 1063530 / 11.23.17 / Cavite
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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Business Combination: Finalization of purchase price allocation for the acquisition of GNPowder Mariveles Coal Plant Ltd. Co. (GMCP)

In 2017, the Group finalized the fair value of the net assets acquired from its acquisition of partnership interests in GMCP on October 4, 2016. PFRS 3, *Business Combinations*, allows the fair value of assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted in an increase in goodwill of ₱3.1 billion. Based on the quantitative materiality of the adjustment and degree of management judgment in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about finalization of purchase price allocation for the acquisition of GMCP are included in Note 9 to the consolidated financial statements.

Audit Response

We obtained understanding on the Group's process of purchase price allocation which includes the identification of the fair value of the net assets. We reviewed the measurement of fair value of the net assets and adjustments made by the Group. Where the Group used an appraiser to perform valuation of its assets, we assessed the competence, capabilities and objectivity of the Group's specialist. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Accounting for Business Combination: Increased ownership in San Carlos Sun Power, Inc. (SACASUN)

On December 27, 2017, the Group through AboitizPower International Pte. Ltd., acquired the remaining 50% ownership interest in SACASUN from SunE Solar B.V. Consequently, SACASUN became a wholly owned subsidiary of the Group and was consolidated as of the acquisition date. Provisional bargain purchase gain amounting to ₱328.7 million was recognized as of December 31, 2017. Based on the quantitative materiality of the transaction and degree of management judgment in remeasuring of previously held interest and in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about increased ownership in SACASUN are included in Note 9 to the consolidated financial statements.

Audit Response

We reviewed the agreement covering the acquisition. We involved our internal specialist in reviewing the valuation methodology and assumptions used in valuing acquired assets, including the fair value of the previously-held interest. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Impairment of Aseagas Corporation's (Aseagas) Property, Plant and Equipment

In November 2017, Aseagas temporarily ceased the operations of its biomass plant. In January 2018, after a full assessment of the biomass plant's issues, Aseagas decided to make the plant shutdown permanent. These circumstances indicate that the carrying amount of Aseagas's assets, which are primarily comprised of its property, plant and equipment, may not be recoverable. As of December 31, 2017, the Group performed an impairment test review which resulted to an impairment loss of ₱2.6 billion on its property, plant and equipment. We consider the impairment loss as a key audit matter due to the materiality of the amount and the significant management assumptions and judgment involved in estimating the recoverable amount of the property, plant and equipment.

The Group's disclosures about the impairment of assets of Aseagas are included in Notes 13 to the consolidated financial statements.

Audit Response

We obtained an understanding of management's process in estimating the recoverable amount of the property, plant and equipment. Since the Group engaged an independent appraiser to determine the estimated recoverable amount of Aseagas' property, plant and equipment, we assessed the competence, capabilities and objectivity of the independent appraiser. We reviewed the assumptions used in estimating the recoverable amount. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2017, the goodwill amounted to ₱41.3 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

Audit Response

We obtained an understanding of management's process in estimating the recoverable amount of goodwill and evaluate the related control. We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 29% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

Disclosures related to this matter are provided in Note 25 to the consolidated financial statements.

Audit Response

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. AEV's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and receivables, which requires significant management judgment.

The Group's disclosure on investments in associates is in Note 10 to the consolidated financial statements.

Audit Response

Our audit procedures included, among other things, requesting the statutory auditor of UBP to perform an audit on the relevant financial information of UBP for the purpose of the consolidated financial statements of the Group. We met with the statutory auditor of UBP and discussed the risk assessment, audit strategy and significant developments in UBP. We reviewed the working papers at the statutory



auditor's office, focusing on loans and receivables of UBP including the inputs and assumptions for specific and collective impairment assessment. We recomputed the Group's share in the net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-3 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 6621311, January 9, 2018, Makati City

March 8, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Business Combination: Finalization of purchase price allocation for the acquisition of GNPowder Mariveles Coal Plant Ltd. Co. (GMCP)

In 2017, the Group finalized the fair value of the net assets acquired from its acquisition of partnership interests in GMCP on October 4, 2016. PFRS 3, *Business Combinations*, allows the fair value of assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted in an increase in goodwill of ₱3.1 billion. Based on the quantitative materiality of the adjustment and degree of management judgment in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about finalization of purchase price allocation for the acquisition of GMCP are included in Note 9 to the consolidated financial statements.

Audit Response

We obtained understanding on the Group's process of purchase price allocation which includes the identification of the fair value of the net assets. We reviewed the measurement of fair value of the net assets and adjustments made by the Group. Where the Group used an appraiser to perform valuation of its assets, we assessed the competence, capabilities and objectivity of the Group's specialist. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Accounting for Business Combination: Increased ownership in San Carlos Sun Power, Inc. (SACASUN)

On December 27, 2017, the Group through AboitizPower International Pte. Ltd., acquired the remaining 50% ownership interest in SACASUN from SunE Solar B.V. Consequently, SACASUN became a wholly owned subsidiary of the Group and was consolidated as of the acquisition date. Provisional bargain purchase gain amounting to ₱328.7 million was recognized as of December 31, 2017. Based on the quantitative materiality of the transaction and degree of management judgment in remeasuring of previously held interest and in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about increased ownership in SACASUN are included in Note 9 to the consolidated financial statements.

Audit Response

We reviewed the agreement covering the acquisition. We involved our internal specialist in reviewing the valuation methodology and assumptions used in valuing acquired assets, including the fair value of the previously-held interest. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Impairment of Aseagas Corporation's (Aseagas) Property, Plant and Equipment

In November 2017, Aseagas temporarily ceased the operations of its biomass plant. In January 2018, after a full assessment of the biomass plant's issues, Aseagas decided to make the plant shutdown permanent. These circumstances indicate that the carrying amount of Aseagas's assets, which are primarily comprised of its property, plant and equipment, may not be recoverable. As of December 31, 2017, the Group performed an impairment test review which resulted to an impairment loss of ₱2.6 billion on its property, plant and equipment. We consider the impairment loss as a key audit matter due to the materiality of the amount and the significant management assumptions and judgment involved in estimating the recoverable amount of the property, plant and equipment.

The Group's disclosures about the impairment of assets of Aseagas are included in Notes 13 to the consolidated financial statements.

Audit Response

We obtained an understanding of management's process in estimating the recoverable amount of the property, plant and equipment. Since the Group engaged an independent appraiser to determine the estimated recoverable amount of Aseagas' property, plant and equipment, we assessed the competence, capabilities and objectivity of the independent appraiser. We reviewed the assumptions used in estimating the recoverable amount. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2017, the goodwill amounted to ₱41.3 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

Audit Response

We obtained an understanding of management's process in estimating the recoverable amount of goodwill and evaluate the related control. We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 29% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

Disclosures related to this matter are provided in Note 25 to the consolidated financial statements.

Audit Response

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. AEV's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and receivables, which requires significant management judgment.

The Group's disclosure on investments in associates is in Note 10 to the consolidated financial statements.

Audit Response

Our audit procedures included, among other things, requesting the statutory auditor of UBP to perform an audit on the relevant financial information of UBP for the purpose of the consolidated financial statements of the Group. We met with the statutory auditor of UBP and discussed the risk assessment, audit strategy and significant developments in UBP. We reviewed the working papers at the statutory

auditor's office, focusing on loans and receivables of UBP including the inputs and assumptions for specific and collective impairment assessment. We recomputed the Group's share in the net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021
PTR No. 6621311, January 9, 2018, Makati City

March 8, 2018



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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 8, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

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PTR No. 6621311, January 9, 2018, Makati City

March 8, 2018

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31, 2017	December 31, 2016 (As Restated; Note 9)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱64,870,214	₱63,857,528
Trade and other receivables (Note 5)	24,192,785	21,732,203
Inventories (Note 6)	12,453,335	10,221,448
Derivative asset (Note 36)	228,644	188,417
Other current assets (Notes 7 and 8)	12,442,516	9,579,230
Total Current Assets	114,187,494	105,578,826
Noncurrent Assets		
Property, plant and equipment (Notes 13 and 19)	213,232,540	202,237,611
Investments and advances (Note 10)	91,922,376	86,950,461
Investment properties (Notes 14 and 29)	6,844,633	5,372,390
Intangible asset - service concession rights (Note 15)	3,062,307	3,222,123
Land and improvements (Note 13)	3,689,677	3,525,381
Goodwill (Notes 9 and 12)	41,308,689	41,249,629
Deferred income tax assets (Note 31)	1,525,630	1,893,878
Trade receivables - net of current portion (Note 5)	580,925	277,771
Derivative asset - net of current portion (Note 36)	113,297	103,443
Available-for-sale (AFS) investments (Note 3)	772,794	563,748
Held-to-maturity (HTM) investments	189,216	-
Net pension assets (Note 30)	176,952	115,264
Other noncurrent assets (Notes 8 and 16)	14,637,951	15,217,184
Total Noncurrent Assets	378,056,987	360,728,883
TOTAL ASSETS	₱492,244,481	₱466,307,709

LIABILITIES AND EQUITY

Current Liabilities

Bank loans (Note 17)	₱23,701,140	₱8,259,028
Trade and other payables (Notes 18, 34 and 39)	24,536,584	22,210,909
Derivative liability (Note 36)	47,577	127,442
Current portions of:		
Long-term debts (Note 19)	20,722,330	7,698,261
Long-term obligation on Power Distribution System (PDS) (Note 15)	40,000	40,000
Obligations under finance lease (Notes 13 and 22)	3,316,165	2,968,491
Income tax payable	703,489	685,215
Total Current Liabilities	73,067,285	41,989,346

(Forward)

	December 31, 2016	December 31, 2017	(As Restated; Note 9)
Noncurrent Liabilities			
Noncurrent portions of:			
Obligations under finance lease (Notes 13 and 22)	₱45,909,089	₱49,371,713	
Long-term debts (Note 19)	168,364,717	189,184,633	
Long-term obligations on PDS (Note 15)	186,071	197,248	
Trade payables (Notes 18 and 34)	880,943	578,892	
Derivative liability - net of current portion (Note 36)	-	233,435	
Customers' deposits (Note 20)	6,269,383	7,040,347	
Asset retirement obligation (Note 21)	2,959,060	1,821,577	
Deferred income tax liabilities (Note 31)	1,623,915	1,567,411	
Net pension liability (Note 30)	400,306	347,699	
Total Noncurrent Liabilities	226,593,484	250,342,955	
Total Liabilities	299,660,769	292,332,301	
Equity Attributable to Equity Holders of the Parent			
Capital stock (Note 23)	5,694,600	5,694,600	
Additional paid-in capital (Note 23)	13,013,197	13,013,197	
<i>Other equity reserves:</i>			
Gain on dilution (Note 2)	5,043,152	5,376,176	
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	469,540	469,540	
Acquisition of non-controlling interests (Note 2)	(1,577,075)	(1,577,075)	
<i>Accumulated other comprehensive income (loss):</i>			
Net unrealized mark-to-market gains on AFS investments	17,280	9,106	
Cumulative translation adjustments (Note 36)	189,465	34,262	
Actuarial losses on defined benefit plans (Note 30)	(657,754)	(783,891)	
Share in actuarial losses on defined benefit plans of associates and joint ventures (Note 10)	(537,099)	(513,132)	
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	(107,913)	(95,378)	
Share in net unrealized mark-to-market losses on AFS investments of associates (Note 10)	(3,237,987)	(3,938,424)	
Retained earnings (Note 24)			
Appropriated	1,622,000	2,717,000	
Unappropriated	135,600,929	120,390,178	
Treasury stock at cost (Note 23)	(521,132)	(521,132)	
	155,011,203	140,275,027	
Non-controlling Interests	37,572,509	33,700,381	
Total Equity	192,583,712	173,975,408	
TOTAL LIABILITIES AND EQUITY	₱492,244,481	₱466,307,709	

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2017	2016	2015
REVENUES			
Sale of:			
Power and electricity (Note 25)	₱118,759,149	₱88,585,890	₱84,874,038
Goods	23,819,250	21,848,393	20,982,378
Real estate (Notes 13 and 25)	3,613,388	2,440,854	2,732,878
Fair value of swine (Note 8)	2,410,542	1,854,053	1,786,095
Service fees (Note 39)	1,620,401	1,453,336	827,222
Others (Note 34)	198,875	232,554	57,357
	150,421,605	116,415,080	111,259,968
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 6, 26, 27 and 39)	63,949,850	46,226,259	46,426,239
Cost of goods sold (Notes 6 and 27)	21,700,262	18,886,189	18,011,108
Operating expenses (Notes 27, 34, 38 and 39)	26,255,915	21,187,182	17,972,039
Cost of real estate sales (Note 6)	1,825,570	1,084,740	1,328,650
Overhead expenses (Note 27)	113,864	109,671	103,532
	113,845,461	87,494,041	83,841,568
OPERATING PROFIT	36,576,144	28,921,039	27,418,400
Share in net earnings of associates and joint ventures (Note 10)	9,053,733	9,651,787	6,589,452
Interest expense (Notes 22 and 35)	(13,117,362)	(9,567,997)	(7,881,566)
Interest income (Notes 4, 34 and 35)	1,375,695	1,436,933	1,132,001
Other income (expense) - net (Notes 5, 29 and 34)	(26,134)	2,501,026	224,010
INCOME BEFORE INCOME TAX	33,862,076	32,942,788	27,482,297
PROVISION FOR INCOME TAX (Note 31)	4,583,055	4,289,663	4,324,819
NET INCOME	₱29,279,021	₱28,653,125	₱23,157,478
ATTRIBUTABLE TO:			
Equity holders of the parent	₱21,608,695	₱22,473,458	₱17,679,116
Non-controlling interests	7,670,326	6,179,667	5,478,362
	₱29,279,021	₱28,653,125	₱23,157,478
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	₱3.836	₱4.017	₱3.184

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	₱21,608,695	₱22,473,458	₱17,679,116
Non-controlling interests	7,670,326	6,179,667	5,478,362
	29,279,021	28,653,125	23,157,478
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to consolidated statements of income:</i>			
Movement in net unrealized mark-to-market losses on AFS investments	(2,413)	(5,848)	(439)
Movement in cumulative translation adjustments, net of tax	199,556	(203,067)	174,906
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	(16,305)	128,173	119,113
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	702,564	(189,693)	(2,245,010)
	883,402	(270,435)	(1,951,430)
<i>Items that will not be reclassified to consolidated statements of income:</i>			
Movement in actuarial gains (losses) on defined benefit plans, net of tax	126,137	12,076	(87,519)
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	(22,788)	(178,244)	(8,751)
	103,349	(166,168)	(96,270)
TOTAL COMPREHENSIVE INCOME	₱30,265,772	₱28,216,522	₱21,109,778
ATTRIBUTABLE TO:			
Equity holders of the parent	₱22,562,144	₱22,068,509	₱15,543,938
Non-controlling interests	7,703,628	6,148,013	5,565,840
	₱30,265,772	₱28,216,522	₱21,109,778

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent											Total			
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Cost of an Acquired Subsidiary (Note 9)	Excess of Book Value Over Acquisition	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments (Note 2)	Cumulative Translation Adjustment (Note 36)	Benefit Plans, Defined net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)		Share in Net Unrealized Mark-to-Market Losses on AFS Investments of Associates (Note 10)	Treasury Stock (Note 23)	Non-controlling Interest
Balances at January 1, 2017	\$5,694,600	\$13,013,197	\$5,376,176	\$469,540	\$1,577,075	\$9,106	\$34,262	\$783,891	\$513,132	\$95,378	\$3,938,424	\$521,132	\$140,275,027	\$33,700,381	\$173,975,408
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	-	21,608,695	7,670,326	29,279,021
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in net unrealized mark-to-market losses on AFS investments	-	-	-	-	-	8,174	-	-	-	-	-	-	-	8,174	(2,413)
Movement in cumulative translation adjustments	-	-	-	-	-	-	155,203	-	-	-	-	-	-	155,203	199,556
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	-	126,137	-	-	-	-	-	126,137	-
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	-	(23,967)	-	-	-	-	(23,967)	1,179
Share in cumulative translation adjustment of associates and joint ventures	-	-	-	-	-	-	-	-	-	(12,535)	-	-	-	(12,535)	(16,305)
Share in movement in unrealized mark-to-market losses on AFS investments of associates	-	-	-	-	-	-	-	-	-	-	700,437	-	-	700,437	2,127
Total comprehensive income (loss) for the year	-	-	-	-	-	8,174	155,203	126,137	(23,967)	(12,535)	700,437	-	22,562,144	7,703,628	30,265,772
Gain on dilution	-	-	(333,024)	-	-	-	-	-	-	-	-	-	-	(333,024)	-
Cash dividends - \$1.33 per share (Note 24)	-	-	-	-	-	-	-	-	-	-	-	-	(7,492,944)	-	(7,492,944)
Reversal of appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	-	1,095,000	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,077,223)	(3,077,223)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(754,277)	(754,277)
Balances at December 31, 2017	\$5,694,600	\$13,013,197	\$5,043,152	\$469,540	\$1,577,075	\$17,280	\$189,465	\$657,099	\$107,913	\$82,838	\$4,638,861	\$521,132	\$155,011,203	\$37,572,509	\$192,583,712

Attributable to equity holders of the parent

	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Market-to-Market on AFS Investments (Note 2)	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, and Joint Ventures, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans, and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Unrealized Market-to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings		Treasury Stock (Note 23)	Non-controlling Interest (As Restated, Note 9)	Total
												Appropriated (Note 24)	Unappropriated (Note 24)			
Balances at January 1, 2016	\$5,694,600	\$7,683,568	\$5,376,176	\$469,540	\$(4,577,075)	\$14,188	\$176,379	\$(795,967)	\$(334,456)	\$(193,921)	\$(3,748,731)	\$-	\$106,521,242	\$(1,065,585)	\$28,764,484	\$146,984,442
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	-	22,473,458	-	6,179,667	28,653,125
<i>Other comprehensive income</i>																
Movement in net unrealized mark-to-market losses on AFS investments	-	-	-	-	-	(5,082)	-	-	-	-	-	-	-	-	(766)	(5,848)
Movement in cumulative translation adjustments	-	-	-	-	-	-	(142,117)	-	-	-	-	-	-	-	(60,950)	(203,067)
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	12,076	-	-	-	-	-	-	-	-	12,076
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	-	(178,676)	-	-	-	-	-	432	(178,244)
Share in cumulative translation adjustment of associates and joint ventures	-	-	-	-	-	-	-	98,543	-	-	-	-	-	-	29,630	128,173
Share in movement in unrealized mark-to-market losses on AFS investments of associates	-	-	-	-	-	-	-	-	-	-	(189,693)	-	-	-	(189,693)	(189,693)
Total comprehensive income (loss) for the year	-	-	-	-	-	(5,082)	(142,117)	12,076	(178,676)	98,543	(189,693)	-	22,473,458	-	6,148,013	28,216,522
Cash dividends - \$1.06 per share (Note 24)	-	-	-	-	-	-	-	-	-	-	-	-	(5,887,522)	-	-	(5,887,522)
Appropriation during the year	-	-	-	-	-	-	-	-	2,717,000	-	-	-	(2,717,000)	-	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,456,950)	(4,456,950)
Sale of treasury shares	-	5,329,629	-	-	-	-	-	-	-	-	-	544,453	-	-	-	5,874,082
Acquisition of a subsidiary (Note 9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,164,230	3,164,230
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80,604	80,604
Balances at December 31, 2016	\$5,694,600	\$13,013,197	\$5,376,176	\$469,540	\$(4,577,075)	\$9,106	\$34,262	\$(783,891)	\$(513,132)	\$(95,378)	\$(3,939,424)	\$-	\$120,390,178	\$(952,132)	\$33,700,381	\$173,975,408

Attributable to equity holders of the parent

	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments (Note 2)	Actual Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark-to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2015	₱5,694,600	₱6,911,044	₱5,376,176	₱469,540	₱1,577,075	₱14,627	₱708,448	₱315,444	₱277,293	₱1,496,305	₱94,995,596	₱1,178,397	₱107,944,154	₱26,990,810	₱134,934,964
Net income for the year	-	-	-	-	-	-	-	-	-	-	17,679,116	-	17,679,116	5,478,362	23,157,478
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in net unrealized mark-to-market losses on AFS investments	-	-	-	-	-	(489)	-	-	-	-	-	-	(439)	-	(439)
Movement in cumulative translation adjustments	-	-	-	-	-	-	140,846	-	-	-	-	-	140,846	34,060	174,906
Actual losses on defined benefit plans, net of tax	-	-	-	-	-	-	(87,519)	-	-	-	-	-	(87,519)	-	(87,519)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	(19,012)	-	-	-	-	(19,012)	10,261	(8,751)
Share in cumulative translation adjustment of associates and joint ventures	-	-	-	-	-	-	-	-	83,372	-	-	-	83,372	35,741	119,113
Share in movement in unrealized mark-to-market losses on AFS investments of associates	-	-	-	-	-	-	-	-	-	(2,252,426)	-	-	(2,252,426)	7,416	(2,245,010)
Total comprehensive income (loss) for the year	-	-	-	-	-	(489)	(87,519)	(19,012)	83,372	(2,252,426)	17,679,116	-	15,543,938	5,565,840	21,109,778
Cash dividends - ₱1.11 per share (Note 24)	-	-	-	-	-	-	-	-	-	(6,153,470)	-	-	(6,153,470)	-	(6,153,470)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,243,450)	(4,243,450)
Sale of treasury shares	-	772,524	-	-	-	-	-	-	-	-	-	112,812	885,336	-	885,336
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	451,284	451,284
Balances at December 31, 2015	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	₱1,577,075	₱14,188	₱795,967	₱324,456	₱193,921	₱3,748,731	₱106,521,242	₱1,065,585	₱118,219,958	₱28,764,484	₱146,984,442

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱33,862,076	₱32,942,788	₱27,482,297
Adjustments for:			
Interest expense (Note 35)	13,117,362	9,567,997	7,881,566
Depreciation and amortization (Note 27)	8,455,978	6,829,395	4,956,308
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 2, 12 and 13)	3,127,413	169,469	–
Net unrealized foreign exchange losses	746,648	1,532,081	1,392,912
Write-off / provision for decline in value of project costs and various assets	207,986	372,828	138,553
Loss (gain) on sale of:			
Property, plant and equipment (Note 13)	52,164	(50,125)	71,402
AFS investments (Note 3)	(1,549)	(25,105)	–
Gain on redemption of shares	–	(16,051)	–
Provision for impairment loss on investments and advances (Note 10)	–	–	13,937
Dividend income (Note 29)	(5,946)	(250)	(1,810)
Unrealized mark-to-market losses (gains) on derivatives	(367,868)	3,316	(317,645)
Unrealized excess of fair value over historical acquisition cost (Notes 9 and 29)	(392,340)	(350,939)	–
Net unrealized valuation gain on investment property (Notes 14 and 29)	(862,219)	(166,476)	(186,512)
Interest income	(1,375,695)	(1,436,933)	(1,132,001)
Share in net earnings of associates and joint ventures (Note 10)	(9,053,733)	(9,651,787)	(6,589,452)
Operating income before working capital changes	47,510,277	39,720,208	33,709,555
Decrease (increase) in:			
Trade and other receivables	(4,444,457)	(894,679)	(499,797)
Inventories	(1,565,400)	(810,917)	(638,947)
Pension asset	(82,030)	–	24,942
Other current assets	(2,426,441)	(1,559,481)	(2,669,217)
Increase (decrease) in:			
Trade and other payables (Note 9)	(1,235,398)	(24,234)	311,764
Pension liability	(98,406)	(59,559)	123,329
Customers' deposits	(708,720)	510,517	953,714
Net cash generated from operations	36,949,425	36,881,855	31,315,343
Income and final taxes paid	(4,267,206)	(4,868,433)	(4,056,356)
Net cash flows from operating activities	32,682,219	32,013,422	27,258,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	6,060,299	8,608,988	5,126,894
Interest received	1,480,887	1,472,936	1,123,646
Proceeds from sale of:			
AFS investments	26,731	37,155	214,555
Property, plant and equipment	414,606	168,381	145,378

(Forward)

	Years Ended December 31		
	2017	2016	2015
Acquisition through business combination, net of cash acquired (Note 9)	₱747,150	(₱44,572,591)	₱101,374
Proceeds from sale of common shares and redemption of preferred shares of associates and joint ventures (Note 10)	–	51,976	2,649,204
Additions to:			
AFS investments	(417,987)	(213,931)	–
Land and improvements (Note 13)	(444,907)	(438,962)	(685,642)
Property, plant and equipment and investment properties (Notes 13 and 14)	(18,317,445)	(31,024,798)	(19,514,009)
Investments in and advances to associates (Note 10)	(1,766,819)	(12,408,168)	(24,229,823)
Increase in intangible asset - service concession rights (Note 15)	(131,502)	(45,875)	(20,046)
Decrease (increase) in other noncurrent assets	599,306	(6,303,485)	(1,504,063)
Net cash flows used in investing activities	(11,749,681)	(84,668,374)	(36,592,532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs (Note 19)	43,968,605	74,674,514	44,494,653
Net proceeds from (settlements of) bank loans	15,424,292	(625,532)	1,055,647
Proceeds from issuance of treasury shares (Note 23)	–	5,874,083	885,336
Interest paid	(8,858,875)	(5,002,512)	(3,350,218)
Cash dividends paid and other changes to non-controlling interest	(3,077,223)	(4,434,075)	(4,243,450)
Cash dividends paid to equity holders of the parent (Note 24)	(7,492,944)	(5,887,523)	(6,153,470)
Payments of:			
Long-term debts (Note 19)	(51,545,504)	(4,232,593)	(2,813,140)
Obligations under finance lease (Note 21)	(7,877,292)	(7,517,917)	(7,482,447)
Net cash flows from (used in) financing activities	(19,458,941)	52,848,445	22,392,911
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,473,597	193,493	13,059,366
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(460,911)	82,151	40,952
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,857,528	63,581,884	50,481,566
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱64,870,214	₱63,857,528	₱63,581,884

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Securities and Exchange Commission on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 23).

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in various business activities mainly in the Philippines, including power generation and distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 8, 2018.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, quoted AFS investments and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company’s functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for certain amendments which were applied starting January 1, 2017. These amendments did not have any significant impact on the Group's consolidated financial statements:

- Amendment to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of Annual Improvements to PFRSs 2014-2016 cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to Philippine Accounting Standards (PAS) 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied the amendments retrospectively. However, their application had no effect on the Group's financial position and performance as the Group had no deductible temporary differences or assets that are in the scope of the amendments.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the required information in Note 37 to the financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

New Standards and Interpretations Issued and Effective after December 31, 2017

The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective January 1, 2018

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

These amendments will not be applicable to the Group since it has no share-based payment arrangements.

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The Group's activities are not predominantly connected with insurance. These amendments will not have any significant impact on the Group's consolidated financial statements.

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method. In 2016, the Group performed a preliminary assessment of PFRS 15 which was continued with a more detailed analysis in 2017.

Based on its initial assessment, the requirements of PFRS 15 on the following may have an impact on the Group's consolidated financial position, performance and disclosures:

Power Segment

- Identification of performance obligations

Sale of power and electricity

Contract with customers for the Group's power segment generally includes power generation, ancillary services, power distribution, and retail supply.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are expected to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation is expected to qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Under the current standards, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, the Group expects the revenue recognition to occur over time wherein the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, the fixed capacity payments for the entire contract period determined at contract inception will be recognized over time. Adoption of PFRS 15 is expected to have an impact on the Group's revenue and profit or loss, specifically on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices. The fixed escalation will be recognized on a straight-line basis over the contract period.

Power distribution and retail supply are also expected to qualify as series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. The Group expects revenue to be recognized over time based on amounts billed.

- Variable considerations
Some contracts with customers include unspecified quantity of energy, provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts. Such provisions give rise to variable consideration under PFRS 15 and will be required to be estimated at contract inception and updated thereafter.

However, PFRS 15 also requires the estimated variable consideration to be constrained to prevent a significant reversal in the amount of cumulative revenue recognized. The Group expects that application of the constraint will result in the same revenue recognized under PAS 18.

Real Estate Segment

- Identification of performance obligations

Real estate sales

Contract with customers for the Group's real estate segment generally includes sale of developed lot, sale of house and lot, sale of unfurnished and fully-furnished condominium units.

For sale of developed lots, lot and land development are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract as the land development is used as an input to deliver a combined output (i.e. developed lot). The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the lot.

For sale of house and lot, house and lot are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan. If sale occurs upon completion, the Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the house and lot. If sale occurs prior to completion, the Group expects the revenue recognition to occur over time when satisfying the criterion of which the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

- Significant financing component in relation to advance payments received from customers
Contracts with customers provide two alternative options: spot cash payment and installment payments after the contracts are signed. For both payment options, the Group concluded that there is a significant financing component because the timing between when the customer pays for the property and when the Group transfers the property to the customer do not match and the period between transfers are more than a year. The transaction price for such contracts will be determined by discounting the amount of promised consideration using the appropriate discount rate. The Group is currently quantifying the impact of the significant financing component in its consolidated financial statements.
- Incremental costs to obtain contracts
The Group's real estate segment incurs incremental sales commissions to obtain contracts with customers. Under legacy standards, the Group recognized the sales commission as expense when incurred. Under PFRS 15, these are capitalized as contract asset if the costs are expected to be recoverable.

The Group expects to amortize these costs on a systematic basis that is consistent with the Group's transfer of the related goods/services to the customer (i.e., percentage-of-completion). The Group also expects to apply the practical expedient wherein contract costs shall be immediately expensed when the asset that would have resulted from capitalizing such costs would have been amortized within one year or less.

Food Manufacturing Segment

- Identification of performance obligations

Sale of goods

For contract with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of PFRS 15 is not expected to have a significant impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of goods.

- Variable considerations

Some contracts with customers include volume discounts. Currently, the Group recognizes revenue measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and allowances granted by the Group. For the volume discounts, the Group recognizes these once the quantity of products purchased during the period exceeds a threshold specified in the contract. These are being determined and recorded on a monthly basis. Under PFRS 15, such provisions give rise to variable consideration under PFRS 15, and will be required to be estimated at contract inception and updated thereafter.

However, PFRS 15 also requires the estimated variable consideration to be constrained to prevent a significant reversal in the amount of cumulative revenue recognized. The Group expects that application of the constraint, will result in the same accounting revenue as recognized in PAS 18.

Group

In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

The Group has performed an assessment of the population of financial instruments impacted by the classification and measurement requirements of PFRS 9 and is in the process of developing impairment methodologies to support the calculation of expected credit losses (ECL) for qualified credit exposures.

(a) Classification and measurement

PFRS 9 requires that the Group classifies debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

The Group assessed that the contractual cash flows of its debt financial assets are solely payments of principal and interest and are expected to be held to collect all contractual cash flows until their maturity. As a result, these debt financial assets are still expected to be measured at amortized cost.

Investments in unquoted equity shares currently carried at cost under PAS 39 are expected to be measured at FVTPL. The Group is in the process of determining how to measure the fair value of these unquoted investments.

Quoted equity shares currently held as AFS investments are expected to be measured at either FVTPL (at default), which will increase volatility in profit or loss, or at FVOCI with no recycling to profit or loss (upon irrevocable election).

(b) Impairment

PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with contract assets, loan commitments and financial guarantee contracts. The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables and contract assets. For other debt financial assets measured at amortized cost, the general approach will be applied, measuring either a 12-month or lifetime expected losses, depending on the extent of the deterioration of their credit quality from origination. The Group is currently quantifying the impact of the change in measuring ECL.

(c) *Hedge accounting*

The Group has determined that all existing hedge relationships that are currently designated in effective hedging relationships under PAS 39 will continue to qualify for hedge accounting under PFRS 9. On transition, the Group will not retrospectively apply PFRS 9 to the hedges where the Group excluded the forward points from the hedge designation under PAS 39.

As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 will not have a significant impact on the Group's consolidated financial statements.

The Group expects that adoption of PFRS 9 will have an impact on its equity take up of its share in net earnings and movements in other comprehensive income in an associate. The Group has applied its existing governance framework to ensure that appropriate controls and validations are in place over key processes and judgments in implementing PFRS 9. The Group is continuously refining its internal controls and processes which are relevant in the proper implementation of PFRS 9.

- *Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

These amendments are not applicable to the Group since none of the entities within the Group is a venture capital organization or an investment entity, nor does the Group have investment entity associates or joint ventures.

- *Amendments to PAS 40, Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Effective January 1, 2019

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date.

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Group expects that adoption of these amendments will not have any impact consolidated financial statements and plans to adopt these on the required effective date.

- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Group expects that adoption of these amendments will not have any impact on the consolidated financial statements and plans to adopt these on the required effective date.

- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			2017		2016	
			Direct	Indirect	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	76.88%	–	76.88%	–
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	–	100.00	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	–	100.00	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	–	100.00	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	–	100.00	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	–	100.00	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	–	99.94	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	–	100.00	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	–	99.93	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9)	Power	Philippines	–	100.00	–	–
San Carlos Sun Power, Inc. (Sacasun, see Note 9)	Power	Philippines	–	100.00	–	–
Sunedison Philippines Helios B.V. (see Note 9)	Holding	Netherlands	–	100.00	–	–
Visayan Electric Co., Inc. (VECO)	Power	Philippines	–	55.26	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Bukidnon, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Ifugao, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Kalinga, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Itogon, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	–	100.00	–	100.00
Hedcor Tamugan, Inc. (HTI)*	Power	Philippines	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc. (formerly Kookaburra Equity Ventures, Inc.)*	Power	Philippines	–	100.00	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	2017		2016	
			Direct	Indirect	Direct	Indirect
Aboitiz Power Distributed Energy, Inc. *	Power	Philippines	–	100.00	–	–
Mt. Apo Geopower, Inc. *	Power	Philippines	–	100.00	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	–	100.00	–	100.00
Hydro Electric Development Corporation	Power	Philippines	–	99.97	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	–	100.00	–	100.00
Bakun Power Line Corporation*	Power	Philippines	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	–	100.00	–	–
Cordillera Hydro Corporation (CHC)*	Power	Philippines	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power	Philippines	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	–	100.00	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
Abovant Holdings, Inc.	Power	Philippines	–	60.00	–	60.00
Mindanao Sustainable Solutions, Inc. *	Services	Philippines	–	100.00	–	–
Therma Power Visayas, Inc. *	Power	Philippines	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	–	100.00	–	100.00
Therma Central Visayas, Inc. *	Power	Philippines	–	100.00	–	100.00
Therma Subic, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Mariveles Holdings L.P. (formerly World Power Holdings, L.P.)**	Holding	Cayman Islands	–	–	–	100.00
Therma Mariveles, LLC (formerly SG GNPpower, LLC)**	Holding	United States	–	–	–	100.00
Therma Mariveles Consulting Services, LLC (formerly Sithe Global Consulting Services, LLC)**	Holding	United States	–	–	–	100.00
Therma Mariveles Holding Cooperatief U.A. (formerly SG Philippines Holding Cooperatief U.A.)**	Holding	Netherlands	–	100.00	–	100.00
Therma Mariveles B.V. (formerly Sithe Global Camaya B.V.)**	Holding	Netherlands	–	100.00	–	100.00
Therma Mariveles Holdings, Inc. **	Holding	Netherlands	–	100.00	–	100.00
GNPpower Mariveles Coal Plant Ltd. Co. (GMCP) **	Power	Philippines	–	66.07	–	82.82
Therma Dinginin L.P. (formerly Sithe Global Power, L.P.)**	Holding	Cayman Islands	–	–	–	100.00
Therma Dinginin, LLC (formerly SG GNPd, LLC)**	Holding	United States	–	–	–	100.00
Therma Dinginin Offshore Services Inc. (formerly GNPd Offshore Services, Inc.)**	Holding	United States	–	–	–	100.00
Therma Dinginin Holding Cooperatief U.A. (formerly SG GNPd Holding Cooperatief U.A.)**	Holding	Netherlands	–	100.00	–	100.00
Therma Dinginin B.V. (formerly Sithe Global GNPd B.V.) **	Holding	Netherlands	–	100.00	–	100.00
Therma Dinginin Holdings, Inc. **	Holding	Philippines	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)*	Power	Philippines	–	80.00	–	80.00
AboitizPower International Pte. Ltd.	Holding	Singapore	–	100.00	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	–	100.00	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	–	60.00	–	60.00
Prism Energy, Inc. (PEI)*	Power	Philippines	–	60.00	–	60.00
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	Philippines	100.00	–	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	–	100.00	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	–	100.00	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			2017		2016	
			Direct	Indirect	Direct	Indirect
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	100.00	–	100.00	–
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	–	60.00	–	60.00
Misamis Oriental Land Development, Inc. (MOLDC)	Real estate	Philippines	–	60.00	–	60.00
Propiedad del Norte, Inc. (PDNI)	Real estate	Philippines	–	100.00	–	100.00
Lima Land, Inc. (LLI) and Subsidiary	Real estate	Philippines	–	100.00	–	100.00
Cebu District Property Enterprise, Inc. (CDPEI)	Real Estate	Philippines	–	60.00	–	60.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	100.00	–	100.00	–
Pilmico International Pte. Ltd. (Pilmico International)	Holding	Singapore	–	100.00	–	100.00
	Food					
Pilmico VHF Joint Stock Company (Pilmico VHF)	manufacturing	Vietnam	–	100.00	–	100.00
Pilmico Viet Nam Trading Company, Ltd.	Trading	Vietnam	–	100.00	–	100.00
Pilmico Animal Nutrition Joint Stock Company (PAN JSC)	Food					
PT PILMICO Foods Indonesia	manufacturing	Vietnam	–	70.00	–	–
Archipelago Insurance Pte Ltd (AIPL)	Trading	Indonesia	–	67.00	–	–
	Insurance	Singapore	100.00	–	100.00	–
	Biogas					
Aseagas Corporation (Aseagas)*	Manufacturing	Philippines	–	–	–	100.00
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	73.31	26.69	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	100.00	–	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	100.00	–	100.00	–
	Financial	Philippines				
PETNET, Inc. (PETNET)	services		51.00	–	51.00	–
Aboitiz Infracapital, Inc.	Holding	Philippines	100.00	–	100.00	–
Lima Water Corporation (LWC)	Water	Philippines	–	100.00	–	100.00
	Supply of treated					
Apo Agua Infraestructura, Inc.*	bulk water	Philippines	22.22	47.78	23.21	46.79

*No commercial operations as of December 31, 2017 and December 31, 2016.

** Acquired as part of GNPow acquisition (see Note 9).

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31 of each year.

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

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading

-
- Expected to be realized within twelve months after the reporting period or
 - Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for a least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

-
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, HTM investments, and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

“Day 1” difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Financial assets and financial liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets held for trading purposes and financial assets designated upon initial recognition as FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments in an effective hedge or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the consolidated statement of income.

Financial assets and financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded. Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or financial liabilities at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Financial instruments included in this classification are the Group's derivative asset and derivative liability (see Note 36).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not reclassified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate (EIR) and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial assets included in this classification are the Group's cash in banks and cash equivalents, trade and other receivables and restricted cash (see Note 36).

HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After the initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between the parties to the contract that are integral part of the EIR, transaction costs and all other premiums and discounts. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are impaired, as well as through the amortization process.

The Group's HTM investments amounted to ₱189.2 million and nil as of December 31, 2017 and 2016, respectively.

AFS investments

AFS financial investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. They are included in noncurrent assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. After initial recognition, AFS financial investments are measured at fair value with unrealized gains or losses being recognized in the other comprehensive income and in equity as "Net unrealized mark-to-market gains on AFS investments". When the investment is disposed of, the cumulative gains or loss previously recorded in equity is recognized in the consolidated statement of income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned or paid on the investments is reported as interest income or expense using the EIR. Interest earned on holding AFS investments are reported as "Interest income" using the effective interest method.

Dividends earned on holding AFS investments are recognized in the consolidated statement of income as “Other income” when the right of payment had been established. The losses arising from impairment of such investments are recognized as “Provision for credit and impairment losses” in the consolidated statement of income. Unquoted equity securities are carried at cost, net of impairment.

The Group’s AFS investments as of December 31, 2017 and 2016 include investments in quoted and unquoted shares of stock (see Note 36).

Other financial liabilities

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Included in other financial liabilities are the Group’s debt and other borrowings (bank loans and long-term debts), obligations under finance lease, trade and other payables, customers’ deposits, dividends payable, and long-term obligation on PDS (see Note 36).

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk

characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

HTM investments

The Group reviews the age and status of HTM investments and assesses if it needs to be provided with allowance. The Group maintains allowances for impairment losses at a level considered adequate to provide for potential uncollectible investments.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of income.

Derivative Financial Instruments

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract.

An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

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- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

As of December 31, 2017 and 2016, the Group has freestanding derivatives in the form of deliverable and non-deliverable foreign currency forward contracts entered into to economically hedge its foreign currency risks (see Note 35). In 2013, the Group applied hedge accounting treatment on its derivative transactions.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Classification of Financial Instruments Between Liability and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Redeemable Preferred Shares (RPS)

The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on redemption.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Wheat grains and other raw materials - purchase cost on a first-in, first-out basis;
- Finished goods and work in process - cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs;
- Fuel and lubricants - purchase cost on a first-in, first-out basis;
- Materials, parts and supplies - purchase cost on a weighted average method

NRV of wheat grains and other raw materials, work in process and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized.

Agricultural Activity

Agricultural produce

Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination

Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3, *Business Combinations*. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Land and Improvements

Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Property, Plant and Equipment

Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

Category	Number of Years	
	2017	2016
Buildings, warehouses and improvements	10 - 50	10 - 50
Power plant and equipment	2 - 50	2 - 50
Transmission, distribution and substation equipment		
Power transformers	30	30
Poles and wires	20 - 40	20 - 40
Other components	12 - 30	12 - 30
Machinery and equipment	5 - 30	5 - 30
Transportation equipment	5 - 10	5 - 10
Office furniture, fixtures and equipment	1 - 20	1 - 20
Leasehold improvements	3 - 20	3 - 20
Electrical equipment	5 - 25	5 - 25
Meters and laboratory equipment	25	25
Steam field assets	20 - 25	20 - 25
Tools and others	2 - 20	2 - 20

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PAS 11. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract.

The applicable entities account for revenue and costs relating to operation services in accordance with PAS 18.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life is 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts

The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The remaining contract life ranges from 6 to 10 years. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise

The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses

Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs

Project development costs include power plant projects in the development phase which meet the “identifiability” requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to “Property, plant and equipment” when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Investment Properties

Investment properties, which pertain to land and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Asset Retirement Obligation

The asset retirement obligation arose from the Group’s obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an “Accretion of asset retirement obligation” under the “Interest expense” account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

Noncurrent Assets Classified as Held for Sale and Discontinued Operations

Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of net income after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting net income is reported separately in the consolidated statement of income.

If there are changes to a plan of sale, and the criteria for the asset or disposal group to be classified as held for sale are no longer met, the Group ceases to classify the asset or disposal group as held for sale and it shall be measured at the lower of:

- its carrying amount before the asset was classified as held for sale adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a noncurrent asset or disposal group that ceases to be classified as held for sale in the consolidated statement of income from continuing operations in the period in which the criteria for the asset or disposal group to be classified as held for sale are no longer met. The Group presents that adjustment in the same caption in the consolidated statement of income used to present a gain or loss recognized, if any.

If the Group ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

Research and Development Expenditure

The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

Other current assets, property, plant and equipment, intangible assets, investments in associates and other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case

the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares

The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the following power subsidiaries: LHC, Therma Mariveles L.P. and subsidiaries, Therma Dinginin L.P. and subsidiaries; and associates: STEAG State Power, Inc. (STEAG), Western Mindanao Power Corporation (WMPC) and Southern Philippines Power Corporation (SPPC), is the United States (US) dollar; and food subsidiaries: Pilmico VHF, Pilmico Viet Nam Trading Company, Ltd., and PAN JSC, is the Vietnamese Dong. As at the balance date, the assets and liabilities of these entities are translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange ruling at the balance sheet date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of the subsidiary and associate, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Sales

Revenue from sale of power and electricity is recognized in the period in which actual capacity is generated and earned and upon distribution of power to customers.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Real estate sales are accounted for under the percentage-of-completion method when: (a) equitable interest and/or legal title to the subject properties is transferred to the buyer; (b) the seller is obliged to perform significant acts after the subject properties are sold; (c) the amount of revenue can be measured reliably; (d) the costs incurred or to be incurred can be measured reliably; and (e) it is probable that the economic benefits will flow to the entity. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Under the deposit method, no revenue and receivable are recognized, and the Group continues to reflect the property in the consolidated balance sheet. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other liabilities" account in the liabilities section of the consolidated balance sheet.

Rendering of services

Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under "Trade and other payables" account in the consolidated balance sheets.

Once the recorded value of a financial asset or bank of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized based on the original EIR used to discount the future recoverable cash flows.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income

Dividend income is recognized when the Group's right to receive payment is established.

Interest income

Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related

obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Input Value-Added Tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT, which is presented as part of “Other current assets” and/or “Other noncurrent assets” in the consolidated balance sheets, is recognized as an asset and will be used to offset the Group’s current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Output VAT

Output VAT represents VAT due on the sale, lease or exchange of taxable goods or properties or service by any person registered or required to register under Philippine taxation laws and regulations.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share

Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments

For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate, infrastructure and parent company/others) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Determining functional currency

Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currency is the US dollar (US\$) or Vietnamese Dong. The Philippine peso is the currency of the primary economic environment in which the companies in the Group operate and it is the currency that mainly influences the sale of power, goods and services and the costs of power, manufacturing and selling the goods, and the rendering of services. The functional currency of the following power subsidiaries: LHC, Therma Mariveles Holdings L.P. and subsidiaries, Therma Dinginin Holdings L.P. and subsidiaries; and associates: STEAG, WMPC and SPPC, is the US dollar; food subsidiaries: Pilmico VHF, Pilmico Viet Nam Trading Company, Ltd., and PAN JSC, is the Vietnamese Dong.

Determination of control or joint control over an investee company

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2017 and 2016, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees

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

The Group does not consolidate MORE since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees. This is a result of the shareholders' agreement which, among others, stipulates the management and operation of MORE. Management of MORE is vested in its BOD and the affirmative vote of the other shareholder is required for the approval of certain corporate actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBMI), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH as an associate that is accounted for using the equity method in the consolidated financial statements.

Determining a joint operation

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

Service concession arrangements - Companies in the Group as Operators

Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer (BOT) agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). The service concession agreements of subsidiaries SEZ, MEZ and LHC were accounted for under the intangible asset model. STEAG, an associate, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Finance lease - Group as the lessee

In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and finance lease obligation at the present value of the agreed monthly payments to PSALM (see Notes 22 and 36).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2017 and 2016, the carrying value of the power plant amounted to ₱35.8 billion and ₱36.9 billion, respectively (see Note 13). The carrying value of the finance lease obligation amounted to ₱49.2 billion and ₱52.3 billion as of December 31, 2017 and 2016, respectively (see Note 22).

Determining revenue and cost recognition on real estate

When the contract is judged to be for the construction of a property, revenue is recognized using the percentage-of-completion method as construction progresses. The percentage-of-completion is made by reference to the stage of completion of projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Distinction between investment properties, land and improvements and real estate inventories

The Group determines whether a property is classified as investment properties, land and improvements or real estate inventories:

- Investment properties comprise land, land improvements, buildings (principally composed of offices, commercial warehouses and retail properties) and pier facilities which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.
- Land and improvements comprise land and related improvements that are part of the Group's strategic landbanking activities for development or sale in the medium or long-term.
- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.

The Group considers each property separately in making its judgment.

Operating lease commitments - Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Determining fair value of customers' deposits

In applying PAS 39 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of an alternative valuation technique in establishing their fair values, since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱6.3 billion and ₱7.0 billion as of December 31, 2017 and 2016, respectively (see Notes 20 and 36).

Classification of financial instruments

The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Acquisition accounting

The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on trade and other receivables

The Group maintains allowance for impairment of trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its clients, client's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment of trade and other receivables will increase the Group's recorded expenses and decrease current assets.

Allowance for impairment losses as of December 31, 2017 and 2016 amounted to ₱2.0 billion and ₱1.9 billion, respectively. Trade and other receivables, net of valuation allowance, amounted to ₱24.8 billion and ₱22.0 billion as of December 31, 2017 and 2016, respectively (see Note 5).

Estimating allowance for inventory obsolescence

The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2017 and 2016, allowance for inventory obsolescence amounted to ₱64.1 million and ₱52.2 million, respectively. The carrying amount of the inventories, net of valuation allowance, amounted to ₱12.5 billion and ₱10.2 billion as of December 31, 2017 and 2016, respectively (see Note 6).

Estimating allowance for impairment losses on investments and advances

Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The cash flows are derived from the projection for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected cash inflows and the growth rates. The carrying amounts of the investments in and advances to associates amounted to ₱91.9 billion and ₱87.0 billion as of December 31, 2017 and 2016, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2017 and 2016 (see Note 10).

Estimating asset retirement obligation

Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "Interest expense" in the consolidated statement of income.

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation amounted to ₱3.0 billion and ₱1.8 billion as of December 31, 2017 and 2016, respectively (see Note 21).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱1.5 billion and ₱1.6 billion as of December 31, 2017 and 2016, respectively (see Note 31).

The Company did not recognize its deferred income tax assets on NOLCO generated in 2017 and 2016 amounting to ₱966.0 million and ₱1.1 billion, respectively, and on MCIT paid in 2017 and 2016 amounting to ₱25.2 million and ₱21.4 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱647.9 million and ₱228.1 million as of December 31, 2017 and 2016, respectively, and on MCIT amounting to ₱39.1 million and ₱43.8 million as of December 31, 2017 and 2016, respectively (see Note 31).

Pension benefits

The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

Net benefit expense amounted to ₱350.9 million in 2017, ₱320.5 million in 2016 and ₱356.7 million in 2015. The net benefit asset as at December 31, 2017 and 2016 amounted to ₱177.0 million and ₱115.3 million, respectively (see Note 30). Net pension liabilities as of December 31, 2017 and 2016 amounted to ₱400.3 million and ₱347.7 million, respectively (see Note 30).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Estimating useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2017 and 2016, the net book values of property, plant and equipment, excluding land, amounted to ₱213.2 billion and ₱202.2 billion, respectively (see Note 13).

Estimating residual value of property, plant and equipment

The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2017 and 2016, the net book values of property, plant and equipment, excluding land, amounted to ₱213.2 billion and ₱202.2 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - service concession rights

The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of

December 31, 2017 and 2016, the net book value of intangible asset - service concession rights amounted to ₱3.1 billion and ₱3.2 billion, respectively (see Note 15).

Estimating useful lives of intangible asset - customer contracts

The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of reporting date, of the probability of securing renewal contract at the end of the original contract term. As at December 31, 2017 and 2016, the net book values of intangible assets - customer contracts amounted to ₱42.8 million and ₱64.0 million, respectively (see Note 16).

Estimating useful life of franchise

The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2017 and 2016, the carrying value of franchise amounted to ₱2.7 billion and ₱2.8 billion, respectively (see Note 16).

Assessing impairment of AFS investments

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than six months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Fair value of AFS investments amounted to ₱772.8 million and ₱563.7 million as of December 31, 2017 and 2016, respectively. Net unrealized mark-to-market gains on AFS investments amounted to ₱17.3 million and ₱9.1 million as of December 31, 2017 and 2016, respectively. No impairment loss was recognized in 2017, 2016 and 2015.

Assessing impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2017 and 2016 amounted to ₱41.3 billion and ₱41.2 billion, respectively (see Note 12). Goodwill impairment recognized in 2016 amounted to 169.5 million. No impairment of goodwill was recognized in 2017 and 2015.

Fair value less estimated costs to sell of biological assets

The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2017 and 2016, the carrying value of the biological assets amounted to ₱1.1 billion and ₱756.3 million, respectively (see Note 8).

Impairment of nonfinancial assets

The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the consolidated balance sheet and consolidated statement of income. The aggregate net book values of these assets as of December 31 are as follows:

	2017	2016 (As Restated; Note 9)
Property, plant and equipment (see Note 13)	₱213,232,540	₱202,237,611
Other current assets (see Note 7)	8,882,626	6,849,331
Intangible asset – service concession rights (see Note 15)	3,062,307	3,222,123
Other noncurrent assets (see Note 16)	14,493,687	12,207,714
	₱239,671,160	₱224,516,779

No impairment loss was recognized in 2017, 2016 and 2015.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2017, 2016 and 2015.

4. Cash and Cash Equivalents

	2017	2016
Cash on hand and in banks	₱13,080,148	₱13,538,522
Short-term deposits	51,790,066	50,319,006
	₱64,870,214	₱63,857,528

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.3 billion, ₱1.4 billion and ₱1.1 billion in 2017, 2016, and 2015, respectively (see Note 35).

5. Trade and Other Receivables

	2017	2016
Trade receivables (see Note 35)		
Power	₱16,338,622	₱13,916,684
Real estate	3,654,299	2,855,165
Food manufacturing	2,344,307	1,848,628
Financial services	266,312	155,028
Holding and others	646,368	1,319,883
	23,249,908	20,095,388
Advances to contractors	105,690	773,547
Dividends receivable (see Note 10)	792,000	748,000
Accrued revenues	724,820	595,533
Nontrade receivables	461,527	345,099
Others	1,395,939	1,331,439
	26,729,884	23,889,006
Less allowance for impairment losses	1,956,174	1,879,032
	24,773,710	22,009,974
Less noncurrent portion	580,925	277,771
	₱24,192,785	₱21,732,203

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

For terms and conditions relating to related party receivables, refer to Note 34.

Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱3.1 billion and ₱580.9 million, respectively, as of December 31, 2017, and ₱2.6 billion and ₱277.8 million, respectively, as of December 31, 2016.

Other receivables include accrued interest income.

The rollforward analysis of allowance for impairment losses is presented below:

December 31, 2017

	Trade Receivables				Total
	Power	Food Manufacturing	Real Estate	Holding and Others	
At beginning of year	₱1,761,636	₱109,305	₱2,293	₱5,798	₱1,879,032
Provisions (see Note 27)	77,708	5,942	59,740	11,145	154,535
Write-off	(64,506)	(10,487)	–	–	(74,993)
Reversals/recovery	–	(2,400)	–	–	(2,400)
At end of year	₱1,774,838	₱102,360	₱62,033	₱16,943	₱1,956,174

December 31, 2016

	Trade Receivables				Total
	Power	Food Manufacturing	Real Estate	Holding and Others	
At beginning of year	₱1,841,625	₱126,824	₱2,006	₱71,490	₱2,041,945
Provisions (see Note 27)	145,786	412	517	1,308	148,023
Write-off	(225,775)	–	–	–	(225,775)
Reversals/recovery	–	(17,931)	(230)	(67,000)	(85,161)
At end of year	₱1,761,636	₱109,305	₱2,293	₱5,798	₱1,879,032

Allowance for impairment losses as of December 31, 2017 and 2016 pertains to receivables that are either individually or collectively determined to be impaired at reporting date.

These individually determined accounts relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings. These receivables are not secured by any collateral or credit enhancements.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

Reversals of allowance for impairment losses are presented as part of "Others - net" under "Other income - net" account in the consolidated statements of income.

6. Inventories

	2017	2016
At cost:		
Fuel and lubricants	₱3,294,622	₱2,845,119
Materials, parts and supplies	2,362,186	1,660,656
Real estate inventories	2,257,682	1,984,725
Raw materials	927,956	886,340
Finished goods (see Note 27)	373,665	507,645
At NRV:		
Wheat grains and other raw materials	2,416,762	1,525,839
Materials, parts and supplies	820,462	811,124
	₱12,453,335	₱10,221,448

A summary of the movement in real estate inventories is set out below:

	2017	2016
Real estate inventories:		
At January 1	₱1,984,725	₱1,992,706
Construction/development costs incurred	1,191,597	878,516
Land acquired during the period	196,679	51,850
Borrowing costs capitalized	102,851	107,822
Disposals (recognized as cost of real estate inventories sold)	(1,825,570)	(1,084,740)
Land costs transferred from land and improvements	184,751	31,640
Transfers from property and equipment	422,649	6,931
At December 31	₱2,257,682	₱1,984,725

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱22.3 billion in 2017, ₱12.2 billion in 2016 and ₱13.6 billion in 2015 (see Notes 26 and 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱412.1 million in 2017, ₱572.5 million in 2016 and ₱910.5 million in 2015 (see Note 27).

Cost of real estate inventories sold amounted to ₱1.8 billion, ₱1.1 billion and ₱1.3 billion 2017, 2016 and 2015, respectively.

Allowance for inventory obsolescence amounted to ₱64.1 million and ₱52.2 million as of December 31, 2017 and 2016, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱11.9 million in 2017, ₱11.1 million in 2016 and ₱31.1 million in 2015 (see Note 27).

Cost of inventories carried at NRV amounted to ₱3.2 billion and ₱2.3 billion as of December 31, 2017 and 2016, respectively.

Total borrowing costs capitalized as part of the real estate projects amounted to ₱102.9 million and ₱107.8 million in 2017 and 2016, respectively (see Note 19). The general capitalization rates are 3.83% in 2017 and 2.87% in 2016.

7. Other Current Assets

	2017	2016
Prepaid expenses	₱5,575,689	₱3,122,523
Restricted cash	2,642,327	2,100,611
Input VAT	2,260,927	2,216,281
Biological assets (see Note 8)	917,563	629,288
Others	1,046,010	1,510,527
	₱12,442,516	₱9,579,230

Prepaid expenses consist of unapplied insurance, rent and tax costs for which payments have been made.

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 19). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

“Others” include prepayments to regulatory agencies.

8. Biological Assets

	2017	2016
Presented under Other Current Assets:		
Market hogs	₱585,216	₱382,576
Piglets	251,868	167,615
Growing stocks	75,269	67,021
Poultry - broilers	5,210	9,491
Poultry - others	–	2,585
	917,563	629,288
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 16)	144,263	127,015
	₱1,061,826	₱756,303

As of December 31, 2017 and 2016, biological assets are measured at fair value under Level 2 input. Fair values are determined based on average market selling prices at balance sheet date. Prices used reflect the most recent active market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Market hogs, piglets, bearers (breeders), growing stocks, broilers and others are measured at fair value less estimated costs to sell.

As of December 31, 2017 and 2016, the fair value of biological assets measured using quoted prices in active markets (Level 2) amounted to ₱1.1 billion and ₱756.3 million, respectively (see Notes 7 and 16).

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The reconciliation of changes in the carrying amount follows:

	2017	2016
At beginning of year	P756,303	P667,169
Additions	1,920,849	1,684,738
Sales at fair value	(2,410,542)	(1,854,053)
Transferred to breeding herd	(146,915)	(129,769)
Increase in fair value (see Note 29)	942,131	388,218
At end of year	P1,061,826	P756,303

Consumable biological assets are included under "Other current assets" account while bearers are included under "Other noncurrent assets" account in the consolidated balance sheets (see Notes 7 and 16).

9. Acquisitions and Disposals of Shares of Stock

a. Acquisition of Pilmico Animal Nutrition Joint Stock Company (PAN JSC)

On July 29, 2017, Pilmico International Pte. Ltd. (PILMICO International), a 100%-owned subsidiary of AEV, acquired 70% equity interest in PAN JSC, an animal feeds company organized under the laws of Vietnam, for a total consideration of P162.7 million.

The purchase of PAN JSC was treated as a business combination accounted for under the acquisition method. PILMICO International elected to measure the non-controlling interest at its proportionate share in PAN JSC's identifiable net assets.

The following are the provisional fair values of the identifiable assets and liabilities assumed on acquisition date:

Assets:	
Cash and cash equivalents	P23,549
Trade and other receivables	14,008
Inventory	31,167
Other current assets	3,484
Property, plant, and equipment	117,953
Other noncurrent assets	25,205
	215,366
Liabilities:	
Accounts payable and accrued expenses	P48,365
Other non-current liabilities	18,888
	67,253
Total identifiable net assets at fair value	P148,113
Total consideration	P162,740
Fair value of noncontrolling interest	44,433
	207,173
Goodwill	P59,060

Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱23,549
Cash paid	(162,740)
Net cash outflow	(₱139,191)

The accounting for this business combination was determined provisionally as PILMICO International is still finalizing the fair valuation of the nonfinancial assets acquired.

In 2017, PAN JSC contributed ₱131.8 million to the consolidated revenue and ₱1.5 million to the net income of the Group from the date of acquisition.

b. Step-acquisition of Sacasun

In 2014, ARI, a 100%-owned subsidiary of AP, entered into a joint framework agreement to develop solar photovoltaic projects in the Philippines. Pursuant to their agreement, SunEdison Inc. (SEI), the ultimate parent company of SunE BV and Helios BV, and ARI invested in MHSCI and Sacasun for the 59-MWp solar project in San Carlos City, Negros Occidental.

On December 4, 2017, AboitizPower International Pte. Ltd. (API), signed a Share Purchase Agreement (“SPA”) with SunE Solar B.V. (SunE BV) for the acquisition of 100% equity interest in Sunedison Philippines Helios BV (Helios BV). The offshore execution of the Deed of Transfer is subject to certain closing conditions under the SPA. These conditions were met on December 27, 2017.

The transaction will result in API owning all the issued and outstanding shares of Helios BV, which owns a 40% equity interest in each of MHSCI and Sacasun. This allows AP to increase its indirect ownership interest in MHSCI and Sacasun to 100%. The transaction was accounted for as a business combination achieved in stages.

The provisional fair values of the identifiable assets and liabilities assumed on acquisition date:

Assets:	
Cash and cash equivalents	₱894,655
Trade and other receivables	60,927
Other current assets	52,564
Property, plant, and equipment	2,993,238
Other assets	54,861
	4,056,245
Liabilities:	
Trade and other payables	657,103
Short term loan	2,739,632
	3,396,735
Total identifiable net assets at fair value	659,510
Total consideration	–
Fair value of previously held interest in Sacasun	330,851
Bargain purchase gain	₱328,659
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱894,655
Cash paid	–
Net cash outflow	₱894,655

Remeasurement of the previously held interest in Sacasun as at the date of acquisition follows:

Carrying value of the previously held interest	₱349,312
Fair value of previously-held interest	330,851
<u>Loss on the remeasurement of previously held interest</u>	<u>₱18,461</u>

The accounting for this business combination was determined provisionally as AP is still finalizing the fair valuation of the nonfinancial assets acquired. This will be finalized within one year as allowed by PFRSs.

In 2017, Sacasun contributed nil to the consolidated revenue and a net loss contribution to the Group amounting to ₱307.3 million. If the combination had taken place at the beginning of 2017, the Group's revenue would have been ₱150.4 billion and net income would have been ₱28.7 billion.

c. Acquisition of GNPower

On October 4, 2016, TPI, a 100%-owned subsidiary of AP, finalized the purchase and sale agreements for the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group L.P. which indirectly owns the majority and minority interests in GMCP and GNPower Dinginin Ltd. Co. (GNPD), respectively, amounting to US\$1.22 billion, subject to purchase price adjustments.

The completion of the transaction is subject to certain conditions, including approvals by the Philippine Competition Commission (PCC) and the Board of Investments (BOI), as may be applicable. The PCC and BOI approved the acquisition on December 19, 2016 and November 21, 2016, respectively.

GMCP

GMCP owns and operates the Mariveles subcritical coal-fired power plant, consisting of two units totaling 604 MW. The plant is located in Mariveles, Bataan and started commercial operations in 2014. TPI acquired the 82.82% indirect interest in GMCP through its acquisition of Therma Mariveles Holdings L.P. (see Note 2).

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair value of the identifiable assets and liabilities on acquisition date were:

Assets:	
Cash and cash equivalents	₱5,567,064
Trade and other receivables	2,152,589
Inventories	1,321,660
Prepaid expenses	679,956
Property, plant, and equipment	34,004,836
Deferred income tax assets	620,556
Other assets	144,747
	<u>44,491,408</u>
Liabilities:	
Trade and other payables	2,057,368
Long-term debt	28,125,489
Derivative liabilities	351,210
Asset retirement obligation	318,136
Other liabilities	32,925
	<u>30,885,128</u>
Total identifiable net assets	₱13,606,280
Total consideration	₱49,787,176
Fair value of noncontrolling interest	3,164,230
	<u>52,951,406</u>
Goodwill	₱39,345,126
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱5,567,064
Cash paid	(49,787,176)
	<u>(₱44,220,112)</u>

The accounting for this business combination was determined provisionally as TPI was still finalizing the fair valuation of the valuation of the assets and liabilities acquired.

In December 2017, the valuation was completed and the acquisition date fair value of property, plant and equipment was ₱34.00 billion, an increase of ₱342.8 million over the provisional value. The fair value of long-term debt was also determined to be ₱28.13 billion, an increase of ₱1.65 billion over the provisional value. The 2016 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was a decrease in the deferred tax asset of ₱434.1 million, a decrease in the derivative asset of ₱752.3 million, and an increase in the noncontrolling interest of ₱579.8 million. There was a corresponding increase in goodwill of ₱3.08 billion, resulting in ₱39.35 billion of total goodwill arising on the acquisition. The increased depreciation charge on property, plant and equipment from the acquisition date to December 31, 2016 was not material.

In 2016, GMCP contributed ₱663.8 million to the consolidated revenue and ₱250.7 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱132.7 billion and net income would have been ₱31.4 billion.

GNPD

GNPD is the project company established to develop, finance, design, engineer, construct, complete, maintain, own and operate the proposed supercritical coal-fired power project located also in Bataan. The GNPD project is currently under development and consists of up to two units totaling 668 MW. TPI acquired the 50.00% indirect interest in GMCP through its acquisition of Therma Dinginin L.P. (see Note 2).

The purchase price amounted to US\$224.9 million (P11.2 billion).

d. Step Acquisition of EAUC

EAUC is a Philippine Economic Zone Authority (PEZA) registered power generation company which provides electric power to PEZA economic zones in Lapu-Lapu City and Balamban, province of Cebu. Prior to the acquisition, EAUC was 50% owned by AP and 50% owned by El Paso Philippines Energy Company, Inc. (EPPECI).

In June 2016, TPI acquired 50% ownership interest in EAUC from EPPECI. As a result of the acquisition, EAUC became a wholly owned subsidiary of AP. The transaction was accounted for as a business combination achieved in stages.

The resulting bargain purchase gain of ₱34.2 million and the gain on remeasurement of previously held interest of ₱316.7 million are included in other income in the 2016 consolidated statement of income.

In 2016, EAUC contributed ₱415.8 million to the consolidated revenue and ₱71.1 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱116.7 billion and net income would have been ₱28.7 billion.

In 2017, the purchase price allocation in the step- acquisition of EAUC was finalized. No changes were made on the provisional accounting done in 2016.

e. Acquisition of PETNET

On June 1, 2015, the Company acquired 51% stake in PETNET from Amon Trading Corporation, Strongview Inc. and various individual shareholders for a total consideration of ₱1.0 billion. Out of the 2,461,338 shares acquired by the Company, 1,235,186 shares (equivalent to 25.6%) were acquired from existing PETNET shareholders while the remaining 1,226,152 shares (equivalent to 25.4%) were subscribed from the unissued capital stock of PETNET.

PETNET is a Philippine money remittance business with a national footprint of around 2,500 locations through a mix of own units and business partner agreements, the largest Western Union agent network of the Philippines.

The purchase of PETNET was treated as a business combination accounted for under the acquisition method, and generated a goodwill amounting to ₱523.9 million.

In 2015, PETNET contributed ₱306.7 million to the consolidated revenue and ₱8.2 million to the net income of the Group from the date of acquisition.

10. Investments and Advances

	2017	2016
Acquisition cost:		
Balance at beginning of year	₱62,563,115	₱50,335,563
Additions during the year	1,773,729	12,408,168
Step acquisition of subsidiary	(878,010)	(144,691)
Redemptions during the year	–	(35,925)
Balance at end of year	63,458,834	62,563,115
Accumulated share in net earnings:		
Balances at beginning of year	28,599,982	27,072,370
Share in net earnings for the year	9,053,733	9,651,787
Step acquisition of subsidiary	528,698	(87,437)
Cash dividends received and receivable	(6,162,263)	(8,036,738)
Balance at end of year	32,020,150	28,599,982
Gain on dilution	1,014,136	1,014,136
Share in cumulative translation adjustments of associates and joint ventures	(144,508)	(128,203)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	(569,248)	(546,459)
Share in net unrealized mark-to-market losses on AFS investments of associates	(3,200,871)	(3,903,435)
	92,578,493	87,599,136
Advances to associates	24,614	32,056
	92,603,107	87,631,192
Less allowance for impairment losses (see Note 3)	680,731	680,731
	₱91,922,376	₱86,950,461

The rollforward of the share in net unrealized mark-to-market losses on AFS investments of an associate follows:

	2017	2016
At January 1	(₱3,903,435)	(₱3,713,742)
Unrealized valuation losses	573,135	(1,286,690)
Realized valuation gains	129,429	1,096,997
At December 31	(₱3,200,871)	(₱3,903,435)

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

	Nature of Business	2017	2016	2015
MORE*	Holding	83.33	83.33	83.33
AEV CRH	Holding	60.00	60.00	60.00
GNPD (see Note 9)**	Power generation	50.00	50.00	–
Cebu District Property Enterprise, Inc. (CDPEI)*	Real estate	50.00	50.00	50.00
Accuria, Inc.**	Holding	49.54	49.54	49.54
Union Bank of the Philippines (UBP)	Banking	48.83	48.83	47.97
Hijos	Holding	46.73	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	45.00	45.00	45.00
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	42.84	42.84	42.84
La Filipina ElektriKa, Inc.**	Power generation	40.00	40.00	40.00
STEAG	Power generation	34.00	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	26.40	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy)**	Power generation	25.00	25.00	25.00
SPPC	Power generation	20.00	20.00	20.00
WMPC	Power distribution	20.00	20.00	20.00
Balibago Water Systems, Inc. (BWSI)	Water distribution	11.14	–	–
MHSCI (see Note 9)	Power generation	–	60.00	60.00
SACASUN (see Note 9)	Power generation	–	35.00	35.00
EAUC (see Note 9)	Power generation	–	–	50.00

*Joint venture

**No commercial operations as of December 31, 2017.

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

As of December 31, 2017 and 2016, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 24).

2017

In January 2017, the Group, through TPI, subscribed and paid for additional shares of Redondo Peninsula Energy, Inc. (RPEI) amounting to ₱243.8 million.

In 2017, the Group, through Therma Dinginin BV, made capital contributions to GNPD amounting to US\$23.8 million.

In August 2017, the Group, through Aboitiz Infracapital, Inc., acquired an 11.14% ownership in BWSI from SFELAPCO. The consideration amounting to ₱274.7 million was paid in cash. BWSI is primarily engaged to build, operate and manage water system utilities of various local government units.

2016

In December 2016, TPI completed its acquisition of all of Therma Dinginin L.P.'s indirect ownership interests in GNPD as part of the GNPowder acquisition (see Note 9).

In April 2016, the Group, through TPI, subscribed and paid for additional shares of Redondo Peninsula Energy, Inc. (RPEI) amounting to ₱169.6 million.

On various dates in 2016, the Group, through ARI, subscribed and paid for additional MORE, MHSCI and SACASUN shares amounting to ₱25.0 million, ₱127.9 million and ₱298.5 million, respectively.

2015

On September 15, 2015, AEV and CRH PLC (CRH), through their investment vehicles, AEV CRH and CRH ABOITIZ, closed the acquisition of Lafarge S.A. Philippine assets. AEV acquired its interest in AEV CRH and CRH ABOITIZ for a total consideration of ₱23.7 billion. Simultaneously, AEV CRH purchased 99.09% of RCBMI and 100% of LCLC shares, while CRH ABOITIZ acquired 100% of the outstanding common shares of Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services (Philippines), Inc.).

In April 2015, ARI acquired shares of San Carlos Sun Power, Inc. (SACASUN) amounting to ₱0.1 million, equivalent to 35% ownership in SACASUN, and subsequently infused additional capital into SACASUN amounting to ₱316.0 million.

On various dates in 2015, the Group infused capital into MHSCI through stock subscription amounting to ₱135.4 million.

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

	2017	2016
UBP	₱33,970,808	₱30,183,219
AEV CRH	24,864,898	24,648,303
GNPD	12,251,529	11,200,790
MORE	9,926,376	9,764,599
STEAG	3,787,507	3,761,763
CEDC	3,019,192	3,070,016
CDPEI	1,476,052	1,487,279
SFELAPCO/PEVI	889,166	834,689
RP Energy	714,191	481,759
CRH ABOITIZ	311,511	271,352
BWSI	287,443	–
WMPC	112,420	128,034
SPPC	86,537	137,436
SACASUN	–	525,391
MHSCI	–	223,633
Others	200,130	200,140
	₱91,897,760	₱86,918,403

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱44.8 billion and ₱38.6 billion as of December 31, 2017 and 2016, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2017	2016	2015
UBP			
Total current assets	₱132,590,855	₱129,052,429	₱113,826,652
Total noncurrent assets	482,460,244	386,790,707	319,477,687
Total current liabilities	515,959,783	449,645,054	374,967,776
Total noncurrent liabilities	32,165,000	7,200,000	7,200,000
Equity attributable to equity holders of UBP Parent Company	₱66,871,569	₱58,977,766	₱51,112,771
Gross revenue	₱24,586,366	₱20,105,820	₱16,235,225
Operating profit	10,679,786	12,012,290	7,475,404
Net income attributable to equity holders of parent	8,405,016	10,094,621	5,315,853
Other comprehensive income attributable to equity holders of the parent	9,904,656	9,452,512	480,789
Group's share in net income	₱4,103,964	₱4,913,926	₱2,533,581
AEV CRH			
Total current assets	₱8,777,452	₱5,885,378	₱7,266,741
Total noncurrent assets	79,788,878	74,560,302	63,798,648
Total current liabilities	25,575,956	18,189,288	17,864,592
Total noncurrent liabilities	21,844,669	21,723,645	14,374,575
Equity attributable to equity holders of AEV CRH Parent Company	₱41,145,705	₱40,508,670	₱38,621,267
Gross revenue	₱24,853,225	₱26,693,275	₱7,608,815
Operating profit	4,041,005	3,973,198	456,829
Net income attributable to equity holders of parent	360,992	1,790,981	32,677
Group's share in net income	₱216,595	₱1,074,589	₱19,606
Operating profit	4,041,005	3,973,198	456,829
Net income attributable to equity holders of parent	360,992	1,790,981	32,677
Group's share in net income	₱216,595	₱1,074,589	₱19,606
CRH ABOITIZ			
Total current assets	₱411,074	₱165,802	₱682,077
Total noncurrent assets	900,780	1,085,320	699,526
Total current liabilities	889,385	633,968	847,951
Total noncurrent liabilities	85,308	203,785	161,968
Equity attributable to equity holders of CRH ABOITIZ Parent Company	₱337,161	₱413,361	₱371,684
Gross revenue	₱-	₱2,603,500	₱616,616
Operating profit (loss)	(1,443,313)	1,175,462	405,428
Net income attributable to equity holders of parent	89,242	59,568	124,187
Group's share in net loss	₱40,159	₱26,806	₱55,884

	2017	2016	2015
BWSI			
Total current assets	₱1,012,347	₱–	₱–
Total noncurrent assets	1,374,552	–	–
Total current liabilities	140,734	–	–
Total noncurrent liabilities	639,673	–	–
Equity	₱1,606,492	₱–	₱–
Gross revenue			
Gross revenue	₱1,191,595	₱–	₱–
Gross profit	705,341	–	–
Net income	465,737	–	–
Group's share in net income	₱17,763	₱–	₱–
MORE			
Total current assets	₱126,125	₱149,022	₱133,894
Total noncurrent assets	11,889,592	11,688,969	15,705,943
Total current liabilities	56,336	96,106	91,473
Total noncurrent liabilities	–	5,190	260
Equity	₱11,959,381	₱11,736,695	₱15,748,104
Gross revenue			
Gross revenue	₱170,236	₱170,236	₱166,636
Operating profit	4,893,753	2,601,566	2,557,392
Net income	4,891,630	2,573,164	2,552,419
Other comprehensive income	55,115	145,426	113,073
Group's share in net income	₱4,160,480	₱2,164,217	₱2,127,016
Additional information:			
Cash and cash equivalents	₱16,134	₱39,817	₱26,500
STEAG			
Total current assets	₱2,688,544	₱2,608,136	₱3,286,363
Total noncurrent assets	10,348,729	10,721,862	10,265,755
Total current liabilities	1,394,855	2,018,724	1,747,652
Total noncurrent liabilities	3,453,496	3,651,920	3,900,707
Equity	₱8,188,922	₱7,659,354	₱7,903,759
Gross revenue			
Gross revenue	₱4,502,920	₱4,626,910	₱4,864,480
Operating profit	1,020,846	1,205,122	2,060,028
Net income	516,893	928,891	1,414,229
Other comprehensive income	4,750	10,321	50,338
Group's share in net income	₱25,744	₱162,426	₱324,455

	2017	2016	2015
CEDC			
Total current assets	₱5,419,700	₱5,666,952	₱5,083,812
Total noncurrent assets	14,308,208	14,901,921	15,418,308
Total current liabilities	2,444,036	3,840,126	5,250,521
Total noncurrent liabilities	10,422,073	9,751,438	9,127,815
Equity	₱6,861,799	₱6,977,309	₱6,123,784
Gross revenue	₱8,751,540	₱7,965,518	₱8,108,516
Operating profit	3,183,144	3,433,767	3,196,976
Net income	1,686,941	2,546,339	2,366,296
Other comprehensive income	2,451	7,188	39,595
Group's share in net income	₱742,254	₱1,120,389	₱1,041,170
SFELAPCO*			
Total current assets	₱1,576,530	₱1,406,869	₱1,302,248
Total noncurrent assets	2,215,130	1,996,643	2,015,544
Total current liabilities	770,041	710,301	742,792
Total noncurrent liabilities	751,789	618,579	565,278
Equity	₱2,269,830	₱2,074,632	₱2,009,722
Gross revenue	₱4,211,674	₱4,255,286	₱4,208,990
Operating profit	366,492	310,511	170,695
Net income	671,268	272,756	165,094
Other comprehensive income	334,246	8,671	–
Group's share in net income	₱323,674	₱73,415	₱146,977
WMPC			
Total current assets	₱695,571	₱555,637	₱1,256,744
Total noncurrent assets	418,807	305,394	414,139
Total current liabilities	457,032	222,299	266,259
Total noncurrent liabilities	82,718	71,782	93,109
Equity	₱574,628	₱566,950	₱1,311,515
Gross revenue	₱1,439,482	₱1,636,339	₱1,430,260
Operating profit	98,838	130,244	926,475
Net income	71,933	91,646	776,764
Other comprehensive income (loss)	–	(9,634)	2,270
Group's share in net income	₱14,387	₱18,329	₱155,353
SPPC			
Total current assets	₱344,105	₱361,706	₱529,902
Total noncurrent assets	364,649	351,903	351,948
Total current liabilities	221,096	42,285	123,326
Total noncurrent liabilities	68,326	66,430	69,638
Equity	₱419,332	₱604,894	₱688,886

	2017	2016	2015
Gross revenue	₱523,854	₱632,504	₱709,403
Operating profit	133,508	204,593	430,392
Net income	272,756	272,756	365,512
Other comprehensive income (loss)	–	28,550	(360)
Group's share in net income	₱19,101	₱41,034	₱73,030
SACASUN			
Total current assets	₱–	₱838,410	₱984,914
Total noncurrent assets	–	3,642,924	2,515,145
Total current liabilities	–	285,178	956,524
Total noncurrent liabilities	–	2,696,727	1,645,852
Equity	₱–	₱1,499,429	₱897,683
Gross revenue	₱–	₱101,339	₱–
Operating loss	–	(112,596)	(829)
Net loss	–	(250,887)	(4,099)
Other comprehensive loss	–	–	–
Group's share in net loss	₱–	(₱87,810)	(₱1,434)
Additional information:			
Cash and cash equivalents	₱–	₱378,908	₱935,637
Noncurrent financial liabilities	–	2,696,727	1,645,852
GNPD			
Total current assets	₱2,486,668	₱533,725	₱–
Total noncurrent assets	16,762,108	6,593,952	–
Total current liabilities	539,651	131,137	–
Total noncurrent liabilities	14,242,279	4,537,895	–
Equity	₱4,466,846	₱2,458,645	₱–
Operating loss	(₱251,703)	(₱185,945)	₱–
Net loss	(376,336)	(5,907)	–
Group's share in net loss	(₱188,167)	(₱2,953)	₱–
Additional information:			
Cash and cash equivalents	₱1,869,486	₱181,026	₱–
Noncurrent financial liabilities	14,019,562	4,489,160	–
Others**			
Total current assets	₱1,116,846	₱578,587	₱799,379
Total noncurrent assets	3,395,270	3,019,198	2,941,861
Total current liabilities	16,405	214,628	121,773
Total noncurrent liabilities	5,497	104,248	60,496
Gross revenue	₱133,022	₱129,808	₱1,060,238
Net income (loss)	13,318	(40,580)	106,400

* Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment net income amounted to ₱745.1 million, ₱361.8 million and ₱335.7 million in 2017, 2016, and 2015, respectively, for SFELAPCO.

**The financial information of insignificant associates and joint ventures is indicated under "Others".

11. Material partly-owned subsidiary

As of December 31, 2017, the Company has 76.88% interest in AP, a holding company incorporated in the Philippines.

The summarized financial information as of December 31, 2017 and 2016 of AP is provided below:

	2017	2016 (As Restated; Note 9)
<i>Summarized comprehensive income information</i>		
Revenue	₱119,391,303	₱89,163,269
Cost of sales	63,949,850	46,226,259
Administrative expenses	21,267,724	16,626,710
Finance costs - net	10,320,768	6,620,476
Profit before tax	26,846,825	25,000,246
Income tax	3,858,398	3,496,140
Profit for the year from continuing operations	₱22,988,427	₱21,504,106
Total comprehensive income	₱23,366,919	₱21,575,328
<i>Summarized other financial information</i>		
Attributable to non-controlling interests	₱2,749,732	₱1,450,558
Dividends paid to non-controlling interests	2,313,460	2,823,782
<i>Summarized balance sheet information</i>		
Total current assets	₱67,961,596	₱73,649,187
Total noncurrent assets	293,515,403	283,357,707
Total current liabilities	49,312,291	32,802,506
Total noncurrent liabilities	188,186,244	211,995,168
Equity	₱123,978,464	₱112,209,220
<i>Summarized cash flow information</i>		
Operating cash flows	₱30,235,931	₱29,887,980
Investing cash flows	(9,452,925)	(81,380,348)
Financing cash flows	(32,122,699)	47,483,228

12. Impairment Testing of Goodwill

Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit.

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2017 and 2016

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates

The discount rate applied to cash flow projections are from 11.18% to 19.94% in 2017 and from 11.80% to 18.17% in 2016, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions

Revenue assumptions are based on the expected electricity to be sold. In 2017, revenue growth of -6% in year 1, 6% in year 2, 4% for the next two years and 3% in year 5 was applied for LEZ; -18% in year 1, 3% in the next two years, 1% in year 4 and 0% in year 5 was applied to BEZ; -1% in years 1, 2 and 4, -4% in year 3, and 7% in year 5 for GMCP; and 8% in year 1, 18% in year 2, 7% for the next two years, and -5% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-38% in year 1, 3% in the next three years, and -54% in year 5). VHF revenue assumptions are based on projected aqua feeds sales (15% in year 1, 19% in year 2, 12% in year 3, -8% in year 4 and 20% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (365% in year 1, 167% in year 2, and 2% in the next three years). PETNET revenue assumptions are based on income from money remittance and other allied services (no growth in years 1 and 5, and 7% in years 2 to 5).

In 2016, revenue growth of 12% in year 1, 6% in year 2, -11% in year 3, 5% in year 4 and 6% in year 5 for GMCP; 19% in year 1, 8% in year 2 and 6% for the next three years was applied for LEZ; -6% for year 1 and 3% for the next four years for MEZ; -69% in year 1, 9% in year 2, 7% in year 3, 3% in year 4 and -3% in year 5 was applied to BEZ; and 14% in year 1, 17% in year 2, 0% in year 3, and 2% in the next 2 years was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (3% in years 1 and 2, -41% in year 3, -73% in year 4 and 3% in year 5). VHF revenue assumptions are based on projected aqua feeds sales (39% in year 1, 18% in year 2, 2% in year 3, no growth in year 4 and 1% in year 5). PETNET revenue assumptions are based on income from money remittance and other allied services (4% in year 1, 11% in year 2, 10% in year 3, 9% in year 4 and 6% in year 5).

Foreign exchange rates

2017: The assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱51.41 to a dollar from 2018 until 2022.

2016: The assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱48.55 to a dollar in 2017 and depreciates at 2% annually until 2021.

Materials price inflation

2017: The assumption used to determine the value assigned to the materials price inflation is 3.17% in 2018 and increases to 3.20% in 2019. It then settles at 3.00% for the next 3 years until 2022. The starting point of 2018 is consistent with external information sources.

2016: The assumption used to determine the value assigned to the materials price inflation is 3.14% in 2017 and increases by 15 and 25 basis points in 2018 and 2019, respectively. It then decreases by 9 basis points in 2019, then settles at 3.5% in 2021. The starting point of 2017 is consistent with external information sources.

Based on the impairment testing, no impairment of goodwill was recognized in 2017. With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

In 2016, impairment of goodwill amounting to ₱169.5 million on the investment in MEZ was recognized. No impairment of goodwill was recognized in 2015.

The carrying amount of goodwill follows:

	2017	2016 (As Restated; Note 9)
GMCP (see Note 9)	₱39,345,126	₱39,345,126*
PETNET (see Note 9)	523,866	523,866
LEZ	467,586	467,586
Pilmico VHF (see Note 9)	394,217	394,217
BEZ	237,404	237,404
HI	220,228	220,228
LLI	61,202	61,202
PAN JSC (see Note 9)	59,060	—
	₱41,308,689	₱41,249,629

*Restated to consider adjustments as a result of the finalization in 2017 of the purchase price allocation on the 2016 acquisition of GMCP.

13. Property, Plant and Equipment and Land and Improvements

	December 31, 2017												
	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	P25,605,389	P137,519,744	P16,043,761	P5,997,681	P1,021,263	P1,893,621	P255,589	P4,498,864	P3,562,062	P2,054,603	P44,469,761	P1,575,682	P244,498,020
Acquisition of subsidiaries (see Note 9)	92,197	1,688,302	-	48,396	-	6,297	-	1,884,927	16,185	-	225,053	(18,757)	3,942,600
Additions	140,538	2,225,275	1,293,991	150,788	10,106	536,736	-	515,762	33,119	203,699	15,201,339	100,044	20,411,397
Disposals	(2,687)	(129,841)	(33,439)	(7,895)	(317,694)	(141,507)	-	(39,007)	(3,660)	-	-	(738)	(676,468)
Reclassifications	357,994	25,654	134,534	534,789	-	(1,634)	-	33,888	6,940	3,807	(2,866,228)	4,381	(1,766,875)
At December 31	26,193,431	141,329,134	17,438,847	6,723,759	713,675	2,239,513	255,589	6,893,434	3,614,646	2,262,109	57,029,925	1,660,612	266,408,674
At January 1	4,322,174	26,644,783	4,191,739	2,648,183	276,102	985,638	108,725	2,210,427	587,872	115,294	(722,768)	892,240	42,260,409
Acquisition of subsidiaries (see Note 9)	6,272	359,311	-	15,666	-	3,046	-	399,150	4,586	-	-	279	788,310
Depreciation and amortization	978,265	5,104,284	514,047	278,472	38,218	240,885	7,327	544,827	138,734	16,813	-	84,597	7,946,469
Disposals	(329)	(69,617)	(33,439)	(7,895)	(136,030)	(103,690)	-	(23,947)	(2,325)	-	-	(1,881)	(379,159)
Reclassifications	(1,946)	(47,058)	(1,215)	(6,508)	-	23,473	-	(40,443)	581	-	-	(14,945)	(88,061)
At December 31	5,304,436	31,991,703	4,671,132	2,927,918	178,290	1,149,352	116,052	3,090,014	729,448	132,107	(722,768)	960,290	50,527,974
Impairment	-	-	-	-	-	2,088	-	792	251	-	2,645,029	-	2,648,160
Net Book Value	P20,888,995	P109,337,431	P12,767,715	P3,795,841	P535,385	P1,142,073	P139,537	P3,802,628	P2,884,947	P2,130,002	P55,107,664	P700,322	P213,232,540

	December 31, 2016 (As Restated; Note 9)												
	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	P17,267,337	P99,606,874	P14,721,395	P5,064,989	P1,013,552	P1,427,757	P246,092,757	P3,930,852	P3,502,183	P1,881,393	P25,770,746	P1,171,031	P175,604,201
Acquisition of subsidiary (see Note 9)	5,441,126	33,537,094	104,542	-	-	325,400	-	330,532	21,244	(58,158)	135,137	80,081	39,916,998
Additions	267,696	250,232	1,051,340	90,938	7,711	267,125	-	396,853	34,016	92,500	29,270,672	316,838	32,045,921
Disposals	-	(156,278)	(772,463)	(12,475)	(296)	(86,276)	-	(726,851)	(296)	-	-	(6,545)	(1,761,184)
Reclassifications	2,629,230	4,281,822	938,947	854,229	-	(40,385)	9,497	567,478	4,915	138,868	(10,706,794)	14,277	(1,307,916)
At December 31	25,605,389	137,519,744	16,043,761	5,997,681	1,021,263	1,893,621	255,589	4,498,864	3,562,062	2,054,603	44,469,761	1,575,682	244,498,020
Accumulated depreciation and amortization													
At January 1	2,948,202	18,059,450	4,344,340	2,438,197	234,184	794,890	88,310	2,137,054	432,135	103,098	(722,768)	749,407	31,606,499
Acquisition of subsidiary (see Note 9)	556,377	4,096,568	95,758	-	-	139,143	-	169,009	20,162	-	-	62,126	5,139,143
Depreciation and amortization	847,357	4,034,998	438,720	222,435	41,918	181,412	6,165	428,477	135,253	1,196	-	82,408	6,431,339
Disposals	-	(26,583)	(778,294)	(12,449)	-	(74,120)	-	(719,731)	(183)	-	-	(6,504)	(1,617,864)
Reclassifications	(29,762)	(480,350)	91,215	-	-	(55,687)	14,250	195,618	505	-	-	4,803	701,292
At December 31	4,322,174	26,644,783	4,191,739	2,648,183	276,102	985,638	108,725	2,210,427	587,872	115,294	(722,768)	892,240	42,260,409
Net Book Value	P21,283,215	P110,874,961	P11,852,022	P3,349,498	P745,161	P907,983	P146,864	P2,288,437	P2,974,190	P1,939,309	P45,192,529	P683,442	P202,237,611

In 2016, an adjustment was made reducing power plant equipment and steam field assets by ₱1.63 billion due to the change in accounting estimate of the asset retirement obligation. In 2015, additions to power plant equipment and steam field assets include asset retirement obligation amounting to ₱560.8 million (see Note 21).

In 2017 and 2016, additions to “Construction in progress” include capitalized borrowing costs amounting to ₱2.62 billion and ₱1.82 billion, respectively (see Note 16).

Property, plant and equipment with carrying amounts of ₱125.41 billion and ₱116.98 billion as of December 31, 2017 and 2016, respectively, are used to secure the Group’s long-term debts (see Note 19).

Fully depreciated property, plant and equipment with cost amounting to ₱4.8 billion and ₱5.2 billion as of December 31, 2017 and 2016, respectively, are still in use.

A significant portion of the Group’s property, plant and equipment relates to various projects under “Construction in progress” as of December 31, 2017 and 2016, as shown below:

Project Company	Estimated Cost to Complete (in millions Php)		% of Completion	
	2017	2016	2017	2016
TVI	₱10,375	₱17,813	73%	54%
Hedcor Bukidnon	2,858	6,229	75%	45%
PEC (see Note 10)	2,294	8,614	87%	61%

In November 2017, Aseagas temporarily ceased the operations of its biomass plant due to unavailability of the supply of organic effluent wastewater from source. In January 2018, after a full assessment of the plant’s issues, Aseagas decided to make the plant shutdown permanent. These circumstances indicate that the carrying amount of the Aseagas’ assets, which are mainly its property, plant and equipment, may not be recoverable; thus, Aseagas performed an impairment review.

As of December 31, 2017, the recoverable amount of Aseagas’ property, plant and equipment was determined based on their fair value less costs of disposal. The fair value of the property, plant and equipment was based on valuation performed by an accredited independent appraiser. The fair value is the prevailing prices in the market which the property, plant and equipment can be sold less costs to be incurred on demolition, clearing and handling fees, among others, and this resulted into an insignificant recoverable amount. This valuation is under Level 3 in the fair value hierarchy. Impairment loss on property, plant and equipment recognized in the consolidated statement of income amounted to ₱2.66 billion in 2017.

Land and Improvements

	2017	2016
Cost		
At January 1	₱3,525,381	₱2,960,646
Additions	444,907	438,962
Transfers/Adjustments	(280,611)	131,070
Disposal	–	(5,297)
At December 31	₱3,689,677	₱3,525,381

14. Investment Properties - at Fair Value

December 31, 2017

	Land	Land Improvements	Buildings	Construction in Progress	Total
At January 1	₱3,999,741	₱238,843	₱1,133,806	₱–	₱5,372,390
Additions	186	6,996	14	–	7,196
Gain (loss) on fair valuation	948,543	–	(86,325)	–	862,218
Disposals	–	–	(136,650)	–	(136,650)
Transfers/adjustments	(53,282)	(149)	(15,587)	808,497	739,479
At December 31	₱4,895,188	₱245,690	₱895,258	₱808,497	₱6,844,633

December 31, 2016

	Land	Land Improvements	Buildings	Total
At January 1	₱3,976,512	₱235,558	₱971,710	₱5,183,780
Additions	13,809	3,196	1,123	18,128
Loss on fair valuation	–	–	(19,407)	(19,407)
Disposals	(423)	–	–	(423)
Transfers/adjustments	9,843	89	180,380	190,312
At December 31	₱3,999,741	₱238,843	₱1,133,806	₱5,372,390

Rental income earned from and direct operating expenses of investment properties amounted to ₱445.9 million and ₱73.5 million, respectively, in 2017; ₱419.3 million and ₱193.4 million, respectively, in 2016; and ₱385.0 million and ₱133.4 million, respectively, in 2015 (see Note 25).

As at December 31, 2017, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and building, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2017	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱4,895,188	Sales Comparison Approach	Price per square meter	₱280 - ₱25,706
Buildings and Land Improvements	1,140,948	Cost Approach	Estimated cost, remaining economic life	15 - 35 years
	Fair value at December 31, 2016	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱3,999,741	Sales Comparison Approach	Price per square meter	₱4,100 - ₱183,920
Buildings and Land Improvements	1,372,649	Cost Approach	Estimated cost, remaining economic life	15 - 35 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. Intangible Asset - Service Concession Rights

	2017	2016
Cost:		
At January 1	₱5,199,074	₱5,011,484
Additions from internal development	175,607	45,875
Effect of translation	15,139	141,715
	5,389,820	5,199,074
Accumulated amortization:		
At January 1	1,976,951	1,784,948
Amortization (see Note 27)	351,541	199,342
Reclassifications	(979)	(7,339)
	2,327,513	1,976,951
	₱3,062,307	₱3,222,123

The amortization of intangible asset is included in “Depreciation and amortization” under “Operating Expenses” in the consolidated statements of income (see Note 27).

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period. The intangible asset with a carrying value of ₱2.13 billion and ₱2.39 billion as of December 31, 2017 and 2016 was used as collateral to secure LHC’s long-term debt (see Note 19).

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- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱736.4 million and ₱727.0 million as of December 31, 2017 and 2016, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and are amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱105.3 million and ₱109.1 million as of December 31, 2017 and 2016, respectively.

16. Other Noncurrent Assets

	2017	2016 (As Restated; Note 9)
Input VAT and tax credit receivable, net of impairment loss of ₱50.04 million in 2017 (see Note 29)	₱6,765,238	₱6,766,183
Notes receivable (see Note 34)	–	2,882,456
Intangible assets:		
Franchise	2,725,693	2,802,654
Project development costs	395,419	411,499
Customer contracts	42,838	63,968
Software and licenses	171,644	168,712
Prepaid rent and other deposits (see Note 39)	1,171,570	933,971
Advances to contractors and projects	2,215,456	476,570
Receivable from National Grid Corporation of the Philippines (NGCP)	–	146,714
Biological assets (see Note 8)	144,263	127,015
Others	1,005,830	437,442
	₱14,637,951	₱15,217,184

The customer contracts pertain to agreements between LEZ, LWC and the locators within LiMa Technology Center relating to the provision of utility services to the locators. These contracts are treated as intangible assets and are amortized over a period of 5.25 years since 2014.

Receivable from NGCP pertains to cost of installation and construction of substation and transmission facilities to be reimbursed by NGCP as part of the agreement on the advance implementation of network assets.

In December 2016, SACASUN as the borrower, ARI as the buyer, and BDO Unibank, Inc. (BDO) as the seller, entered into a Memorandum of Understanding wherein buyer and seller agree to an absolute sale and purchase of SACASUN's notes payable to BDO (the "Loan"). The parties agree to the transfer of all of BDO's rights, title, interests, benefits, and obligations in and to the Loan to ARI. The consideration for the purchase of the Loan was ₱2.88 billion, equivalent to the outstanding balance of the Loan (see Note 34).

Rollforward of intangible assets follow:

December 31, 2017

	Franchise	Project development costs	Customer contracts	Software and licenses
Balances at beginning of year	₱2,802,654	₱411,499	₱63,968	₱168,712
Additions	–	127,655	–	60,097
Business combination	–	–	24,468	141
Transfer from property and equipment	–	–	–	59
Write-off - net of reversal	–	(143,735)	(24,468)	–
Amortization	(76,961)	–	(21,130)	(57,365)
Balances at end of year	₱2,725,693	₱395,419	₱42,838	₱171,644

December 31, 2016

	Franchise	Project development costs	Customer contracts	Software and licenses
Balances at beginning of year	₱2,879,615	₱294,071	₱79,377	₱86,124
Additions	–	180,078	–	115,367
Transfer from property and equipment	–	(9,477)	–	–
Write-off	–	(53,173)	–	–
Amortization	(76,961)	–	(15,409)	(32,779)
Balances at end of year	₱2,802,654	₱411,499	₱63,968	₱168,712

17. Bank Loans

	2017	2016
Philippine peso loans	₱23,112,700	₱7,907,700
US dollar loans	124,825	–
Vietnamese dong loans	463,615	351,328
	₱23,701,140	₱8,259,028

The peso loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.4% to 4.0% in 2017 and 2016. These loans will mature on various dates in 2018.

The loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

Total interest expense on bank loans recognized in 2017, 2016 and 2015 amounted to ₱246.8 million, ₱137.7 million and ₱190.6 million, respectively (see Note 35).

18. Trade and Other Payables

	2017	2016
Trade payables (see Note 39)	₱11,508,221	₱12,382,792
Nontrade and other payables	4,595,565	3,557,662
Accrued expenses	4,295,309	3,721,920
Output VAT	3,003,191	2,453,604
Amounts due to contractors and other third parties	1,979,367	639,994
Unearned revenue	35,874	33,829
	25,417,527	22,789,801
Less noncurrent portion (see Note 34)	880,943	578,892
	₱24,536,584	₱22,210,909

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

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

Accrued expenses include interest on borrowings, fuel and lube costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months. These represent ₱4.0 billion and ₱3.3 billion of the total accrued expenses as of December 31, 2017 and 2016, respectively.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 13).

9. Long-term Debts

	2017		2016 (As Restated; Note 9)	
	Annual Interest Rate	Amount	Annual Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	4.41% - 6.02%	₱32,000,000	4.41% - 6.02%	₱32,000,000
Subsidiaries:				
GMCP				
Financial institution - secured	LIBOR + 1.7% - 4.00%	31,946,661	LIBOR + 2.5% - 7.65%	27,116,791
TVI				
Financial institution - secured	5.50% - 6.91%	29,890,000	6.02% - 6.23%	27,570,000
TSI				
Financial institution - secured	4.51% - 5.15%	22,660,043	4.50% - 5.14%	23,970,380
TPI				
Financial institution - unsecured	LIBOR + 1.10%	15,153,755	LIBOR + 1.10%	31,000,420
AP				
Financial and non-financial institutions - unsecured	5.21% - 6.10%	13,000,000	5.21% - 6.10%	10,000,000
APRI				
Financial institution - secured	4.53% to 6.00%	10,624,640	4.53% to 6.00%	11,874,880
Hedcor Bukidnon				
Financial institution - secured	4.75% - 6.78%	9,327,700	4.75% - 6.58%	5,677,700
HSI				
Fixed rate corporate notes	4.11% to 5.42%	4,097,000	4.11% to 5.42%	4,100,000
PILMICO				
Financial institutions - secured	4.50% - 4.75%	2,830,000	5.09% - 5.65%	2,844,000
PANC				
Financial institution - secured	4.50% - 4.75%	2,690,000	4.50% - 5.35%	2,700,000
ASEAGAS				
Financial institution - secured	—	—	4.66% - 5.06%	2,434,209
VECO				
Financial institution - unsecured	4.49% - 4.81%	1,176,000	4.49% - 4.81%	1,379,000
LHC				
Financial institution - secured	2% to 2.75%	1,105,950	2% to 2.75%	1,369,631
DLP				
Financial institutions - unsecured	4.49% - 4.81%	882,000	4.26% - 4.81%	1,034,250
HI				
Financial institution - secured	5.25%	540,000	5.25%	630,000
SEZ				
Financial institutions - unsecured	5.00%	226,000	5.88% - 6.91%	282,500
CLP				
Financial institution - unsecured	4.49% - 4.81%	176,400	4.26% - 4.81%	206,850

(Forward)

	2017		2016 (As Restated; Note 9)	
	Annual Interest Rate	Amount	Annual Interest Rate	Amount
ABOITIZLAND				
Financial institutions:				
Philippine peso - secured	—	₱—	4.67% - 6.89%	₱120,000
US\$ - secured	—	—	1.31% - 1.59%	97,252
PAN JSC				
Financial institutions - secured	10.50%	18,560	—	—
Joint Operation:				
PEC				
Financial institution - secured	5.50% - 7.38%	14,066,500	4.70% - 6.68%	11,723,500
Total		192,411,209		198,131,363
Deferred financing costs		(3,324,162)		(2,214,858)
Fair value adjustment		—		959,613
Embedded derivative		—		6,776
		189,087,047		196,882,894
Less current portion		20,722,330		7,698,261
		₱168,364,717		₱189,184,633

The Company

In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

GMCP

On January 18, 2010, GMCP entered into offshore and onshore facility agreements with China Development Bank Corporation (Offshore Loan) as well as BDO, Bank of the Philippine Islands (BPI), China Banking Corporation, Security Bank Corporation, and Standard Chartered Bank - Singapore (collectively for the Onshore Loan) which was fully drawn in 2012. The proceeds of the loan were used solely for the payment of Project Costs.

On August 29, 2017, GMCP entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of US\$800.0 million, the proceeds of which will be used to refinance GMCP's existing loan obligation and for other general corporate purposes.

On September 29, 2017, US\$600.0 million was drawn from the NFA, out of which US\$462.4 million was used to prepay the outstanding loans.

GMCP also has an existing facility agreement with BDO to finance GMCP's working capital requirements.

Loans payable consist of the following dollar denominated loans as of December 31, 2017 (in thousands):

	Amount	Interest Rate Per Annum	Payment Schedule
<i>NFA</i>			
Fixed Rate Loan	\$300,000	(i) Fixed rate of 2.5514% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	300,000	Six-month LIBOR plus 1.70% margin	24 semi-annual payments starting from the first Interest Payment Date
<i>Working Capital</i>			
BDO	\$15,000	LIBOR plus 1.7% applicable margin	Payable within three months
Total borrowings	615,000		
Less unamortized portion of deferred financing costs	(5,712)		
	609,288		
Less current portion	37,451		
Loans payable - net of current portion	\$571,837		

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2017, ₱29.89 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.97 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.00 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments starting July 2019, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱34.01 billion as of December 31, 2017, and a pledge of TVI's shares of stock held by its shareholders.

TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.68 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱36.14 billion as of December 31, 2017, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

TPI

In December 2016, TPI executed and availed a US\$623.5 million syndicated bridge loan facility to partially finance the GNPowder acquisition. The loan bears a floating interest rate based on a credit spread over applicable LIBOR, repriced every 30 days. The loan will mature on the second anniversary of the initial drawdown date, with an option for a one-year extension.

AP

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2017, AP issued a ₱3.00 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

APRI

On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

- a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
- b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱25.64 billion as of December 31, 2017, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

Hedcor Bukidnon

On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.0 billion. As of December 31, 2017, ₱9.33 billion has been drawn from the loan facility based on the agreed schedule.

The term of the loan is 15 years, and the first principal repayment will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments, with a balloon payment not to exceed 30% of the loan amount. Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

HSI

On November 17, 2016, HSI entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.10 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	₱96.8 million
3	Three (3) years from issue date	₱84.0 million
4	Four (4) years from issue date	₱84.0 million
5	Five (5) years from issue date	₱284.0 million
6 (Series A&B)	Six (6) years from issue date	₱388.4 million
7 (Series A&B)	Seven (7) years from issue date	₱445.8 million
8	Eight (8) years from issue date	₱451.4 million
9	Nine (9) years from issue date	₱508.1 million
10 (Series A&B)	Ten (10) years from issue date	₱1,660.7 million

Prior to maturity date, HSI may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

PILMICO

PILMICO availed ₱1.0 billion and ₱500 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC). On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 5.19% to 4.50%.

On October 4, 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes in a private placement to not more than 19 institutional investors pursuant to Section 9.2 of the SRC and Rule 9.2(2) of the SRC Rules. On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 4.75% to 4.18%.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

PANC

On December 29, 2016, PANC availed of a total of ₱700 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

On September 22, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on the respective maturity dates at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

Aseagas

Within the period June 2014 to September 2015, Aseagas availed of ₱2.0 billion loan from the Notes Facility and Security Agreement (NFSA) it signed on June 5, 2014 with Development Bank of the Philippines. The NFSA provided for the issuance of 12-year corporate notes subject to a fixed interest rate ranging from 4.66% to 5.06% for the first seven years and to be repriced and fixed for the remaining five years. Principal repayments are due every six months.

In April 2016, Aseagas obtained an additional loan from DBP amounting to ₱500.0 million with the same terms as the first loan. Interest rate on the new loan is fixed at 4.75%.

The loan was prepaid in December 2017.

VECO

On December 20, 2013, VECO availed of a ₱2.0 billion loan from the NFA it signed on December 17, 2013 with the Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US\$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually. Annual interest rate ranges from 2.00% to 2.75%.

Intangible asset arising from service concession arrangement with carrying value of ₱2.13 billion as of December 31, 2017, was used as collateral to secure LHC's long-term debts (see Note 15).

DLP

On December 20, 2013, DLP availed of a ₱1.5 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

HI

On August 6, 2013, HI availed of a ten-year ₱900 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to MBTC. Interest on the notes is subject to quarterly payment at 5% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP

On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.15M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

ABOITIZLAND

The SBC peso loan is a ten-year loan availed on December 21, 2007. It is subject to 28 quarterly principal amortizations of ₱7.5 million starting at the end of the 13th quarter from initial drawdown date, with the balance of ₱90.0 million payable in full at the end of the 10th year. Interest is payable quarterly at fixed rate of 6.89% for the first five years and at 4.67% for the remaining five years.

The SBC dollar loan is a ten-year loan payable in 28 quarterly principal amortizations of US\$122 thousand starting at the end of the 13th quarter from initial drawdown date, with the balance of US\$1.5 million due in full at the end of the 10th year. Initial drawdown was made on February 6, 2008. Interest is payable and repriced quarterly based on the prevailing 90-day LIBOR plus 1%.

The SBC peso and dollar loans have been fully repaid in December, 2017.

Long-term debt of Joint Operation

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an Omnibus Agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.31 billion with maturity period of 15 years. The loan is subject to a semi-annual interest payment at annual fixed rates ranging from 5.50% - 7.38%.

The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of all its assets with carrying amount of ₱30.62 billion as of December 31, 2017, and a pledge of the shares of stock held by the joint operators.

Loan covenants

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

These restrictions and requirements were complied with by the Group as of December 31, 2017 and 2016.

20. Customers' Deposits

	2017	2016
Transformers	₱1,315,127	₱2,915,591
Bill and load	3,663,917	2,138,587
Lines and poles	1,115,646	1,777,064
Others	174,693	209,105
	₱6,269,383	₱7,040,347

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility. These deposits are non-interest bearing and are refundable only after their related contract is terminated and the assets are returned to the Group in their proper condition and all obligations and every account of the customer due to the Group shall have been paid.

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Interest expense on customers' deposits amounted to ₱3.2 million in 2017, ₱2.5 million in 2016, and ₱4.2 million in 2015 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts.

Other customer deposits pertain mainly to deposits from real estate buyers.

The portion of customers' deposit to be refunded amounted to ₱1.41 billion as of December 31, 2017, and is presented as part of "Trade and other payables" (see Note 18).

21. Asset Retirement Obligation

Asset retirement obligation includes the estimated costs to decommission, abandon and perform surface rehabilitation on a subsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 13).

	2017	2016
Balances at beginning of year	₱1,821,577	₱3,016,528
Acquisition of subsidiaries (see Note 9)	–	334,812
Change in accounting estimate	1,056,396	(1,627,192)
Accretion of decommissioning liability (see Note 34)	81,087	97,429
Balances at end of year	₱2,959,060	₱1,821,577

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

22. Finance Lease

TLI

TLI was appointed by PSALM as Administrator under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease. Accordingly, TLI recognized the capitalized asset and related liability of ₱44.79 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the financial statement as "Power plant" and "Finance lease obligation" accounts, respectively (see Notes 3 and 13). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statement of income. Interest expense in 2017, 2016 and 2015 amounted to ₱4.76 billion, ₱4.79 billion and ₱5.29 billion, respectively (see Note 35).

Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2017 and 2016 are as follows:

December 31, 2017

	Dollar payments	Peso equivalent of dollar payments ¹	Peso payments	Total
Within one year	\$90,000	₱4,493,700	₱4,320,000	₱8,813,700
After one year but not more than five years	397,500	19,847,175	19,080,000	38,927,175
More than five years	263,000	13,131,590	12,624,000	25,755,590
Total contractual payments	750,500	37,472,465	36,024,000	73,496,465
Unamortized discount	231,130	11,540,344	12,730,867	24,271,211
Present value	519,370	25,932,121	23,293,133	49,225,254
Less current portion				3,316,165
Noncurrent portion of finance lease obligation				₱45,909,089

December 31, 2016

	US dollar payments	Philippine peso equivalent of dollar payments ²	Philippine peso payments	Total
Within one year	\$82,500	₱4,101,900	₱3,960,000	₱8,061,900
After one year but not more than five years	378,000	18,794,160	18,144,000	36,938,160
More than five years	380,000	18,893,600	18,240,000	37,133,600
Total contractual payments	840,500	41,789,660	40,344,000	82,133,660
Unamortized discount	285,051	14,172,757	15,620,699	29,793,456
Present value	555,449	27,616,903	24,723,301	52,340,204
Less current portion				2,968,491
Noncurrent portion of finance lease obligation				₱49,371,713

¹USD1= ₱49.93

²USD1= ₱49.72

23. Capital Stock

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2017	2016
Common shares issued	5,694,599,621	5,694,599,621
Less treasury shares	60,807,064	60,807,064
Balance at end of year	5,633,792,557	5,633,792,557

On November 16, 1994, the Company listed with the Philippine Securities Exchange its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the parent company balance sheet.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2017 and 2016.

As of December 31, 2017, and 2016, the Company has 9,002 and 9,177 shareholders, respectively.

Treasury Shares

As of December 31, 2017 and 2016, treasury shares held by AEV totaled 60.8 million with corresponding acquisition cost of ₱521.1 million. In 2016, 79.5 million shares costing ₱544.5 million were sold for ₱5.9 billion while 15.7 million shares costing ₱112.8 million were sold for ₱885.3 million in 2015.

24. Retained Earnings

On March 7, 2017, the BOD approved the following:

- a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.
- b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation	Status of Capital Infusion as of December 31, 2017
AboitizLand, Inc. and Subsidiaries	Land Acquisition	July, 2013	First quarter of 2014	End of 4 th quarter of 2017	₱500,000	Deferred
Aseagas, Inc.	Plant Construction	March, 2015	August 2014	Start of 3 rd quarter of 2016	345,000	Executed
PetNet, Inc.	Business Expansion	May, 2015	June 2015	December 2016	250,000	Executed
Total					₱1,095,000	

On March 8, 2016, the BOD approved the declaration of a regular cash dividend of ₱1.06 per share (₱5.89 billion) to all stockholders of record as of March 22, 2016. These dividends were paid on April 19, 2016.

On March 10, 2015, the BOD approved the declaration of a regular cash dividend of ₱1.11 per share (₱6.15 billion) to all stockholders of record as of March 24, 2015. These dividends were paid on April 20, 2015.

As mentioned in Note 19, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱108.9 billion and ₱95.9 billion as at December 31, 2017 and 2016, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

25. Revenues

a. Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

A reset process should have been initiated 18 months prior to the start of the third regulatory period of April 1, 2013 to March 31, 2017 for CLP, July 1, 2014 to June 30, 2018 for DLP and VECO, and October 1, 2015 to September 30, 2019 for SEZ. The reset process, however, has been delayed due to the issuance by the ERC in 2013 of an Issues Paper on the Implementation of PBR for distribution utilities under the RDWR, which seeks to revisit various matters relating to the reset process. The ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. The resolution also sets forth, the schedule for the Fourth Regulatory Period.

Total sale from distribution of power amounted to ₱43.53 billion, ₱44.59 billion and ₱41.38 billion in 2017, 2016 and 2015, respectively.

b. Sale from Generation of Power and Retail Electricity

Certain subsidiaries are trading participants and direct members under the generator sector of the Wholesale Electricity Spot Market (WESM). These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱3.80 billion, ₱2.88 billion and ₱4.59 billion in 2017, 2016 and 2015, respectively.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱53.61 billion in 2017, ₱32.81 billion in 2016 and ₱28.78 billion in 2015.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱18.07 billion, ₱8.48 billion and ₱10.23 billion in 2017, 2016 and 2015, respectively.

c. Real estate revenues consist of the following:

	2017	2016	2015
Real estate sales	₱2,915,830	₱1,700,479	₱2,042,335
Rental income	445,558	419,297	385,029
Service fees and others	252,000	321,078	305,514
	₱3,613,388	₱2,440,854	₱2,732,878

26. Purchased Power

Distribution

DLP, VECO, CLP and MEZ entered into contracts with NPC/PSALM for the purchase of electricity. The material terms of the contract are as follows:

	Term of Agreement with NPC/PSALM	Contract Energy (megawatt hours/year)
DLP	Ended in December 2015; extended	1,120,918
CLP	Ended in December 2015; extended	126,976

The Group's distribution utilities also entered into Transmission Service Agreements with NGCP for the transmission of electricity.

Total power purchases from the NPC/PSALM and NGCP, net of discounts, amounted to ₱9.08 billion in 2017, ₱7.52 billion in 2016 and ₱9.49 billion in 2015. The outstanding payable to the NPC/PSALM and NGCP on purchased power, presented as part of the "Trade and other payables" account in the consolidated balance sheets amounted to ₱755.7 million and ₱694.2 million as of December 31, 2017 and 2016, respectively (see Note 18).

Generation

Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts. Total purchases from WESM amounted to ₱6.26 billion in 2017, ₱1.42 billion in 2016 and ₱1.21 billion in 2015.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Retail Electricity Supply

AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. Total generation payments to PSALM amounted to ₱1.82 billion, ₱1.90 billion and ₱1.86 billion in 2017, 2016 and 2015, respectively.

27. Costs and Expenses

Cost of generated power consists of:

	2017	2016	2015
Fuel costs	₱22,324,825	₱12,211,477	₱13,598,737
Steam supply costs (see Note 39)	4,981,187	4,108,576	3,956,979
Energy fees	668,558	627,751	684,279
Ancillary charges	547,291	340,869	262,536
Wheeling expenses	35,895	27,599	21,528
	₱28,557,756	₱17,316,272	₱18,524,059

Cost of goods sold consists of:

	2017	2016	2015
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	₱19,406,752	₱17,065,443	₱16,659,858
Direct labor (see Note 28)	238,647	194,453	143,320
Manufacturing overhead			
Depreciation (see Note 13)	524,660	427,462	352,639
Power	344,656	299,942	260,419
Repairs and maintenance	254,772	216,502	162,956
Indirect labor (see Note 28)	240,484	203,257	128,345
Fuel and lubricants	99,817	80,142	85,519
Outside services	94,775	76,686	68,293
Toll milling expenses	61,005	54,406	57,185
Freight and handling	55,253	48,004	39,878
Taxes and licenses	39,707	35,547	34,698
Insurance	35,506	32,178	26,050
Medicines and vaccines	33,931	28,397	24,227
Pest control	29,859	15,342	9,749
Employees' benefits (see Notes 28 and 30)	21,026	14,817	8,169
Royalty fee	11,688	13,565	7,890
Rental	9,712	9,992	5,707
Office and general supplies	—	9,476	16,634
Others	153,162	114,778	78,772
	2,010,013	1,680,493	1,367,130
Cost of goods manufactured	21,655,412	18,940,389	18,170,308
Finished goods inventory (see Note 6)			
Beginning of year	361,857	307,657	148,457
End of year	(317,007)	(361,857)	(307,657)
	₱21,700,262	₱18,886,189	₱18,011,108

Operating expenses consist of:

	2017	2016	2015
Depreciation and amortization (see Notes 13, 15 and 16)	₱7,869,255	₱6,357,313	₱4,528,558
Personnel (see Notes 28 and 30)	6,279,900	5,206,478	4,467,203
Outside services (see Note 39)	2,383,152	1,736,952	1,703,314
Taxes and licenses	2,196,046	1,613,411	1,196,605
Repairs and maintenance	1,704,853	954,531	744,056
Insurance	1,058,377	876,943	763,939
Freight and handling	834,893	660,208	633,102
Transportation and travel	467,606	416,030	382,333
Rent (see Note 36)	444,262	295,615	293,705
Advertising	425,617	349,366	320,348
Management and professional fees (see Note 34)	288,343	320,176	308,654

(Forward)

	2017	2016	2015
Training and development	₱160,953	₱163,375	₱98,866
Utilities	149,682	116,685	102,330
Commissions	145,140	132,469	145,553
Provision for impairment of trade receivables (see Note 5)	101,155	22,284	526,055
Fuel and lubricants	73,751	312,044	427,829
Others	1,672,930	1,653,302	1,329,589
	₱26,255,915	₱21,187,182	₱17,972,039

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2017	2016	2015
Depreciation and amortization (see Notes 13, 15 and 16)	₱40,837	₱44,615	₱42,796
Personnel (see Notes 28 and 30)	41,061	38,143	30,138
Repairs and maintenance	16,986	9,630	12,258
Fuel	6,680	8,918	9,805
Insurance	4,049	4,106	4,628
Rent	2,042	1,940	1,709
Others	2,209	2,319	2,198
	₱113,864	₱109,671	₱103,532

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2017	2016	2015
Property, plant and equipment (see Note 13)	₱7,946,469	₱6,431,339	₱4,465,223
Intangible asset - service concession rights (see Note 15)	351,541	199,342	338,031
Bearer biological assets (see Notes 8 and 16)	–	63,614	43,200
Other intangible assets (see Note 16)	157,968	135,100	109,854
	₱8,455,978	₱6,829,395	₱4,956,308

28. Personnel Expenses

	2017	2016	2015
Salaries and wages	₱5,041,341	₱4,107,494	₱3,491,083
Employee benefits (see Note 30)	1,296,940	1,160,292	1,056,870
	₱6,338,281	₱5,267,786	₱4,547,953

29. Other Income (Expense) - net

	2017	2016	2015
Change in fair value of biological assets (see Note 8)	₱942,131	₱388,218	₱425,720
Net unrealized fair valuation gains (see Note 36)	862,218	166,476	186,512
Surcharges	435,428	403,730	342,871
Gain on step-acquisition (see Note 9)	310,198	350,939	–
Non-utility operating income	145,948	94,916	114,108
Foreign exchange gains (losses) - net (see Note 35)	70,221	(40,877)	(959,461)
Rental income (see Note 34)	10,617	1,499	29,155
Dividend income	5,946	250	1,810
Gain (loss) on sale of:			
Property, plant and equipment	(52,164)	(50,125)	(71,402)
AFS investments	289	25,105	–
Loss on impairment of assets (see Notes 13 and 16)	(3,191,748)	–	–
Gain on redemption of shares (see Note 10)	–	16,051	–
Impairment loss on goodwill (see Note 12)	–	(169,469)	–
Others - net	434,782	1,314,313	154,697
	(₱26,134)	₱2,501,026	₱224,010

Surcharges represent late payment charges of a certain percentage on previous unpaid bills of customers of distribution utilities.

Included in “Net Foreign exchange gains (losses)” are the net gains and losses relating to currency forward transactions (see Note 35). “Others” comprise non-recurring items like sale of scrap and sludge oil, provision on impairment of assets and reversal of provisions. In 2016, “Others” also include income arising from the proceeds from claims of liquidating damages from contractor due to the delay in the completion of TSI’s power plant amounting to ₱785.4 million.

30. Defined Retirement Benefit Plans

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees’ retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, defined retirement benefit plans (“Plan”) covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund (“Fund”) of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan’s objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2017	2016	2015
Retirement expense recognized in the consolidated statements of income:			
Service cost	₱338,596	₱287,743	₱357,728
Net interest cost	12,257	32,725	(1,076)
	₱350,853	₱320,468	₱356,652

	2017	2016	2015
Remeasurement gains (losses) recognized in the statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	₱53,381	(₱54,403)	₱34,364
Return (loss) on assets excluding amount included in net interest cost	65,865	77,411	(160,325)
	₱119,246	₱23,008	(₱125,961)

Net pension liabilities

	2017	2016
Present value of obligation	₱3,609,366	₱3,386,386
Fair value of plan assets	(3,386,012)	(3,153,951)
Pension liability	₱223,354	₱232,435

Changes in the present value of the defined benefit obligation are as follows:

	2017	2016
At January 1	₱3,386,386	₱2,916,534
Net benefit costs in the consolidated statements of income		
Current service costs	323,277	284,078
Interest cost	178,630	147,822
Past service costs	15,319	3,665
Benefits paid	(183,060)	(129,174)
Transfers and others	(47,065)	17,866
Remeasurements in other comprehensive income:		
Actuarial losses due to experience adjustments	246,357	126,982
Actuarial gains due to changes in financial assumptions	(299,738)	(72,579)
	(53,381)	54,403
Acquisition of subsidiaries (see Note 9)	(10,740)	91,192
At December 31	₱3,609,366	₱3,386,386

Changes in the fair value of plan assets are as follows:

	2017	2016
At January 1	₱3,153,951	₱2,267,709
Actual contributions	256,329	729,668
Acquisition of subsidiaries (see Note 9)	–	74,413
Interest income included in net interest cost	166,373	115,097
Actual return excluding amount included in net interest cost	65,865	77,411
Transfers and others	(47,062)	17,866
Benefits paid	(209,444)	(128,213)
At December 31	₱3,386,012	₱3,153,951

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2017	2016
At January 1	₱232,435	₱648,825
Contribution to retirement fund	(256,329)	(729,668)
Retirement expense for the year	350,853	320,468
Actuarial gain recognized for the year	(119,246)	(23,008)
Transfers and others	(3)	–
Benefits paid from Group operating funds	26,384	(961)
Acquisition of subsidiaries	(10,740)	16,779
At December 31	₱223,354	₱232,435

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2017	2016
Cash and fixed-income investments	₱1,612,044	₱2,153,380
Equity instruments		
Financial institution	4,661	200,507
Power	302,223	176,674
Holding	77,839	213,415
Others	1,389,245	409,975
Fair value of plan assets	₱3,386,012	₱3,153,951

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2017, 2016 and 2015 in determining pension benefit obligations for the Group's plans are shown below:

	2017	2016	2015
Discount rate	5.01% - 5.31%	3.61% - 5.60%	4.91% - 5.72%
Salary increase rate	6%	6%	6%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2017 and 2016, assuming all other assumptions were held constant:

December 31, 2017

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱206,159)
	(100)	240,006
Future salary increases	100	231,623
	(100)	(222,457)

December 31, 2016

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱253,755)
	(100)	405,781
Future salary increases	100	403,120
	(100)	(275,707)

The defined retirement benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱217.7 million to the retirement benefit funds in 2018.

The average durations of the defined benefit obligation as of December 31, 2017 and 2016 are 7.78 - 28.76 years and 11.84 - 28.76 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. Income Taxes

The provision for (benefit from) income tax consists of:

	2017	2016	2015
Current			
Corporate income tax	₱4,346,711	₱4,518,530	₱4,630,846
Final tax	159,077	240,238	188,998
	4,505,788	4,758,768	4,819,844
Deferred	77,267	(469,105)	(495,025)
	₱4,583,055	₱4,289,663	₱4,324,819

A reconciliation of the statutory income tax rate with the Group's effective income tax rates follows:

	2017	2016	2015
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effects of:			
Nontaxable equity in net earnings of associates and joint ventures	(8.02)	(8.79)	(7.19)
Tax-deductible lease payments	(7.84)	(7.84)	(8.87)
Non-deductible interest expense	5.19	5.48	6.70
Income subject to ITH	(7.87)	(5.33)	(6.48)
Interest income subjected to final tax at lower rates - net	(0.82)	(1.06)	(0.98)
Non-deductible depreciation expense	0.97	1.00	1.19
Gain on sale of investments already subjected to final tax	0.00	(0.12)	-
Non-deductible impairment provisions	0.11	(0.07)	1.04
Others	1.81	(0.25)	0.33
	13.53%	13.02%	15.74%

Net deferred income tax assets at December 31 relate to the following:

	2017	2016 (As Restated; Note 9)
Deferred income tax assets:		
Tax effects of items in other comprehensive income	P238,357	P150,966
Unrealized foreign exchange loss	708,160	940,832
Allowances for impairment and probable losses	283,709	274,326
Unamortized contributions for past service	143,797	121,119
MCIT	—	11,148
Accrued retirement benefits	(108,489)	737
Others	426,091	516,004
	1,691,625	2,015,132
Deferred income tax liabilities:		
Pension asset	68,797	76,910
Consumable biological assets	90,971	35,039
Unrealized foreign exchange gain	—	2,738
Others	6,227	6,567
	165,995	121,254
	P1,525,630	P1,893,878

Net deferred income tax liabilities at December 31 relate to the following:

	2017	2016
Deferred income tax liabilities:		
Unamortized franchise	P817,708	P840,796
Unrealized gain on investment property	826,254	715,504
Percentage-of-completion recognition of real estate sales and related costs	245,893	171,049
Unrealized foreign exchange gains	26,957	63,753
Unamortized customs duties and taxes capitalized	30,915	61,849
Others	11,374	35,705
	1,959,101	1,888,656
Deferred income tax assets:		
Tax effects of items in other comprehensive income	(156,367)	(14,443)
NOLCO	179,572	195,204
Allowances for:		
Impairment and probable losses	47,376	55,564
Inventory obsolescence	20,050	1,975
Unamortized past service cost	23,173	19,606
MCIT	13,076	12,581
Unrealized foreign exchange losses	8,835	7,650
Others	199,471	43,108
	335,186	321,245
	P1,623,915	P1,567,411

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Company did not recognize its deferred income tax assets on NOLCO generated in 2017 and 2016 amounting to ₱966 million and ₱1.1 billion, respectively, and on MCIT paid in 2017 and 2016 amounting to ₱25.2 million and ₱21.4 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱647.9 million and ₱228.1 million as of December 31, 2017 and 2016, respectively, and on MCIT amounting to ₱39.1 million and ₱43.8 million as of December 31, 2017 and 2016, respectively.

Management of both entities expect that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.

32. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2017	2016	2015
a. Net income attributable to equity holders of the parent	₱21,608,695	₱22,473,458	₱17,679,116
b. Weighted average number of common shares issued and outstanding	5,633,793	5,595,028	5,551,617
c. Earnings per common share (a/b)	₱3.836	₱4.017	₱3.184

There are no dilutive potential common shares as of December 31, 2017, 2016 and 2015.

33. Operating Segment Information

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

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

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

The Group has only one geographical segment as the bulk of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

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

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

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 24%, 36% and 38% of the power generation revenues of the Group in 2017, 2016, and 2015, respectively. There is no concentration of significant customers on any of the segments.

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

	2017							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱119,134,091	₱742,182	₱26,229,792	₱3,613,388	₱34,061	₱668,091	₱-	₱150,421,605
Inter-segment	257,212	-	-	60,608	-	978,922	(1,296,742)	-
Total revenue	₱119,391,303	₱742,182	₱26,229,792	₱3,673,996	₱34,061	₱1,647,013	(₱1,296,742)	₱150,421,605
RESULTS								
Segment results	₱34,173,729	₱59,705	₱1,520,218	₱618,070	(₱87,498)	₱20,598	₱271,322	₱36,576,144
Unallocated corporate income (expenses)	(1,704,000)	4,265	868,042	748,030	304	328,546	(271,322)	(26,135)
INCOME FROM OPERATIONS								
Interest expense	(11,247,780)	(6,147)	(337,471)	(34,473)	-	(1,553,541)	62,050	36,550,009
Interest income	927,012	1,515	86,019	5,973	4,472	431,106	(80,402)	1,375,695
Share in net earnings of associates and joint ventures	4,697,864	4,103,964	-	(11,227)	274,517	18,284,670	(18,296,056)	9,053,732
Provision for income tax	(3,858,398)	(20,033)	(438,889)	(220,287)	(913)	(44,533)	-	(4,583,053)
NET INCOME								₱29,279,011
OTHER INFORMATION								
Segment assets	₱67,961,596	₱1,201,961	₱19,534,202	₱7,045,980	₱239,620	₱18,482,290	(₱278,155)	₱114,187,494
Investments and advances	31,248,595	33,970,808	-	1,476,052	25,463,872	108,095,256	(108,332,207)	91,922,376
Unallocated corporate assets	262,266,808	184,640	8,205,912	9,636,511	260,661	5,476,211	103,868	286,134,611
Consolidated total assets								₱492,244,481
Segment liabilities	₱235,578,591	₱363,199	₱22,592,698	₱6,395,724	₱29,590	₱32,645,631	(₱672,374)	₱296,933,059
Unallocated corporate liabilities	1,919,944	371,414	61,084	620,745	3,066	(248,543)	-	2,727,710
Consolidated total liabilities								₱299,660,769
Capital expenditures	₱16,068,050	₱17,934	₱1,218,793	₱897,635	₱9,573	₱105,460	₱-	₱18,317,445
Depreciation and amortization	₱7,596,268	₱35,289	₱576,980	₱94,648	₱6,481	₱146,312	₱-	₱8,455,978
	2016							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱88,992,097	₱550,347	₱23,702,446	₱2,440,854	₱-	₱729,336	₱-	₱116,415,080
Inter-segment	171,172	-	-	-	-	851,413	(1,022,585)	-
Total revenue	₱89,163,269	₱550,347	₱23,702,446	₱2,440,854	₱-	₱1,580,749	(₱1,022,585)	₱116,415,080
RESULTS								
Segment results	₱26,310,300	(₱67,207)	₱2,101,337	₱245,577	(₱10,565)	₱88,458	₱253,139	₱28,921,039
Unallocated corporate income (expenses)	1,669,212	85,684	493,150	6,245	1	499,874	(253,139)	2,501,027
INCOME FROM OPERATIONS								
Interest expense	(7,704,011)	(7,046)	(296,344)	(5,366)	-	(1,571,520)	16,290	31,422,066
Interest income	1,083,535	1,526	64,393	22,668	662	285,424	(21,276)	(9,567,997)
Share in net earnings of associates and joint ventures	3,641,210	4,913,926	-	(3,232)	1,101,394	17,384,303	(17,385,814)	1,436,932
Provision for income tax	(3,496,140)	(16,250)	(626,833)	(25,464)	(132)	(124,844)	-	9,651,787
NET INCOME								₱28,653,125
OTHER INFORMATION								
Segment assets	₱73,649,187	₱1,044,046	₱7,863,363	₱5,777,703	₱106,810	₱18,062,204	(₱924,487)	₱105,578,826
Investments and advances	30,595,989	30,183,220	-	1,487,299	24,919,655	97,268,613	(97,504,315)	86,950,461
Unallocated corporate assets	252,761,718	181,305	7,165,361	8,042,819	108,058	5,355,296	163,865	273,778,422
Consolidated total assets								₱466,307,709

2016								
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
Segment liabilities	₱242,851,899	₱226,242	₱10,689,191	₱5,074,129	₱23,772	₱32,125,426	(₱1,258,683)	₱289,731,976
Unallocated corporate liabilities	1,945,775	243,259	68,830	446,523	–	(104,062)	–	2,600,325
Consolidated total liabilities								₱292,332,301
Capital expenditures	₱28,203,292	₱35,693	₱1,792,762	₱593,616	₱83,358	₱316,078	₱–	₱31,024,799
Depreciation and amortization	₱6,043,527	₱31,253	₱534,042	₱66,845	₱355	₱153,373	₱–	₱6,829,395

2015								
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱85,072,152	₱306,677	₱22,768,473	₱2,732,878	₱–	₱379,788	₱–	₱111,259,968
Inter-segment	101,800	–	–	–	–	969,954	(1,071,754)	–
Total revenue	₱85,173,952	₱306,677	₱22,768,473	₱2,732,878	₱–	₱1,349,742	(₱1,071,754)	₱111,259,968
RESULTS								
Segment results	₱24,686,577	(₱27,183)	₱2,104,899	₱484,682	(₱2,360)	(₱42,746)	₱214,531	₱27,418,400
Unallocated corporate income (expenses)	(336,639)	53,871	501,230	106,642	–	113,437	(214,531)	224,010
INCOME FROM OPERATIONS								
Interest expense	(6,633,858)	(6,090)	(248,779)	(49,899)	–	(942,940)	–	(7,881,566)
Interest income	846,293	1,132	45,487	36,562	386	202,141	–	1,132,001
Share in net earnings of associates and joint ventures	3,979,947	2,533,581	–	(1,497)	75,491	15,943,715	(15,941,785)	6,589,452
Provision for income tax	(3,589,669)	(5,736)	(685,085)	4,132	(77)	(48,384)	–	(4,324,819)
NET INCOME								₱23,157,478
OTHER INFORMATION								
Segment assets	₱70,409,021	₱1,009,831	₱8,601,197	₱6,237,888	₱70,191	₱11,383,619	(₱678,328)	₱97,033,419
Investments and advances	22,551,845	25,813,716	–	1,490,531	23,818,261	91,188,162	(91,427,454)	73,435,061
Unallocated corporate assets	149,528,380	179,504	5,811,722	6,955,600	14,188	6,637,345	522,642	169,649,381
Consolidated total assets								₱340,117,861
Segment liabilities	₱138,399,444	₱180,213	₱10,311,032	₱4,713,271	₱11,410	₱36,841,079	(₱643,877)	₱189,812,572
Unallocated corporate liabilities	2,476,235	188,278	189,274	475,562	–	(8,500)	–	3,320,849
Consolidated total liabilities								₱193,133,421
Capital expenditures	₱15,701,414	₱40,236	₱1,948,168	₱319,303	₱2,848	₱1,502,040	₱–	₱19,514,009
Depreciation and amortization	₱4,322,000	₱11,920	₱433,363	₱40,128	₱5	₱148,892	₱–	₱4,956,308

34. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

- a. Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱650.0 million, ₱655.1 million and ₱327.9 million in 2017, 2016 and 2015, respectively.

- b. Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱316.4 million, ₱308.5 million and ₱135.8 million in 2017, 2016 and 2015, respectively.
- c. Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱11.2 million in 2017, ₱10.7 million in 2016 and ₱11.0 million in 2015.
- d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱8.1 million in 2017, ₱6.7 million in 2016 and ₱5.8 million in 2015.
- e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱36.2 million and ₱210.8 million, respectively, as at December 31, 2017, and to ₱47.2 million and ₱245.3 million, respectively, as at December 31, 2016 (see Note 18).
- f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Note 39).
- g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2017 and 2016 are as follows:

Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable		Terms	Conditions
	2017	2016	2015	2017	2016		
<i>Ultimate Parent</i>							
ACO	₱10,966	₱19,145	₱8,898	₱227	₱727	30-day; interest-free	Unsecured; no impairment
<i>Associates and Joint Ventures</i>							
RCBM (see Note 10)	298,612	327,203	85,800	67,193	66,339	30-day; Interest-free	Unsecured; no impairment
CEDC	101,367	103,945	110,157	7,978	13,972	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	69,780	76,462	19,450	15,701	15,497	30-day; interest-free	Unsecured; no impairment
SFELAPCO	72,158	58,119	66,274	41,266	21,827	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	45,418	49,767	13,650	10,219	10,086	30-day; interest-free	Unsecured; no impairment
GNPD	40,556	–	–	40,556	–	30-day; interest-free	Unsecured; no impairment
RP Energy	–	5,882	–	–	–	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	3,653	5,806	1,531	326	177	30-day; interest-free	Unsecured; no impairment

(Forward)

	Revenue			Accounts Receivable		Terms	Conditions
	2017	2016	2015	2017	2016		
SNAP-Benguet	₱2,027	₱5,630	₱1,692	₱308	₱177	30-day; interest-free	Unsecured; no impairment
MORE	2,825	2,863	2,037	445	595	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	1,394	206	43	14	–	30-day; interest-free	Unsecured; no impairment
UBP	1,050	67	540	613	211	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	–	–	4,790	–	–	30-day; interest-free	Unsecured; no impairment
CSB	–	–	1,570	–	–	30-day; interest-free	Unsecured; no impairment
CSB Land, Inc.	–	–	142	–	–	30-day; interest-free	Unsecured; no impairment
RCSI	120	–	–	159	–	30-day; interest-free	Unsecured; no impairment
	₱649,926	₱655,095	₱316,574	₱185,005	₱129,608		

Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance		Terms	Conditions
	2017	2016	2015	2017	2016		
AP	₱195,457	₱251,694	₱99,962	₱12,366,610	₱9,601,952	90 days or less; interest-bearing	No impairment
AEV	90,082	33,942	11,371	8,789,407	540,487	90 days or less; interest-bearing	No impairment
PILMICO	14,380	11,935	9,940	6,530,729	309,435	90 days or less; interest-bearing	No impairment
AIPL	6,982	4,728	4,992	141,960	382,162	90 days or less; interest-bearing	No impairment
AboitizLand	2,785	2,680	6,677	351,324	245,742	90 days or less; interest-bearing	No impairment
ASEAGAS	–	1,718	1,484	–	–	90 days or less; interest-bearing	No impairment
AEV AVIATION	1,632	621	439	309,006	53,092	90 days or less; interest-bearing	No impairment
CPDC	1,099	439	538	38,857	88,468	90 days or less; interest-bearing	No impairment
Petnet	214	319	56	74,014	49,163	90 days or less; interest-bearing	No impairment
APO Agua	–	231	386	–	55,220	90 days or less; interest-bearing	No impairment
ABOITIZ INFRACAPITAL	3,795	166	–	163,055	50,760	90 days or less; interest-bearing	No impairment
Weather Solutions, Inc.	–	–	–	2,500	–	90 days or less; interest-bearing	No impairment
	₱316,426	₱308,473	₱135,845	₱28,767,462	₱11,376,481		

Revenue - Aviation Services

	Revenue			Accounts Receivable		Terms	Conditions
	2017	2016	2015	2017	2016		
<i>Associates and Joint Ventures</i>							
SNAP-Magat	₱5,735	₱6,511	₱5,584	₱–	₱80	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	1,234	2,363	1,261	–	–	30-day; interest-free	Unsecured; no impairment
UBP	1,500	1,633	1,763	–	559	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	2,719	98	2,368	–	–	30-day; interest-free	Unsecured; no impairment
	₱11,188	₱10,605	₱10,976	₱–	₱639		

Revenue - Rental

	Revenue			Accounts Receivable		Terms	
	2017	2016	2015	2017	2016		
<i>Ultimate Parent</i>							
ACO	₱3,488	₱3,405	₱2,644	₱378	₱-	30-day; interest-free	Unsecured; no impairment
<i>Associates</i>							
UBP	3,507	3,340	3,181	13	13	30-day; interest-free	Unsecured; no impairment
RCSI	1,116	-	-	823	-	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	-	-	14	-	-	30-day; interest-free	Unsecured; no impairment
	₱8,111	₱6,745	₱5,839	₱1,214	₱13		

Land Acquisition

	Purchase			Payable		Terms	Conditions
	2017	2016	2015	2017	2016		
<i>Ultimate Parent</i>							
ACO	₱-	₱-	₱-	₱246,930	₱292,495	Quarterly installment	Unsecured

Revenue - Sale of Power

	Revenue (see Note 26)			Receivable		Terms	Conditions
	2017	2016	2015	2017	2016		
<i>Associate and Joint Ventures</i>							
SFELAPCO	₱2,487,557	₱2,669,036	₱2,654,128	₱150,888	₱196,912	30-day; interest-free	Unsecured; no impairment
SNAP-RES	14,209	-	-	-	-	30-day; Interest-free	Unsecured; no impairment
SNAP-Benguet	-	18,291	-	-	-	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	-	13,868	-	-	-	30-day; interest-free	Unsecured; no impairment
RCBM	101,092	-	-	20,114	-	30-day; interest-free	Unsecured; no impairment
<i>Investees of ACO</i>							
Tsuneishi Heavy Industries (Cebu), Inc.	406,366	545,344	589,082	41,200	45,266	30-day; interest-free	Unsecured; no impairment
Metaphil International, Inc.	2,410	10,868	6,722	261	429	30-day; interest-free	Unsecured; no impairment
	₱3,011,634	₱3,257,407	₱3,249,932	₱212,463	₱242,607		

Cost of Purchased Power

	Purchases (see Note 26)			Payable		Terms	Conditions
	2017	2016	2015	2017	2016		
<i>Associates and Joint Ventures</i>							
CEDC	₱4,540,798	₱4,552,650	₱4,593,202	₱383,308	₱395,904	30-day; interest-free	Unsecured
SPPC	158,015	219,272	216,525	–	21,702	30-day; interest-free	Unsecured
SNAP-Magat	126,731	–	84,744	8,252	–	30-day; interest-free	Unsecured
SFELAPCO	23,592	–	–	5,237	–	30-day; interest-free	Unsecured
WMPC	–	328,000	–	–	32,900	30-day; interest-free	Unsecured
SNAP-Benguet	–	136,500	–	–	–	30-day; interest-free	Unsecured
EAUC (see Note 10)	–	–	87,411	–	–	30-day; interest-free	Unsecured
	₱4,849,136	₱5,236,422	₱4,981,882	₱396,797	₱450,506		

Capitalized Construction and Rehabilitation Costs

	Purchases			Payable		Terms	Conditions
	2017	2016	2015	2017	2016		
<i>Fellow Subsidiary</i>							
Aboitiz Construction, Inc.	₱727,378	₱388,172	₱–	₱1,735	₱2,583	30-day; interest-free	Unsecured

Notes Receivable

	Interest Income			Receivable		Terms	Conditions
	2017	2016	2015	2017	2016		
<i>Joint venture</i>							
SACASUN (see Note 16)	₱151,040	₱847	₱–	₱–	₱2,882,456	Loan agreement; interest-bearing	Unsecured

Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱771.8 million and ₱732.5 million as of December 31, 2017 and 2016, respectively. The assets and investments of the Fund are as follows:

	2017	2016
Cash and fixed-income investments	₱292,490	₱204,058
AFS investments	479,344	529,211
	₱771,834	₱733,269

Fixed-income investments represent money market placements with maturities ranging from less than a year up to five years. AFS investments mainly comprise quoted equity securities which are carried at their fair values.

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2017 and 2016 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2017		2016	
	Carrying Value	Gain	Carrying Value	Gain
AEV common shares	₱77,795	₱20,959	₱200,465	₱6,756
AP common shares	192,261	12,506	91,523	7,982

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2017	2016	2015
Short-term benefits	₱305,642	₱239,477	₱213,607
Post-employment benefits	20,261	15,436	14,556
	₱325,903	₱254,913	₱228,163

35. Financial Risk Management Objectives and Policies

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

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

Risk Management Structure

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

Financial risk committee

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

Treasury service group

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

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

Market Risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2017, 16.5% of the Group's long-term debt had floating interest rates ranging from 2.0% to 10.5%, and 83.50% are with fixed rates ranging from 4.0% to 6.91%. As of December 31, 2016, 20.50% of the Group's long-term debt had floating interest rates ranging from 1.65% to 3.0%, and 79.50% are with fixed rates ranging from 3.50% to 7.65%.

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

December 31, 2017

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱15,376,379	₱4,836,681	₱10,993,807	₱31,206,867

December 31, 2016

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱1,705,889	₱38,308,318	₱-	₱40,014,207

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

The interest expense recognized during the period is as follows:

	2017	2016	2015
Long-term debts (see Note 19)	₱8,059,734	₱4,583,953	₱2,250,258
Obligations under finance lease (see Note 22)	4,757,379	4,794,801	5,287,369
Bank loans (see Note 17)	246,789	137,683	190,568
Long-term obligation on PDS and others	50,229	49,066	149,130
Customers' deposits (see Note 20)	3,231	2,494	4,241
	₱13,117,362	₱9,567,997	₱7,881,566

The interest income recognized during the period is as follows:

	2017	2016	2015
Cash and cash equivalents (see Note 4)	₱1,348,935	₱1,419,681	₱1,123,155
Others	26,760	17,252	8,846
	₱1,375,695	₱1,436,933	₱1,132,001

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2017, 2016 and 2015:

	Increase (decrease) in basis points	Effect on income before tax
2017	200	(₱624,137)
	(100)	312,069
2016	200	(₱800,284)
	(100)	400,142
2015	200	(₱33,364)
	(100)	16,682

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2017 and 2016 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Foreign exchange risk

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2017 and 2016, foreign currency denominated borrowings account for 27.84% and 33.75%, respectively, of total consolidated borrowings.

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

	2017		2016	
	US dollar	Philippine peso Equivalent ¹	US dollar	Philippine peso Equivalent ²
Loans and receivables				
Cash and cash equivalents	\$572,576	₱28,588,732	\$43,569	₱2,166,248
AFS investments	5,863	292,740	6,419	319,153
Trade and other receivables	49,715	2,482,288	3,260	162,092
Derivative assets	–	–	1,098	54,595
Total financial assets	628,154	31,363,760	54,346	2,702,088
Other financial liabilities				
Bank loans	11,785	588,440	7,066	351,328
Trade and other payables	62,033	3,097,290	30,731	1,527,961
Long-term debts	303,872	15,172,315	625,456	31,097,672
Obligations under finance lease	519,370	25,932,144	555,448	27,616,875
Total financial liabilities	897,060	44,790,189	1,218,701	60,593,836
Net foreign currency denominated liabilities	(\$268,906)	(₱13,426,429)	(\$1,164,355)	(₱57,891,748)

¹\$1= ₱49.93

²\$1= ₱49.72

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31, 2017, 2016 and 2015.

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
2017	US dollar strengthens by 5%	(₱671,321)
	US dollar weakens by 5%	671,321
2016	US dollar strengthens by 5%	(₱2,894,587)
	US dollar weakens by 5%	2,894,587
2015	US dollar strengthens by 5%	(₱1,251,425)
	US dollar weakens by 5%	1,251,425

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

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2017		2016	
	Philippine Peso	US Dollar Equivalent ¹	Philippine Peso	US Dollar Equivalent ²
Loans and receivables:				
Cash and cash equivalents	₱784,566	\$15,713	₱1,513,927	\$30,449
Trade and other receivables	383,606	7,683	583,160	11,729
	1,168,172	23,396	2,097,087	42,178
Other financial liabilities:				
Trade and other payables	487,004	9,754	893,586	17,973
Net foreign currency denominated assets (liabilities)	₱681,168	\$13,642	₱1,203,501	\$24,205

¹US\$1 = ₱49.93

²US\$1 = ₱49.72

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

	Effect on income before tax
2017	
US dollar appreciates against Philippine peso by 5.0%	(\$682)
US dollar depreciates against Philippine peso by 5.0%	682
2016	
US dollar appreciates against Philippine peso by 5.0%	(\$1,216)
US dollar depreciates against Philippine peso by 5.0%	1,204

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

Equity price risk

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

As of December 31, 2017 and 2016, the Group's exposure to equity price risk is minimal.

Credit Risk

For its cash investments, AFS investments, derivative assets, and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. With respect to cash and AFS investments, the risk is mitigated by the short-term and or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring

procedures. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures.

Concentration risk

Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2017 and 2016 is summarized in the following table:

	2017	2016
Power distribution:		
Industrial	₱4,573,703	₱3,589,973
Residential	1,083,524	1,324,289
Commercial	1,198,568	545,173
City street lighting	31,680	31,196
Power generation:		
Power supply contracts	7,815,795	6,945,891
Spot market	1,676,552	1,480,162
	₱16,379,822	₱13,916,684

The above receivables were provided with allowance for doubtful accounts amounting to ₱1.77 billion and ₱1.76 billion as of December 31, 2017 and 2016, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements

The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2017			Carrying Value	2016		
	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk		Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk	
Trade receivables:							
Power distribution	₱6,887,475	₱6,887,475	₱-	₱5,490,631	₱5,490,631	₱-	

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2017

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱64,870,214	₱-	₱-	₱-	₱64,870,214
Restricted cash	2,642,327	-	-	-	2,642,327
Trade and other receivables					
Trade receivables					
Power	11,991,483	44,623	-	4,302,516	16,338,622
Food manufacturing	133,135	854,686	369,852	986,634	2,344,307
Real estate	1,491,846	505,713	-	1,656,740	3,654,299
Holding and others	605,144	169,196	14,456	123,884	912,680
Other receivables	3,179,071	58,876	-	242,029	3,479,976
AFS investments					
Quoted shares of stock	760,724	-	-	-	760,724
Unquoted shares of stock	12,070	-	-	-	12,070
HTM investments	189,216	-	-	-	189,216
Derivative asset	341,941	-	-	-	341,941
	₱86,217,171	₱1,633,094	₱384,308	₱7,311,803	₱95,546,376

December 31, 2016

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱63,857,528	₱-	₱-	₱-	₱63,857,528
Restricted cash	2,100,611	-	-	-	2,100,611
Trade and other receivables					
Trade receivables					
Power	9,402,997	155,379	-	4,358,308	13,916,684
Food manufacturing	84,867	765,397	348,517	649,847	1,848,628
Real estate	2,361,300	214,626	455	278,784	2,855,165
Holding and others	1,345,040	17,336	39,449	73,086	1,474,911
Other receivables	3,520,960	56,766	504	215,388	3,793,618
AFS investments					
Quoted shares of stock	233,765	-	-	-	233,765
Unquoted shares of stock	329,983	-	-	-	329,983
Derivative asset	291,860	-	-	-	291,860
	₱83,528,911	₱1,209,504	₱388,925	₱5,575,413	₱90,702,753

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to AFS investments and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2017

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	
<i>Loans and receivables</i>							
Cash and cash equivalents	₱64,870,214	₱64,870,214	₱-	₱-	₱-	₱-	₱-
Restricted cash	2,642,327	2,642,327	-	-	-	-	-
Trade and other receivables							
Trade receivables							
Power	16,338,622	12,036,106	1,038,459	1,489,219	-	-	1,774,838
Food manufacturing	2,344,307	1,357,673	577,815	306,459	-	-	102,360
Real estate	3,654,299	1,997,559	255,975	1,338,732	-	-	62,033
Holding and others	912,680	788,796	-	107,264	-	-	16,620
Other receivables	3,479,976	3,237,947	127,831	113,875	-	-	323
<i>AFS investments</i>							
Quoted shares of stock	760,724	760,724	-	-	-	-	-
Unquoted shares of stock	12,070	12,070	-	-	-	-	-
HTM investments	189,216	189,216	-	-	-	-	-
Derivative asset	341,941	341,941	-	-	-	-	-
	₱95,546,376	₱88,234,573	₱2,000,080	₱3,355,549	₱-	₱-	₱1,956,174

December 31, 2016

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	
<i>Loans and receivables</i>							
Cash and cash equivalents	₱63,857,528	₱63,857,528	₱-	₱-	₱-	₱-	₱-
Restricted cash	2,100,611	2,100,611	-	-	-	-	-
Trade and other receivables							
Trade receivables							
Power	13,916,684	9,558,376	1,463,997	1,132,675	-	-	1,761,636
Food manufacturing	1,848,628	1,198,781	379,608	160,934	-	-	109,305
Real estate	2,855,165	2,576,381	-	276,491	-	-	2,293
Holding and others	1,474,911	1,401,825	-	67,288	-	-	5,798
Other receivables	3,793,618	3,578,230	11,178	204,210	-	-	-
<i>AFS investments</i>							
Quoted shares of stock	233,765	233,765	-	-	-	-	-
Unquoted shares of stock	329,983	329,983	-	-	-	-	-
Derivative asset	291,860	291,860	-	-	-	-	-
	₱90,702,753	₱85,127,340	₱1,854,783	₱1,841,598	₱-	₱-	₱1,879,032

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

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

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

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

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long term borrowings should mature in any twelve-month period. As of December 31, 2017 and 2016, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 9.83% and 4.19%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of ₱64.9 billion and ₱24.2 billion as of December 31, 2017, respectively and of ₱64.0 billion and ₱21.7 billion as of December 31, 2016, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

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

December 31, 2017

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
<i>Operating</i>						
Trade and other payables*	₱21,636,503	₱21,636,503	₱1,573,803	₱19,465,764	₱596,936	₱-
Customers' deposits	6,269,383	6,269,383	-	600	89,703	6,179,080
<i>Financing</i>						
Bank loans	23,701,140	23,711,309	-	23,711,309	-	-
Long-term debts	189,087,047	240,997,376	-	26,867,224	117,503,925	96,626,227
Obligations under finance lease	49,225,254	73,496,465	-	8,813,700	38,927,175	25,755,590
Long-term obligation on PDS	226,071	440,000	-	40,000	200,000	200,000
<i>Others</i>						
Derivative liabilities	47,577	47,577	-	47,577	-	-
	₱290,192,975	₱366,598,613	₱1,573,803	₱78,946,174	₱157,317,739	₱128,760,897

*Excludes statutory liabilities

December 31, 2016

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
<i>Operating</i>						
Trade and other payables*	₱18,757,325	₱18,757,325	₱233,245	₱18,278,797	₱231,106	₱14,177
Customers' deposits	7,040,347	7,040,347	–	–	33,648	7,006,699
<i>Financing</i>						
Bank loans	8,259,028	8,267,154	–	8,267,154	–	–
Long-term debts	196,882,894	220,807,423	–	12,312,633	98,696,279	109,798,511
Obligations under finance lease	52,340,204	82,133,660	–	8,061,900	36,938,160	37,133,600
Long-term obligation on PDS	237,248	440,000	–	40,000	200,000	200,000
<i>Others</i>						
Derivative liabilities	360,877	360,877	–	127,442	233,435	–
	₱283,877,923	₱337,806,786	₱233,245	₱47,087,926	₱136,332,628	₱154,152,987

*Excludes statutory liabilities

Capital Management

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

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

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2017 and 2016, these entities have complied with this requirement as applicable (see Note 38).

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

Gearing ratios of the Group as of December 31, 2017 and 2016 are as follows:

	2017	2016 (As Restated; Note 9)
Bank loans	₱23,701,140	₱8,259,028
Long-term obligations	238,312,301	249,223,098
Cash and cash equivalents (including restricted cash)	(67,512,541)	(65,958,139)
Net debt (a)	194,500,900	191,523,987
Equity	192,583,712	173,975,408
Equity and net debt (b)	₱387,084,612	₱365,499,395
Gearing ratio (a/b)	50.25%	52.40%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2017 and 2016 (see Note 19).

No changes were made in the objectives, policies or processes during the years ended December 31, 2017 and 2016.

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.
- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. Financial Instruments

Fair Value of Financial Instruments

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

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

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

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Obligations under finance lease	₱49,225,254	₱43,462,850	₱52,340,204	₱49,699,074
Long-term debt - fixed rate	157,880,180	151,225,731	155,217,817	155,854,200
Long-term obligation on PDS	226,071	326,655	237,248	414,135
	₱207,331,505	₱195,015,236	₱207,795,269	₱205,967,409

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

Cash and cash equivalents, trade and other receivables and trade and other payables

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

Obligations under finance lease

The fair value of the finance lease obligation was calculated by discounting future cash flows using discount rates of 5.86% to 10.05% for dollar payments and 1.79% to 5.99% for peso payments in 2017; and 5.83% to 8.43% for dollar payments and 1.78% to 6.57% for peso payments in 2016. The disclosed fair value is determined using Level 3 inputs.

Fixed-rate borrowings

The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 3.10% to 6.17% in 2017 and 2.47% to 7.20% in 2016. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings

Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS

The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 2.70% to 4.66% in 2017 and 3.83% to 4.47% in 2016. The disclosed fair value is determined using Level 3 inputs.

Customers' deposits

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

AFS investments

The fair values of AFS investments are based on quoted market prices, except for unquoted equity shares which are carried at cost since fair values are not readily determinable.

Derivative asset and liabilities

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

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

Interest rate swaps

In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$22.2 million and ₱15.8 million, respectively. As of December 31, 2016, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$27.7 million and ₱15.2 million, respectively.

GMCP (see Note 9), has an interest rate swap agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans (see Note 19). Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR rate, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRS agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative liability amounting to US\$4.5 million was derecognized in cumulative translation adjustments.

On September 29, 2017, GMCP entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 19), which bears interest based on six-month US LIBOR. Under the swap agreement, GMCP pays a fixed rate of 2.18% and receives six-month US LIBOR rate, semi-annually from March 29, 2018 until September 27, 2024. The interest rate swap settlement dates coincide with the semi-annual interest payment dates of the NFA. GMCP designated the swap as a cash flow hedge.

As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$300.0 million and ₱49.9 million, respectively. As of December 31, 2016, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$105.1 million and ₱331.0 million, respectively.

Interest rate cap (IRC)

GMCP (see Note 9), has an interest rate cap to hedge the variability in the interest cash flows above a certain maximum interest rate on the outstanding amount of its Onshore - Tranche A loans (see Note 19). The IRC has an outstanding notional amount of US\$34.4 million, and a derivative liability amount of ₱19.5 million, as of December 31, 2016. Under the IRC agreement, GMCP will receive an amount based upon the outstanding notional amount and the excess of the 6-month LIBOR over the 2.00% cap rate and pays a fixed interest of 0.69% as a premium for the IRC on each settlement date. If the 6-month LIBOR is below 2.00%, no payment will be received by GMCP. The settlement dates shall be on semi-annual basis from March 29, 2015 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRC agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative asset was derecognized in cumulative translation adjustments.

Foreign currency forward contracts

On November 26, 2015, Hedcor Bukidnon entered into a deliverable forward contract to manage its foreign currency risks associated with its Euro denominated purchases. As of December 31, 2017 and 2016, the outstanding sell U.S. Dollar buy Euro forward contract has an aggregate notional of €2.5 million and €6.4 million, respectively. The maturity of the derivatives begins on December 21, 2015 until April 25, 2018.

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2017 and 2016, the contract has an aggregate notional amount of US\$2.6 million and US\$6.9 million, respectively that will be fully settled within 2018.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

Par forward contracts

AP enters into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2017 the aggregate notional amount of the par forward contract is US\$39.0 million.

In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering, Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2017 and 2016, the aggregate notional amount of the par forward contracts is US\$23.7 million and US\$47.6 million, respectively.

In 2014, the Group's Joint Operation entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the EPC contract related to the construction of a power plant. The par forward contracts were designated as cash flow hedges. As of December 31, 2017 and 2016, the aggregate notional amount of the par forward contracts is ₱254.3 million and ₱700.0 million, respectively.

The movements in fair value changes of all derivative instruments for the year ended December 31, 2017 and 2016 are as follows:

	2017	2016
At beginning of year	(₱69,016)	₱563,366
Additions due to business combination (see Note 9)	–	(350,574)
Net changes in fair value of derivatives designated as accounting hedges	105,483	36,859
Net changes in fair value of derivatives not designated as accounting hedges	5,339	(127,039)
Derecognition recognized in cumulative translation adjustments	240,960	–
Fair value of settled instruments	11,598	(191,628)
At end of year	₱294,364	(₱69,016)

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included as “Foreign exchange losses - net” under “Other income - net”.

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under “Cumulative translation adjustments.”

The net movement of changes to cumulative translation adjustment relating to revaluation of derivatives is as follows:

	2017	2016
Balance at beginning of year (net of tax)	(₱176,936)	₱147,337
Changes in fair value recorded in equity	75,935	62,586
	(101,001)	209,923
Additions due to business combination (see Note 9)	–	(257,500)
Derecognition	147,881	–
Transfers to construction in progress	(57,959)	(178,646)
Changes in fair value transferred to profit or loss	127,328	10,191
Balance at end of year before deferred tax effect	116,249	(216,032)
Deferred tax effect	23,630	39,096
Balance at end of year (net of tax)	₱139,879	(₱176,936)

The Group has not bifurcated any embedded derivatives as of December 31, 2017 and 2016.

Fair Value Hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2017 and 2016, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2017

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	₱760,724	₱760,724	₱-	₱-
Derivative asset	341,941	-	341,941	-
Derivative liability	47,577	-	47,577	-
Disclosed at fair value:				
Obligations under finance lease	43,462,850	-	-	43,462,850
Long-term debt - fixed rate	151,225,731	-	-	151,225,731
Long-term obligation on PDS	326,655	-	-	326,655

December 31, 2016

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	₱233,765	₱233,765	₱-	₱-
Derivative asset	291,860	-	291,860	-
Derivative liability	360,877	-	360,877	-
Disclosed at fair value:				
Obligations under finance lease	49,699,074	-	-	49,699,074
Long-term debt - fixed rate	155,854,200	-	-	155,854,200
Long-term obligation on PDS	414,135	-	-	414,135

During the years ended December 31, 2017 and 2016, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

37. Notes to Consolidated Statement of Cash Flows

The following are the cash flow movements of the Group's financing liabilities in 2017:

	January 1, 2017	Net cash flows	Non-cash Changes				December 31, 2017	
			Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest Others		
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱15,997,289	(₱36,121,212)	₱38,913	₱97,555	₱-	₱-	₱64,450,925	₱44,463,470
Current obligations under finance leases	2,968,491	(7,877,292)	-	-	-	-	8,224,966	3,316,165
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	189,381,881	43,968,605	504,732	727,105	(6,776)	28,823	(66,053,583)	168,550,787
Non-current obligations under finance leases	49,371,713	-	-	97,139	-	4,665,203	(8,224,966)	45,909,089
Derivatives	360,877	-	-	-	(313,300)	-	-	47,577
Total liabilities from financing activities	₱258,080,251	(₱29,899)	₱543,645	₱921,799	(₱320,076)	₱4,694,026	(₱1,602,658)	₱262,287,088

38. Registrations with the Department of Energy and BOI

- a. Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2017 and 2016, these companies have complied with the requirements.
- b. On March 19, 2014, the BOI approved the registration of PANC's swine offsite nursery farm as "expanding producer of hogs" on a nonpioneer status under Omnibus Investment Code of 1987. This registration entitles PANC's swine offsite nursery farm to an ITH for a period of three (3) years from the actual start of commercial operations, in July 2014, whoever comes first, but in no case earlier than the date of registration. As of December 31, 2017, PANC has complied with the terms and conditions indicated in this BOI registration.

On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2015-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Said registration entitles PILMICO to an ITH for a period of three years from January 2016 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. As of December 31, 2017, PILMICO has complied with the terms and conditions indicated in this BOI registration.

- c. On June 24, 2016, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2016-129) on a nonpioneer status under the Omnibus Investment Code of 1987. Said registration entitles PILMICO to an ITH for a period of three years from July 2016 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. As of December 31, 2017, PILMICO has complied with the terms and conditions indicated in this BOI registration.

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- d. On April 7, 2015, the BOI approved the registration of PANC's poultry layer farm as "New Producer of Table Eggs and By- Products (Culled Chicken and Manure)" on a nonpioneer status under the Omnibus Investment Code of 1987. This registration entitles PANC to an ITH for a period of four years from October 2015 or start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. As of December 31, 2017, PANC has complied with the terms and conditions indicated in this BOI registration.
 - e. On June 16, 2017, the BOI approved the registration of PANC's breeder farm 2 as "New Producer of Hogs and Pork Meat" on a nonpioneer status under the Omnibus Investment Code of 1987. This registration entitles PANC to an ITH for a period of three years from July 2017 or start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. As of December 31, 2017, PANC has complied with the terms and conditions indicated in this BOI registration.
 - f. The BOI has also approved AboitizLand's application as a new/expanding developer of low cost mass housing projects. It is entitled to, among others, ITH incentives for a period for three (3) to four (4) years. It is also required to maintain certain equity requirements prior to availment of the incentives. As of December 31, 2016, AboitizLand's ITH entitlement has expired.

39. Rate Regulation, Power Supply and Other Agreements

- a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the ERC.
- b. APRI Agreements
Total steam supply cost incurred by APRI, reported as part of "Cost of generated power" amounted to ₱4.98 billion in 2017, ₱4.11 billion in 2016 and ₱3.96 billion in 2015.

Geothermal Resource Sales Contract

On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a GRSC. The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until February 25, 2015. Upon expiration in 2015, this was further extended until June 28, 2018.

Lease Agreement with PSALM

On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement (APA) is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2017, 2016 and 2015.

c. Coal Supply Agreements

TLI enters into short-term coal supply agreements. Outstanding coal supply agreements as of December 31, 2017 have aggregate supply amounts of 2,240,000 MT (equivalent dollar value is estimated to be at US\$190 million) which are due for delivery from January 2017 to December 2018. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.

GMCP has a current coal supply agreement with PT Arutmin Indonesia (Seller) for the delivery of coal, which is effective until November 2, 2019. In addition, a supply backstop deed was included in the coal supply agreement wherein PT Kaltim Prima Coal (Obligor) irrevocably and unconditionally undertakes for the benefit of GMCP the due and punctual performance of the Seller of each and all of their obligations, duties and undertakings pursuant to the coal supply agreement, when and such obligations, duties and undertakings shall become due and performable according to the terms of the coal supply agreement; provided that the undertaking of the Obligor hereunder shall be limited to 1,000,000 tonnes of substitute coal per delivery year.

- d. Construction of civil and electromechanical works, procurement and installation of solar panels and project management related to the construction of the San Carlos Solar Plant. Total purchase commitments entered into by Sacasun from its contracts amounted to ₱526.7 million as of December 31, 2017.

Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱50.8 million and ₱10.0 million as of December 31, 2017 and 2016, respectively.

- e. PEC enters into EPC contracts with suppliers relating to the construction of the 400MW coal fired power plant. Total EPC contract price for the complete performance of these contracts amount to US\$398.0 million and ₱7.00 billion. As of December 31, 2017 and 2016, the joint operation has a retention payable amounting to ₱400.0 million and ₱334.4 million, respectively, which is presented as "Other noncurrent liability" in the balance sheets.

f. GMCP

In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

g. Sacasun

Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱50.8 million and ₱10.0 million as of December 31, 2017 and 2016, respectively.

h. HI, HTI and HSI

HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants are located. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

i. Therma Mobile

On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.

j. EAUC

Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities.

Future minimum lease payments under the non-cancellable operating leases of GMCP, Sacasun, HI, HTI, HSI, Therma Mobile and EAUC are as follows (amounts in millions):

	2017	2016
Not later than 1 year	₱252.3	₱166.9
Later than 1 year but not later than 5 years	736.7	503.6
Later than 5 years	5,619.7	4,036.5

Total lease charged to operations related to these contracts amounted to ₱163.7 million in 2017, ₱38.5 million in 2016, and ₱33.1 million in 2015.

40. Contingencies

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

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP-Magat, SNAP-Benguet, and CEDC in the amount of ₱1.04 billion in 2017, ₱1.15 billion in 2016 and ₱1.49 billion in 2015.

41. Other Matters

a. Renewable Energy Act of 2008

On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the “Renewable Energy Act of 2008” (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country’s dependence on fossil fuels and thereby minimize the country’s exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

The Group expects that the Act may have significant effect on the operating results of some of its subsidiaries and associates that are RE developers. Impact on the operating results is expected to arise from the effective reduction in taxes.

b. EPIRA of 2001

RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

- i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
- ii. Creation of a WESM; and
- iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2017, the SC has not lifted the TRO.

d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the “Must-Offer Rule” during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile’s rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile’s engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC’s findings. Therma Mobile is in receipt of PEMC’s Motion for Reconsideration, and in compliance with a Resolution of the CA, has filed a comment on the said motion.

e. Therma Marine Case

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC’s provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.

On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month.

On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA’s sustaining the decision

in the PA's, thus Therma Marine filed MRs on the final decisions. To date, there has been no resolution on the MRs on the Final Approvals.

f. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI, among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. To date, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. Sergio Osmena III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a TRO and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement ("NPPC-APA"), Land Lease Agreement ("NPPC-LLA") and other documents to implement TPVI's acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI's Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC's second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its "fallo" that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC's right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI's Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC's October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC's and PSALM's motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

h. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2017.

i. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. To date, the case remains pending.

j. Open Access and Retail Competition

Per EPIRA, the conditions for the commencement of the Open Access and Retail Competition are as follows:

- (a) Establishment of the WESM;
- (b) Approval of unbundled transmission and distribution wheeling charges;
- (c) Initial implementation of the cross subsidy removal scheme;
- (d) Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- (e) Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP administrators.

Under the Open Access and Retail Competition, an eligible contestable customer, which is defined as an end-user with a monthly average peak demand of at least 1 MW for the preceding 12 months, will have the option to source their electricity from eligible suppliers that have secured a Retail Electricity Supplier (RES) license from the ERC.

In June 2011, ERC declared December 26, 2011 as the Open Access Date to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. However, after careful deliberation, the ERC acknowledged that not all the necessary rules, systems and infrastructures required for the implementation of the Open Access and Retail Competition have been put in place to meet the contemplated timetable for implementation. In October 2011, the ERC announced the deferment of the Open Access Date. In September 2012, the ERC declared the start of Open Access on December 26, 2012. Open Access commercial operations under an interim development system have been implemented starting June 26, 2013.

The implementation of Open Access enabled the Group to increase its contracted capacity through the delivery of power to affiliate and non-affiliate RES companies. The Group has two wholly owned subsidiaries that are licensed RES. Open Access allowed the Group's RES subsidiaries to enter into contracts with the eligible contestable customers.

On December 19, 2013, the ERC issued Resolution 22 Series of 2013, which amended the rules for the issuance of licenses to retail electricity suppliers. Items amended include the following:

- Restriction for Generator, IPPA and DU affiliates in securing license as a RES company;
- Transfer of live Retail Supply Contracts (RSCs) for RES with expired license to another licensed RES;
- Determination of full retail competition to be made by ERC not later than June 25, 2015;
- Contracted capacities of RES affiliates to be included in the grid limitations imposed on Generation Companies;
- End-user affiliate RES limited to supplying up to 50% of its total contestable customer affiliates;
- RES companies are limited to procuring up to 50% of its generation requirements from affiliate Generation Companies;
- Annual submission of 5-year Business Plan; and
- Submission of live RSCs for review by the ERC.

Due to the restrictions placed to qualify for a RES license under Resolution 22, the Retail Electricity Suppliers Association has filed a TRO and injunction with the Pasig RTC. Hearings are being conducted to challenge the legality and constitutionality of the resolution. Currently, ERC is working on revising certain provisions of Resolution 22.

k. RA No. 10963

RA No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the balance sheet date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the balance sheet date.

42. Events after the Reporting Period

- a. To comply with the requirements of Section 43 of the Corporation Code, on March 8, 2018, the BOD approved the following:
- Declaration of a regular cash dividend of ₱1.28 per share (₱7.21 billion) to all stockholders of record as of March 22, 2018. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2017, and will be paid on April 12, 2018. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.
 - Appropriation of ₱4.2 billion of the retained earnings as of December 31, 2017 for the additional capital infusion into Aboitiz Infracapital, Inc. to finance its capital infusion into Apo Agua Infraestructura, Inc. for the funding of the construction of a bulk water treatment facility, as follows:

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
Apo Agua Infraestructura, Inc.	Plant Construction	January 2018	2nd quarter of 2018	1st quarter of 2021	₱4,200,000

- Reversal of ₱1.622 billion retained earnings appropriation that was set up in 2016 for the funding of the ₱1.0 billion purchase price adjustment for the acquisition of the Philippine business of Lafarge S.A. and the ₱622 million capital infusion into Apo Agua Infraestructura, Inc.
- b. On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. for a cash consideration of ₱1.2 billion. The sale and the resulting consolidation of all of AEV's existing interests in banking and financial services will unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET.

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2017

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

**Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2017**

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NA: NOT APPLICABLE

ABOUTIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
Agribank, Song Than branch	Not applicable	P 620	Not applicable	P -
ANZ	Not applicable	59,074	Not applicable	108
Allied Bank	Not applicable	30,852	Not applicable	24
ANZ, Ho Chi Minh City branch	Not applicable	106	Not applicable	-
Asian United Bank	Not applicable	40,012	Not applicable	19
Banco de Oro	Not applicable	3,114,919	Not applicable	69,372
Bank of Commerce	Not applicable	4,650	Not applicable	27
Bank of the Philippine Islands	Not applicable	1,211,543	Not applicable	9,806
BDO Unibank, Inc.	Not applicable	-	Not applicable	20
China Banking Corporation	Not applicable	18,798	Not applicable	119
China Trust Banking Corporation	Not applicable	5,722	Not applicable	8
CIMB Niaga	Not applicable	964	Not applicable	15
Citibank	Not applicable	9,488	Not applicable	-
City Savings Bank	Not applicable	2,513	Not applicable	-
Development Bank of the Philippines	Not applicable	207	Not applicable	3
Eastwest Banking Corporation	Not applicable	5,392	Not applicable	86
Hongkong Shanghai Banking Corporation	Not applicable	302,518	Not applicable	10
HSBC, Ho Chi Minh City branch	Not applicable	155	Not applicable	-
ING Bank N.V.	Not applicable	364,836	Not applicable	7,576
Landbank of the Philippines	Not applicable	69,831	Not applicable	107
Maybank Corporation	Not applicable	8,709	Not applicable	27
Metropolitan Bank and Trust Company	Not applicable	281,862	Not applicable	1,272
Mizuho Corporatet Bank, Ltd.	Not applicable	494	Not applicable	2
Natixis, Ho Chi Minh City branch	Not applicable	-	Not applicable	23
One Network Bank	Not applicable	5,446	Not applicable	-
PB Com	Not applicable	5,527	Not applicable	4
Philippine Business Bank	Not applicable	7,779	Not applicable	11
Philippine National Bank	Not applicable	398,384	Not applicable	219
Philippine Veterans Bank	Not applicable	424	Not applicable	-
Rizal Commercial Banking Corporation	Not applicable	376,418	Not applicable	682
Robinson's Bank	Not applicable	3,284	Not applicable	15
Sacombank, Di Ann branch	Not applicable	1,875	Not applicable	-
Sacombank, Dong Thap branch	Not applicable	1,425	Not applicable	4
SCB, Dong Thap branch	Not applicable	15	Not applicable	8
Security Bank Corporation	Not applicable	229,915	Not applicable	3,612
Standard Chartered Bank	Not applicable	222,856	Not applicable	4,717
Sterling Bank of Asia	Not applicable	6,941	Not applicable	13
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	11,603	Not applicable	2
Union Bank of the Philippines	Not applicable	5,725,334	Not applicable	42,954
United Coconut Planters Bank	Not applicable	5,963	Not applicable	22
Vietcombank, Dong Thap branch	Not applicable	1,307	Not applicable	14
Vietcombank, Ho Chi Minh City branch	Not applicable	1,600	Not applicable	-
Vietcombank, Song Than brabch	Not applicable	10,743	Not applicable	50
Vietinbank, Dong Thap branch	Not applicable	57	Not applicable	5
TOTAL		P 12,550,161		P 140,956

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Money Market Placements				
Allied Banking Corporation	Not applicable	P -	Not applicable	P -
Banco de Oro	Not applicable	975,415	Not applicable	3,506
Bank of the Philippine Islands	Not applicable	1,338,530	Not applicable	110,646
BDO Private Bank, Inc.	Not applicable	50,000	Not applicable	1,552
BDO Unibank, Inc.	Not applicable	123,891	Not applicable	320
China Trust Banking Corporation	Not applicable	1,106,030	Not applicable	558
City Savings Bank	Not applicable	7,898,851	Not applicable	388,102
Deutsche Bank Manila	Not applicable	-	Not applicable	813
Deutsche Global Liquidity Series P.L.C.	Not applicable	-	Not applicable	207
First Metro Investment Corporation	Not applicable	59,000	Not applicable	174,714
Hongkong & Shanghai Banking Corporation	Not applicable	10,005	Not applicable	176
Metropolitan Bank and Trust Company	Not applicable	2,728,030	Not applicable	56,694
Mizuho Corporate Bank, Ltd.	Not applicable	653,978	Not applicable	15,490
Philippine National Bank	Not applicable	6,660	Not applicable	59
Rizal Commercial Banking Corporation	Not applicable	9,161	Not applicable	155
Sacombank, Dong Thap branch - VND	Not applicable	76,261	Not applicable	3,919
Security Bank Corporation	Not applicable	13,127,261	Not applicable	148,456
Standard Chartered Bank	Not applicable	147,856	Not applicable	4,841
Union Bank of the Philippines	Not applicable	23,042,128	Not applicable	273,472
United Coconut Planters Bank	Not applicable	10,212	Not applicable	-
Vietinbank, Dong Thap branch	Not applicable	426,797	Not applicable	10,639
TOTAL		P 51,790,066		P 1,194,319
Trade Receivables				
Power	Not applicable	P 16,338,622	Not applicable	Not applicable
Real estate	Not applicable	3,654,299	Not applicable	Not applicable
Food manufacturing	Not applicable	2,344,307	Not applicable	Not applicable
Financial services	Not applicable	266,312	Not applicable	Not applicable
Holding and others	Not applicable	646,368	Not applicable	Not applicable
TOTAL		P 23,249,908		
Other Receivables				
Advances to contractors	Not applicable	P 105,690	Not applicable	Not applicable
Dividends receivable	Not applicable	792,000	Not applicable	Not applicable
Accrued revenues	Not applicable	724,820	Not applicable	Not applicable
Non-trade receivables	Not applicable	461,527	Not applicable	Not applicable
Others	Not applicable	1,395,939	Not applicable	Not applicable
TOTAL		P 3,479,976		
Available-For-Sale (AFS) Investments				
Publicly-listed:				
Empire East Land, Inc.	4,377,063	P 2,845	P 2,845	P -
Megaworld Properties, Inc.	1,842,750	9,509	9,509	-
Filinvest Development Corporation	160,316	1,242	1,242	9
Filinvest Land, Inc.	303,515	571	571	19
Others	21,795,453	35,325	-	-
Non-publicly-listed:				
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
Equitable Banking Corporation	8,050	793	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-
Others	2,882	79	-	-
Investment in Bonds/Exchange Traded Funds/Unit Investment Trust Fund				
Banco de Oro	-	507,479	-	15,473
Union Bank of the Philippines	2,050,350	203,753	203,753	127
TOTAL		P 772,794	P 217,920	P 15,628

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS**

AS DECEMBER 31, 2017
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Non-Current	Ending Balance
			Amounts Collected	Amounts Written Off			
TRADE							
Pilmico Animal Nutrition Corporation	P (895)	P 2,333	P -	P -	P 1,438	P -	P 1,438
Filagri, Inc.	19	-	(19)	-	-	-	-
AEV Aviation, Inc.	1	-	(1)	-	-	-	-
Cebu Praedia Development Corporation	12	-	(4)	-	8	-	8
Aboitiz Infracapital, Inc.	-	4,127	-	-	4,127	-	4,127
APO Agua Infraestructura, Inc.	615	-	(615)	-	-	-	-
Lima Water Coporation	92	479	-	-	571	-	571
Weather Solutions, Inc.	-	44	-	-	44	-	44
PETNET, Inc.	902	-	(307)	-	595	-	595
Aboitizland, Inc.	6,473	-	(1,360)	-	5,113	-	5,113
Cebu Industrial Park Developers, Inc.	121	-	(77)	-	44	-	44
Lima Land, Inc.	232	-	(8)	-	224	-	224
Aboitiz Power Corporation	24,063	10,291	-	-	34,354	-	34,354
Aboitiz Energy Solutions, Inc.	286	-	(250)	-	36	-	36
Aboitiz Renewables, Inc.	-	43,211	-	-	43,211	-	43,211
Advent Energy, Inc.	120	-	(120)	-	-	-	-
AP Renewables, Inc.	(1,741)	950	-	-	(791)	-	(791)
Balamban Enerzone Corp.	3,922	-	(3,902)	-	20	-	20
Cebu Private Power Corporation	260	-	(174)	-	86	-	86
Cotabato Ice Plant, Inc.	(724)	-	(3)	-	(727)	-	(727)
Cotabato Light and Power Company	681	-	(237)	-	444	-	444
Davao Light and Power Co., Inc.	3,340	-	(3,637)	-	(297)	-	(297)
East Asia Utilities Corp.	1,180	-	(781)	-	399	-	399
Hedcor Bukidnon, Inc.	10	664	-	-	674	-	674
Hedcor Sabangan, Inc.	-	85	-	-	85	-	85
Hedcor Sibulan, Inc.	298	497	-	-	795	-	795
Hedcor Tudaya, Inc.	12	67	-	-	79	-	79
Hedcor, Inc.	35	2,508	-	-	2,543	-	2,543
Lima Enerzone Corporation	5,363	-	(2,184)	-	3,179	-	3,179
Luzon Hydro Corporation	(19)	406	-	-	387	-	387
Mactan Enerzone Corporation	3,248	-	(2,951)	-	297	-	297
Manila-Oslo Renewable Enterprise, Inc.	595	-	(150)	-	445	-	445
San Carlos Sun Power, Inc.	49	162	-	-	211	-	211
SN Aboitiz Power - Benguet	177	457	-	-	634	-	634
SN Aboitiz Power - Generation	-	14	-	-	14	-	14
SN Aboitiz Power - Magat	177	-	(177)	-	-	-	-
SN Power Philippines, Inc.	14	-	(14)	-	-	-	-
Subic Enerzone Corporation	13,088	-	(10,469)	-	2,619	-	2,619
Therma Luzon, Inc.	6,092	-	(6,912)	-	(820)	-	(820)
Therma Marine, Inc.	476	363	-	-	839	-	839
Therma Mobile, Inc.	710	-	(413)	-	297	-	297
Therma Power Visayas, Inc.	-	4,536	-	-	4,536	-	4,536
Therma Power, Inc.	-	90	-	-	90	-	90
Therma South, Inc.	2,118	1,651	-	-	3,769	-	3,769
Visayan Electric Company	123,447	-	(23,688)	-	99,759	-	99,759
NON-TRADE							
Cebu Praedia Development Corporation	425,484	1,458	(295,484)	-	131,458	-	131,458
Pilmico Foods Corporation	700,000	5,812	(410,000)	-	295,812	-	295,812
Davao Light and Power Co., Inc.	2,541,552	-	(2,541,552)	-	-	-	-
Cotabato Light and Power Company	19,512	-	(19,512)	-	-	-	-
Adventenergy, Inc.	-	300,000	-	-	300,000	-	300,000
Total	P 3,881,397	P 380,205	P (3,325,001)	P -	P 936,601	P -	P 936,601

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2017
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS		Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts			
A. Intangibles							
Goodwill	P 41,249,629	P 59,060	P -	P -	P -	P -	P 41,308,689
Intangible asset - service concession right	3,222,123	175,607	(351,541)	-	16,118	-	3,062,307
B. Other Noncurrent Assets							
Input VAT and tax credit receivable	6,766,183	-	(945)	-	-	-	6,765,238
Intangible assets:							
Franchise	2,802,654	-	(76,961)	-	-	-	2,725,693
Project development costs	411,499	127,655	(143,735)	-	-	-	395,419
Customer contracts	63,968	-	(21,130)	-	-	-	42,838
Software and licenses	168,712	60,097	(57,365)	-	200	-	171,644
Notes receivable	2,882,456	-	-	-	(2,882,456)	-	-
Prepaid rent and other deposits	933,971	237,599	-	-	-	-	1,171,570
Advances to contractors and projects	476,570	1,738,886	-	-	-	-	2,215,456
Receivable from NGCP	146,714	-	(146,714)	-	-	-	-
Bearer biological assets - net	127,015	17,248	-	-	-	-	144,263
Others	437,443	568,387	-	-	-	-	1,005,830
Total	P59,688,937	P2,984,539	(P798,391)	P -	(P2,866,138)	P -	P59,008,947

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2017

(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	7,959,742	-	7,959,742	
BPI Capital Corporation	23,856,002	-	23,856,002	
Subsidiaries:				
Aboitiz Power Corporation	12,901,982	-	12,901,982	
AP Renewables, Inc.	10,410,513	1,769,664	8,640,849	
Hedcor, Inc.	537,468	-	537,468	
Hedcor Bukidnon, Inc.	9,204,359	-	9,204,359	
Hedcor Sibulan, Inc.	4,053,196	-	4,053,196	
Cotabato Light and Power Company	176,400	30,150	146,250	
Davao Light & Power Company, Inc.	882,000	150,750	731,250	
Subic Enerzone Corporation	226,000	56,500	169,500	
Pagbilao Energy Corporation	13,781,094	440,995	13,340,099	
Luzon Hydro Corporation	1,102,602	-	1,102,602	
Therma Power, Inc.	14,893,383	14,893,383	-	
Therma South, Inc.	22,456,980	1,281,262	21,175,718	
Therma Visayas, Inc.	29,532,592	1,869,922	27,662,670	
GMCP	30,421,764	-	30,421,764	
Visayan Electric Company	1,173,167	200,125	973,042	
Pilmico Foods Corporation	2,820,474	19,583	2,800,891	
Pilmico Animal Nutrition Corp.	2,678,769	9,996	2,668,773	
Pilmico Animal Nutrition Joint Stock Company (JSC)	18,560	-	18,560	
Total	P189,087,047	P20,722,330	P168,364,717	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,633,793	-	2,737,173	383,732	2,512,888
PREFERRED SHARES	400,000	-	-	-	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2017
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Sales	Rental	Advances	
TRADE							
Pilmico Foods Corporation	P -	P -	P -	P 286,535	P 1,919	P -	30 days
Pilmico Animal Nutrition Corporation	1,438	-	1,438	13,724	37	-	30 days
Filagri, Inc.	-	-	-	4	-	-	30 days
AEV Aviation, Inc.	-	-	-	2,066	2	-	30 days
Cebu Praedia Development Corporation	8	-	8	2,195	-	-	30 days
Aboitiz Infracapital, Inc.	4,127	-	4,127	11,249	783	-	30 days
APO Agua Infraestructura, Inc.	-	-	-	3,144	26	-	30 days
Lima Water Corporation	571	-	571	873	-	-	30 days
Weather Solutions, Inc.	44	-	44	-	-	-	30 days
PETNET, Inc.	595	-	595	5,061	21	-	30 days
Aboitizland, Inc.	5,113	-	5,113	29,158	3,216	-	30 days
Cebu Industrial Park Developers, Inc.	44	-	44	2,107	-	-	30 days
Lima Land, Inc.	224	-	224	3,691	-	-	30 days
Misamis Oriental Land Development Corp.	-	-	-	540	-	-	
Aboitiz Power Corporation	34,354	-	34,354	88,603	2,017	-	30 days
Aboitiz Energy Solutions, Inc.	36	-	36	2,315	1	-	30 days
Aboitiz Power Distributed Energy, Inc.	-	-	-	348	-	-	30 days
Aboitiz Renewables, Inc.	43,211	-	43,211	73,640	-	-	30 days
Abovant Holdings, Inc.	-	-	-	72	-	-	30 days
Adventenergy, Inc.	-	-	-	756	-	-	30 days
AP Renewables, Inc.	(791)	-	(791)	15,577	62	-	30 days
Aseagas Corporation	-	-	-	2,391	7	-	30 days
Balamban Enerzone Corp.	20	-	20	1,695	-	-	30 days
Cebu Private Power Corporation	86	-	86	2,934	10	-	30 days
Cotabato Ice Plant, Inc.	(727)	-	(727)	-	-	-	30 days
Cotabato Light and Power Company	444	-	444	3,891	1	-	30 days
Davao Light and Power Co., Inc.	(297)	-	(297)	69,383	16	-	30 days
East Asia Utilities Corp.	399	-	399	2,158	-	-	30 days
Hedcor Bukidnon, Inc.	674	-	674	4,717	12	-	30 days
Hedcor Sabangan, Inc.	85	-	85	645	-	-	30 days
Hedcor Sibulan, Inc.	795	-	795	5,660	-	-	30 days
Hedcor Tudaya, Inc.	79	-	79	586	-	-	30 days
Hedcor, Inc.	2,543	-	2,543	9,896	27	-	30 days
Hijos de F. Escano, Inc.	-	-	-	55	-	-	30 days
Lima Enerzone Corporation	3,179	-	3,179	12,839	-	-	30 days
Luzon Hydro Corporation	387	-	387	2,730	-	-	30 days
Mactan Enerzone Corporation	297	-	297	6,553	-	-	30 days
Manila-Oslo Renewable Enterprise, Inc.	445	-	445	2,844	9	-	30 days
Prism Energy, Inc.	-	-	-	620	-	-	30 days
San Carlos Sun Power, Inc.	211	-	211	1,277	-	-	30 days
SN Aboitiz Power - Benguet	634	-	634	3,242	2	-	30 days
SN Aboitiz Power - Generation	14	-	14	335	-	-	30 days
SN Aboitiz Power - Magat	-	-	-	3,651	2	-	30 days
SN Aboitiz Power - Res, Inc.	-	-	-	5	-	-	30 days
SN Power Philippines, Inc.	-	-	-	513	-	-	30 days
Subic Enerzone Corporation	2,619	-	2,619	19,116	-	-	30 days
Therma Luzon, Inc.	(820)	-	(820)	5,699	38	-	30 days
Therma Marine, Inc.	839	-	839	7,914	23	-	30 days
Therma Mobile, Inc.	297	-	297	3,852	71	-	30 days
Therma Power Visayas, Inc.	4,536	-	4,536	21,826	60	-	30 days
Therma Power, Inc.	90	-	90	1,071	-	-	30 days
Therma South, Inc.	3,769	-	3,769	22,579	35	-	30 days
Visayan Electric Company	99,759	-	99,759	283,518	16	-	30 days
NON-TRADE							
Cebu Praedia Development Corporation	-	131,458	131,458	-	-	130,000	on demand
Pilmico Foods Corporation	-	295,812	295,812	-	-	290,000	on demand
Adventenergy, Inc.	-	300,000	300,000	-	-	300,000	on demand
Total	P 209,331	P 727,270	P 936,601	P 1,045,853	P 8,413	P 720,000	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2017
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Purchases	Rental	Advances	
AEV Aviation, Inc.	P -	P -	P -	P -	P 25,160	P -	on demand
Cebu Praedia Development Corporation	-	555	555	-	7,607	-	on demand
Total	P -	P 555	P 555	P -	P 32,767	P -	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2017
(Amounts in Philippine Currency and in Thousands)

Unappropriated Retained Earnings, beginning	24,573,776
Adjustments:	
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Add: Effect of changes in accounting for employee benefits (PAS 19)	-
Less: Adjustments directly made to retained earnings:	
Treasury Shares	521,132
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	24,052,644
Net Income based on the face of audited financial statements	8,492,206
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Net Income Realized	8,492,206
Less: Adjustments directly made to retained earnings:	
Cash dividends paid	7,492,944
Appropriations of Retained Earnings during the period	(1,095,000)
Treasury Shares sold	-
Retained Earnings available for Dividend, as of year-end	26,146,906

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	DEC 2016	DEC 2017
LIQUIDITY RATIOS			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.51	1.56
Acid test ratio	$\frac{\text{Cash + Marketable Securities} + \text{Accounts Receivable} + \text{Other Liquid Assets}}{\text{Current liabilities}}$	2.09	1.25
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	1.68	1.56
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.68	2.56
Net debt to equity ratio	$\frac{\text{Debt - cash \& cash equivalents}}{\text{Total equity}}$	1.11	1.02
Gearing ratio	$\frac{\text{Debt - cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - cash \& cash equivalents})}$	52.40%	50.25%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Net interest expense}}$	5.05	3.88
PROFITABILITY RATIOS			
Operating Margin	$\frac{\text{Operating Profit}}{\text{Total revenues}}$	24.8%	24.3%
Return on Equity	$\frac{\text{Net income after tax}}{\text{Total equity (adjusted for cash dividend)}}$	16.54%	14.46%

Aboitiz Equity Ventures, Inc. and Subsidiaries
Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
	Amendments to PFRS 2: Definition of Vesting Condition	Not Applicable
PFRS 3 (Revised)	Business Combinations	Adopted
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Adopted
	Amendments to PFRS 3: Scope Exceptions for Joint Ventures	Adopted
PFRS 4	Insurance Contracts	Adopted
	Amendments to PFRS 4: Financial Guarantee Contracts	Adopted
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted
	Amendment to PFRS 5: Changes in Methods of Disposal	Adopted
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Adopted
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote ¹
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9	See footnote ¹
	Amendments to PFRS 7: Servicing Contracts	Adopted
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Adopted
PFRS 8	Operating Segments	Adopted
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Adopted
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Not Early Adopted
	Financial Instruments: Classification and Measurement of Financial Liabilities	Not Early Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote ¹
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)	See footnote ¹
	PFRS 9, Financial Instruments (2014)	See footnote ¹
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	See footnote ¹

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
<i>Philippine Financial Reporting Standards (PFRS)</i>		
PFRS 10	Consolidated Financial Statements	Adopted
	Amendments to PFRS 10: Transition Guidance	Adopted
	Amendments to PFRS 10: Investment Entities	Adopted
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote ¹
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	Not Applicable
PFRS 11	Joint Arrangements	Adopted
	Amendments to PFRS 11: Transition Guidance	Adopted
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Adopted
PFRS 12	Disclosure of Interests in Other Entities	Adopted
	Amendments to PFRS 12: Transition Guidance	Adopted
	Amendments to PFRS 12: Investment Entities	Adopted
	Amendment to PFRS 12, Clarification of the Scope of the Standard	Adopted
PFRS 13	Fair Value Measurement	Adopted
	Amendments to PFRS 13: Short-term Receivables and Payables	Adopted
	Amendments to PFRS 13: Portfolio Exception	Adopted
PFRS 14	Regulatory Deferral Accounts	Not Applicable
PFRS 15	Revenue from Contracts with Customers	See footnote ¹
PFRS 16	Leases	See footnote ¹

Philippine Accounting Standards (PAS)

PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
	Amendment to PAS 1: Disclosure Initiative	Adopted
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
	Amendment to PAS 7: Disclosure Initiative	Adopted
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the Reporting Period	Adopted
PAS 11	Construction Contracts	Adopted
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	Adopted
PAS 16	Property, Plant and Equipment	Adopted
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
	Amendments to PAS 16: Bearer Plants	Not Applicable
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19 (Amended)	Employee Benefits	Adopted
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Adopted
	Amendment to PAS 19: Discount Rate: Regional Market Issue	Adopted
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Adopted

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PAS 23 (Revised)	Borrowing Costs	Adopted
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Adopted
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	See footnote ¹
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value	See footnote ¹
	Amendments to PAS 28: Long-term interests in Associates and Joint Ventures	See footnote ¹
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote ¹
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	Adopted
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	See footnote ¹
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted
	Amendments to PAS 40: Investment Property, Transfers of Investment Property	See footnote ¹
PAS 41	Agriculture	Adopted
	Amendments to PAS 41: Bearer Plants	Not Applicable

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Adopted
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 8	Scope of PFRS 2	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	Adopted
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	Adopted
IFRIC 10	Interim Financial Reporting and Impairment	Adopted
IFRIC 11	Scope of PFRS 2	Not Applicable
IFRIC 12	Service Concession Arrangements	Adopted
IFRIC 13	Customer Loyalty Programmes	Adopted
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Adopted
IFRIC 15	Agreements for the Construction of Real Estate	Effective date deferred
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted
IFRIC 18	Transfers of Assets from Customers	Adopted
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Applicable
IFRIC 21	Levies	Adopted
IFRIC 22	Foreign Currency Transactions and Advance Consideration	See footnote ¹
IFRIC 23	Uncertainty over Income Tax Treatments	See footnote ¹

Philippine Interpretations - Standing Interpretations Committee (SIC)		
SIC 7	Introduction of the Euro	Not Applicable
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC 12	Consolidation - Special Purpose Entities	Adopted
	Amendment to SIC - 12: Scope of SIC 12	Adopted
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Adopted
SIC 15	Operating Leases - Incentives	Adopted
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Adopted
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Adopted
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted
SIC 29	Service Concession Arrangements: Disclosures	Adopted
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC 32	Intangible Assets - Web Site Costs	Adopted

¹ Effective subsequent to December 31, 2017

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Common Stock

The Company's common stock is listed and traded
in the Philippine Stock Exchange.

Stockholders' Meeting

The Company's annual stockholders' meeting is held
on the third Monday of May of every year.

Stockholder Services and Assistance

Stock Transfer Service, Inc. (STSI) serves as the Company's stock
transfer agent.

For matters concerning dividend payments, account status, lost or
damaged stock certificates, change of address, please write or call:

STOCK TRANSFER SERVICE, INC.

34-D Rufino Pacific Tower,
6784 Ayala Avenue, Makati City 1226, Philippines
Tel (632) 403-3798 | (632) 403-2410 | (632) 403-2412
Fax (632) 403-2414

Contact person:

Mr. Michael C. Capoy - mccapoy@stocktransfer.com.ph

AEV welcomes inquiries from institutional investors, analysts, and the
financial community.

Please write or call:

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