aboitiz
Equity Ventures

MAY 15 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

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. KATHLENE ANNE F. FAMADICO**
OIC – Issuer Compliance and Disclosures Department (ICDD)

Gentlemen:

Please see enclosed SEC Form 17-Q (1st Quarterly Report 2018) of Aboitiz Equity Ventures, Inc.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES, INC.
By:

MANUEL ALBERTO R. COLAYCO
Corporate Secretary[RCL]

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	(02) 886-2338
Contact Person	Company Telephone Number

1 2 3 1	17-Q	3rd Monday of May 0 5 2 1
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

N/A

Secondary License Type, if Applicable

SEC	N/A
Dept. Requiring this Doc	Amended Articles Number/Section

	x	
Total No. of Stockholders	Domestic	Foreign

- -

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

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Securities and Exchange Commission
Electronic Records Management Division
MAY 15 2018
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS
ICTD

SECURITIES & EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2018**

2. Commission identification number **CEO2536** 3. BIR Tax Identification No. **003-828-269-V**

4. Exact name of issuer as specified in its charter

   ABOITIZ EQUITY VENTURES, INC.

5. Province, country or other jurisdiction of incorporation or organization

   Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office — Postal Code

   32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines — **1634**

8. Issuer's telephone number, including area code

   (02) 886-2800

9. Former name, former address and former fiscal year, if changed since last report

   N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock ₱1 Par Value	**5,633,792,557**
Amount of Debt Outstanding (March 31, 2018)	**₱271,095,650,108.00**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [x] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [**x**] No [ ]

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

Yes [**x**] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

Item 2. 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 unaudited condensed 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-MAR 2018	JAN-MAR 2017
EQUITY IN NET EARNINGS OF INVESTEES	**2,312,977**	2,520,098
EBITDA	**13,913,537**	12,747,956
CASH FLOW GENERATED:		
Net cash flows from operating activities	**6,360,840**	7,017,803
Net cash flows used in investing activities	**(2,273,924)**	(2,418,586)
Net cash flows from (used in) financing activities	**2,079,594**	(1,200,486)
Net Increase in Cash & Cash Equivalents	**6,166,510**	3,398,730
Cash & Cash Equivalents, Beginning	**64,870,214**	63,857,528
Cash & Cash Equivalents, End	**71,564,649**	66,967,576
	MAR 31, 2018	**DEC 31, 2017**
CURRENT RATIO	**1.58**	1.56
DEBT-TO-EQUITY RATIO	**1.67**	1.56

All the KPI values were within management's expectation during the period in review.

Profitability had been sustained and financial position remained strong and liquid as the management teams of the different businesses effectively handled their respective operations and financial requirements.

Associates continued to generate substantial earnings and enhance the consolidated bottom-line despite the 8% decline in their income contribution to the Group compared to the same period in

2017. Consolidated EBITDA, which increased by 9% during the first quarter of 2018, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. The internally-generated funds were then used to partially finance capital expenditures and settle maturing financial obligations.

With the accrual of dividends payable and the higher borrowings at the end of March 2018, debt-to-equity ratio edged up to 1.67x (versus end-2017's 1.56x). Meanwhile, current ratio stood at 1.58x (versus end-2017's 1.56x) as current assets grew slightly more than current liabilities.

REVIEW OF JAN-MAR 2018 OPERATIONS VERSUS JAN-MAR 2017

RESULTS OF OPERATIONS

For the period ended March 31, 2018, AEV and its subsidiaries posted a consolidated net income of ₱4.83 billion, a 3% year-on-year (YoY) increase. This translates to an earnings per share figure of ₱0.86 for the period in review. In terms of income contribution, Power Group still accounted for the bulk at 64%, followed by the Banking and Financial Services, Food, Real Estate, and Infrastructure Groups at 30%, 6%, 1%, and -2%, respectively.

The Group generated a non-recurring net loss of ₱424 million during the period (versus a ₱442 million loss in 1Q2017) mainly from net unrealized foreign exchange losses recognized on the restatement of consolidated dollar-denominated debts and money market placements. Stripping out these one-off items, the Group's core net income for the period amounted to ₱5.25 billion, 3% higher than the same period last year. AEV recorded a YoY 9% increase in consolidated earnings before interest, tax, depreciation and amortization (EBITDA), from ₱12.75 billion to ₱13.91 billion.

BUSINESS SEGMENTS

The individual performance of the major business segments for the period in review is discussed as follows:

Power

Aboitiz Power Corporation (AP) ended the period with an income contribution of ₱3.06 billion, a 9% decrease from last year's ₱3.36 billion. Netting out unrealized foreign exchange losses during the period, AP's contribution to the Group's core net income grew by 4% from ₱3.81 billion in 1Q2017 to ₱3.97 billion.

For the period, Power Generation Group's bottomline contribution to AEV declined by 7% from ₱3.19 billion to ₱2.96 billion. Adjusted for non-recurring items, Generation Group's core net income contribution increased by 2% YoY to ₱3.51 billion. This improvement was attributed to the fresh income contribution of Pagbilao Energy Corporation (PEC), higher availability of GN Power Mariveles Coal Plant Ltd. Co. (GMCP), and higher contracting levels at the retail electricity suppliers, which offset lower hydrology experienced by the Power Generation Group's hydro units.

Power Generation Group's capacity sold for the period in review increased by 22% YoY, from 2,630 megawatts (MW) to 3,215 MW, mainly driven by the new capacity of PEC and an increase in the number of contracts in place compared to the same period last year.

Power Distribution Group's earnings contribution to AEV increased by 9% YoY, from ₱698 million to ₱762 million. Attributable electricity sales at 1,298 gigawatthours increased by 7% compared to the same period in 2017.

Banking & Financial Services

Income contribution from this industry group increased by 32%, from ₱1.09 billion in 1Q2017 to ₱1.44 billion for the period in review.

On a stand-alone basis, Union Bank of the Philippines (UBP) and its subsidiaries recorded a net income of ₱2.93 billion for 1Q2018, 33% higher compared to the ₱2.22 billion earned in 1Q2017. The increase was primarily due to the rise in UBP's net interest income and trading gains.

Food

Income contribution from Pilmico Foods Corporation (Pilmico) and its subsidiaries decreased by 10% to ₱264 million in 1Q2018 from ₱292 million in the same period last year. Feeds Philippines, Flour, and Pilmico International each reported a decrease in income contributions, while Farms showed an increase. The decline in net earnings of Feeds Philippines and Flour was largely due to higher raw material and operating costs. Pilmico International likewise reported a decrease in its bottom-line due to higher start-up costs relating to the acquisition in late 2017 of an animal feedmill in Vietnam. On the other hand, Farms' first quarter 2018 net income increased 58% YoY on the back of sustained high selling prices largely driven by low market supply due to diseases prevalent in the backyard segment and boosted by higher sales volumes resulting from Pilmico's continued farm expansion.

Real Estate

Income contribution of Aboitiz Land, Inc. (AboitizLand) amounted to ₱59 million, down 18% from ₱72 million in the same period last year. The significant decrease was due to increased borrowing expenses to fund project development.

Infrastructure

Republic Cement and Building Materials, Inc.'s income contribution to AEV decreased by 140% from ₱202 million in 1Q2017 to a net loss of ₱82 million in 1Q2018. This was mainly due to higher energy input costs during the first quarter of 2018 compared to the costs during the same period last year.

MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

For the period ended March 31, 2018, consolidated net income allocable to the equity holders of AEV registered a 3% YoY increase, reaching ₱4.83 billion from the ₱4.67 billion posted in 1Q2017.

Operating profit for the current period amounted to ₱8.41 billion, a 9% increase YoY, as the ₱3.35 billion increase in revenues surpassed the ₱2.63 billion rise in costs and expenses. This increase was mainly attributed to the performance of the Power Group.

Power subsidiaries reported a 13% YoY increase in operating profit from ₱7.26 billion to ₱8.16 billion mainly due to the fresh earnings before interest and taxes (EBIT) contribution from PEC, rise in EBIT contribution from GMCP owing to higher plant availability, and higher contracting levels at the retail electricity suppliers.

Share in net earnings of associates declined by 8% YoY (₱2.31 billion in 1Q2018 vs ₱2.52 billion in 1Q2017) largely due to the decrease in income contributions from Republic due to increased production costs and from SN Aboitiz Power-Magat (SNAP-Magat) and SN Aboitiz Power-Benguet (SNAP-Benguet) resulting from lower hydrology. This was partly offset by the improvement in net income of UBP due to its robust revenue growth.

The growth in operating profit during 1Q2018 more than offset the decrease in equity earnings and the increase in net interest expense, and as a result, pulled up the Group's overall profitability. Net interest expense increased by ₱168 million YoY resulting from higher debt level.

Net income attributable to non-controlling interests increased to ₱1.58 billion in 1Q2018 from ₱1.42 billion in 1Q2017, substantially due to the increase in net earnings share of GMCP's minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders decreased by 12% from ₱6.51 billion in 1Q2017 to ₱5.73 billion in 1Q2018. This decline was mainly due to the drop in AEV's share of an associate's unrealized mark-to-market gains on its available-for-sale investments, which more than offset the increase in consolidated net income and cumulative translation adjustments.

CHANGES IN REGISTRANT’S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Compared to year-end 2017 level, consolidated assets increased 3% to ₱505.29 billion as of March 31, 2018, due to the following:

a. Cash & Cash Equivalents increased by 10% (₱71.56 billion vs ₱64.87 billion as of December 31, 2017) as the funds generated from operations and long-term loan availment exceeded the funds used in investment acquisitions and repayment of maturing obligations.

b. Trade and other receivables, inclusive of noncurrent portion, increased by 10% (₱27.24 billion vs ₱24.77 billion as of December 31, 2017) mainly due to the higher level of receivables of Power Group.

c. Gross of depreciation expense, the combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) was mainly due to the following: 1.) ₱1.78 billion on-going construction of AP's power plants; 2.) ₱1.75 billion various capex of Power, Food and Real Estate groups; and 3.) ₱1.45 billion upward adjustment from PPE restatement by power subsidiaries using US dollar as functional currency.

d. Investments in and Advances to Associates increased by 1% (₱93.17 billion vs ₱91.92 billion as of December 31, 2017) mainly due to AP's ₱231 million capital infusion into GN Power Dinginin Ltd. Co. (GNPD), ₱283 million purchase of UBP shares, recording of ₱2.31 billion share in net earnings of associates, and ₱447 million share of an associate's cumulative translation adjustments during the period. This increase was partially reduced by the ₱2.06 billion in cash dividends received from associates during the 1Q2018.

e. Other current assets (OCA) increased by 32% (₱16.47 billion vs ₱12.44 billion as of December 31, 2017) mainly because VAT inputs previously classified as Other Non-Current Assets (ONCA) are now classified as OCA. As the power plants that recorded these VAT inputs approach commercial operations, these inputs are expected to be used within the next 12 months.

f. Available-for-sale (AFS) Investments increased by 8% (₱1.04 billion vs ₱962 million as of December 31, 2017) mainly due to additional acquisitions made during the period.

g. Held-to-maturity (HTM) Investments increased to ₱187 million from nil as of December 31, 2017. This was mainly due to new acquisitions made of this type of financial product during 1Q2018.

h. Derivative Assets, net of Derivative Liabilities (current and non-current) increased by 62% (₱477 million vs ₱294 million as of December 31, 2017) mainly due to mark-to-market gains recognized on existing forward contracts of the Power Group.

i. Deferred Income Tax Assets increased by 17% (₱1.78 billion vs ₱1.53 billion as of December 31, 2017) mainly due to the corresponding deferred tax benefits recognized on the unrealized foreign exchange losses recorded during the current period.

The above increases were tempered by the following decreases:

a. Inventories decreased by 9% (₱11.39 billion vs ₱12.45 billion as of December 31, 2017) mainly due to lower raw materials inventory of Food Group and coal inventory of Power Group.

b. Other Noncurrent Assets decreased by 26% (₱10.76 billion vs ₱14.64 billion as of December 31, 2017) primarily due to the reclassification of VAT inputs lodged in ONCA to OCA in anticipation of their application against VAT outputs within the next 12 months, with the start of operation of the power plants that recorded these inputs.

Liabilities

Consolidated short-term bank loans decreased by 7% (₱22.00 billion as end-1Q2018 vs ₱23.70 billion as of December 31, 2017) mainly due to ₱3.33 billion repayment made by Food group, which were partly offset by ₱1.62 billion in availments by the Power and Real Estate Groups. On the other hand, long-term debt increased by 5% (₱249.33 billion as of end-1Q2018 vs ₱238.84 billion as of December 31, 2017) substantially due to the following: a.) GMCP's ₱11.48 billion loan, b.) ₱885 million additional loan availment of PEC, c.) ₱1.42 billion non-cash movement from forex differential and deferred financing costs, and d.) ₱2.52 billion non-cash movement in finance lease obligation representing forex differential and interest expense accretion. This was partly offset by the prepayment of ₱2.49 billion Therma Power, Inc. (TPI) loan, ₱767 million settlement of maturing loans and ₱2.25 billion payment of finance lease amortization.

Dividends payable of ₱7.21 billion was recorded during 1Q2018 (vs nil as of December 31, 2017) in order to accrue the cash dividends declared by AEV on March 8, 2018.

Income tax payable increased by 75% YoY, from ₱703 million to ₱1.23 billion, mainly due to recording of additional income tax liability of the Power Group for the current period.

Pension liability, net of pension asset, increased by 10% YoY, from ₱223 million to ₱247 million, mainly due to the accrual of retirement expense during 1Q2018 the current period.

Equity

Equity attributable to equity holders of the parent decreased by 1% from year-end 2017 level of ₱155.01 billion to ₱153.53 billion mainly due to the ₱7.21 billion cash dividends declared during 1Q2018, which were partly offset by the ₱4.83 billion in net income recorded during the period and the ₱904 million share in UBP's unrealized mark-to-market gains recognized on its AFS investments and cumulative translation adjustment.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the period ended March 31, 2018, 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 1Q2017, consolidated cash generated from operating activities in 1Q2018 increased by ₱657 million to ₱6.36 billion mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) and trade payables recorded by subsidiaries during the current period.

The first quarter of 2018 ended with ₱2.27 billion net cash used in investing activities versus ₱2.42 billion last year. This was mainly due to lower funds spent on ongoing plant constructions, partly offset by higher cash disbursed on additional investments in associates and lower cash dividends received from associates.

Net cash generated from in financing activities was ₱2.08 billion in 1Q2018 versus ₱1.2 billion cash used in 1Q2017. This was largely attributed to higher long-term loan availments during the current period, partly reduced by net short-term loan repayments versus 1Q17's net availment.

For the period in review, net cash inflows surpassed cash outflows, resulting in a 7% increase in cash and cash equivalents from ₱64.87 billion as of year-end 2017 to ₱71.56 billion as of March 31, 2018.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 1.58x as of end-1Q2018 from 1.56x at the start of the year, since current assets slightly grew more than current liabilities. Debt-to-equity ratio stood at 1.67:1 as of end-1Q2018 versus year-end 2017's 1.56:1. This was mainly due to the growth in long-term debt, coupled with a slight decline in equity.

Outlook for the Upcoming Year / Known Trends, Events, Uncertainties Which May Have Material Impact on Registrant

Based on the information provided 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, 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

Aboitiz Power Corporation (AboitizPower) 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:

1. ***8.5-MW Maris Canal Hydropower Plant Project in Ramon, Isabela.*** This project, undertaken by SN Aboitiz Power-Magat, Inc. was inaugurated in January 2018. The Maris plant has been operating under the Feed-In Tariff (FIT) System at a rate of P5.8705 kwh/hour starting from its commercial operations date on November 20, 2017.
2. ***420-MW Pulverized Coal-Fired Expansion Unit 3 in Pagbilao, Quezon.*** This project is undertaken by Pagbilao Energy Corporation (PEC), a partnership between Therma Power, Inc. (TPI), a wholly-owned Subsidiary of AboitizPower, and TPEC Holdings Corporation. PEC started commercial operations on March 2018.
3. ***340-MW CFB Coal-Fired Project in Toledo City, Cebu.*** This project is undertaken by Therma Visayas, Inc. (TVI), a partnership between AboitizPower and the Vivant group. The 2x170-MW coal-fired power plant is in the testing and commissioning phase, but is experiencing technical issues with turbines that will delay COD to December 2018.
4. ***68.8-MW Manolo Fortich Hydropower Plant in Manolo Fortich, Bukidnon.*** The project is undertaken by Hedcor Bukidnon, Inc. Due to some issues with the landowners, COD of this project has been delayed. The COD of Unit 1 (43.4-MW) and Unit 2 (25.4-MW) is expected in June 2018 and in September 2018, respectively. The plant is expected to operate under the FIT System.
5. ***19-MW La Trinidad Hydropower Plant in La Trinidad, Benguet.*** This project is undertaken by Hedcor, Inc. It is currently under construction with targeted commercial operation date by the second half of 2019. The plant is expected to operate under FIT System.
6. ***2x668-MW Dinginin Supercritical Coal-Fired Power Plant in Mariveles, Bataan.*** This project is undertaken by GNPower Dinginin Ltd. Co., 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 2019 and 2020, respectively.

B. Alimit Hydropower Complex

This project, undertaken by SN Aboitiz Power-Ifugao, Inc., (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. The pumped storage component is currently on hold due to financial viability concerns, brought about by the influx of intermittent technologies, such as solar and wind pushing down daytime prices. SN Aboitiz Power-Ifugao is currently completing the feasibility study phase of the Alimit project, including 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 Power Sector Assets and Liabilities Management Corporation (PSALM) to SPC Power Corporation (SPC) in relation to the 153.1 MW Naga Power Plant Complex bidding, and to enjoin the award on the ground that SPC's right-to-top is against public policy.

On February 14, 2017, Therma Power Visayas, Inc. (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 circulating fluidized bed coal-fired power plant located in Redondo Peninsula, Subic, Zambales, is a project undertaken by Redondo Peninsula Energy, Inc. (RP Energy), a joint venture among Meralco PowerGen Corporation (MPGC), TPI, and Taiwan Cogeneration International Corporation.

On April 20, 2016, RP Energy entered into a Power Service Agreement (PSA) with Manila Electric Company (Meralco) for a contracted capacity of 225 MW within a 20-year term. This PSA was filed for approval with the Energy Regulatory Commission (ERC) on April 29, 2016. Public hearings were subsequently held, and were concluded on January 6, 2017. To date, RP Energy 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. The company 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. The company 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: (i) “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”; (ii) “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 (iii) “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 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 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 above-mentioned 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 CSP 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, renewable energy suppliers, 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 an 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. The Company 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:

a. Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the Philippine Electricity Market Corporation (PEMC) Board;
(b) 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;
(c) conduct of the Trial Operation Program for the WESM;
(d) Automatic termination of IMEM; and
(e) 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 those contracted with NGCP, and that no settlement amount will come from the WESM.

D. Feed-in-tariff (FIT) scheme

In May 2017, the ERC approved the new FIT-All rate for 2016 at P0.1830/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 P5.8705/kWh, and P6.5969/kWh for biomass.

In February 2018, the DOE issued a two-year extension on the FIT incentive scheme for Biomass and Run-of-River Hydro Power developments. This lengthened the duration of the subsidy rate for the aforementioned RE technologies. The DOE, however, maintained the cessation of FIT incentives for new solar and wind technologies. The decision of the DOE was officially communicated to the ERC as well as to RE developers. A department circular is due to be issued related to said extension.

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.

IV. 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 implement 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.

More immediately, UnionBank's 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. That shift has become more evident, with a significant portion of its revenues are already recurring in nature. More importantly, the growth in recurring revenue now offsets any revenue gaps that trading income used to fill. Further, more than half of UnionBank's revenues are already sourced 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 recurring income, in order to provide stable returns and predictability in the growth of shareholder value.
2. It leverages on transforming its branches and increasing the 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 are critical for the Bank to sustain 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 of delivering smart banking solutions and promoting inclusive prosperity, are expected to contribute to UnionBank's and its Subsidiaries' continued growth 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 it explores new and better ways to heighten customer satisfaction. For 2018, PETNET's will continue to drive more products through the PERA HUB mobile app. It will also seek more opportunities to gain strong foothold in the banking and financial services leg of the Aboitiz Group.

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., signed an agreement to purchase AEV's shares in PETNET on February 9, 2018. The sale was approved by the Philippine Competition Commission on May 10, 2018. Meanwhile, the approval of the Bangko Sentral ng Pilipinas for the investment by Citysavings in PETNET is still pending.

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 Partner for Growth, Pilmico will continue to strive for business excellence by providing solutions and building additional partnerships.

Pilmico intends to continue to expand its footprint in the ASEAN region, thereby increasing its customer base from 100 million (mn) to 600 mn. 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 mn in 2017 to 15 mn 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 are expected to enable Pilmico to serve its growing animal feeds-related businesses in the Philippines and increasing its foothold in the industry.

For its international operations, 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. As such, 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 in the ASEAN region. At the same time, Pilmico will begin operationalizing its newly acquired animal feed mill in Binh Duong, Vietnam and intends to start penetrating the local animal feed mill industry. Furthermore, Pilmico will continue to actively pursue other opportunities in the ASEAN region through expansion, as well as via mergers and acquisitions.

Pilmico expects that 2018 will be complex, volatile, and uncertain, but 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 customers' 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 Infrastructura, 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

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.

On February 23, 2018, Apo Agua received the Certificate of Eligibility to Convert from the Department of Agriculture. Apo Agua has applied for the DAR conversion order approving the use of the land for the plant.

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.

The Aboitiz infrastructure strategic business unit, which includes Apo Agua, is allotting ₱4 bn for capital expenditure in 2018.

II. Republic Cement and Building Materials, Inc. (RCBM)

Market demand in residential and non-residential markets remained steady and public-sector infrastructure projects are starting to pick up. RCBM experienced strong headwinds 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. The long-term outlook for the construction industry remains strong with public-sector infrastructure projects picking up and growing economy.

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, and its largest commercial project to date, The Outlets at Lipa. Following the success of its first residential project in Luzon (Seafront Residences), AboitizLand is confident its new Luzon-based projects will be the key to the company becoming a competitive player in the national real estate industry.

The Outlets at Lipa continues to show promise, with a rising number of tenants and construction progress on-track. In addition, residential sales are anticipated to remain on an uptrend with the launch of new inventory.

Looking to extend its growth track record, the industrial business unit is expected to continue to outperform prior years by exceeding 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.

PART II--OTHER INFORMATION

There are no significant information on the company which requires disclosure herein and/or were not included in SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer	**ABOITIZ EQUITY VENTURES, INC.**
Principal Accounting Officer	**Melinda R. Bathan**
Signature and Title	**First Vice President and Comptroller**
Date	MAY 15 2018
Authorized Officer of the Issuer	**Manuel Alberto R. Colayco**
Signature and Title	**First Vice President and Chief Legal Officer/Corporate Secretary/Chief Compliance Officer**
Date	MAY 15 2018

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	March 31, 2018 Unaudited	December 31, 2017 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	**71,564,649**	64,870,214
Trade and other receivables	**26,653,285**	24,192,785
Inventories	**11,391,504**	12,453,335
Derivative asset	**72,328**	228,644
Other current assets	**16,468,872**	12,442,517
Total Current Assets	**126,150,637**	114,187,494
Noncurrent Assets		
Property, plant and equipment	**215,769,708**	213,232,540
Investments and advances	**93,174,224**	91,922,376
Investment properties	**7,101,648**	6,844,633
Land and improvements	**3,700,709**	3,689,677
Intangible asset - service concession rights	**3,159,821**	3,062,307
Goodwill	**41,308,688**	41,308,689
Deferred income tax assets	**1,784,321**	1,525,630
Trade receivables - net of current portion	**585,611**	580,925
Derivative asset - net of current portion	**404,952**	113,297
Available-for-sale (AFS) investments	**1,037,832**	962,010
Held-to-maturity (HTM) investments	**187,127**	-
Net pension assets	**162,966**	176,952
Other noncurrent assets	**10,764,527**	14,637,950
Total Noncurrent Assets	**379,142,135**	378,056,987
TOTAL ASSETS	**505,292,772**	492,244,481
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**21,996,916**	23,701,140
Trade and other payables	**24,521,651**	24,536,584
Derivative liability	**400**	47,577
Current portions of:		
Long-term debts	**21,405,162**	20,722,330
Long-term obligation on Power Distribution System (PDS)	**40,000**	40,000
Obligations under finance lease	**3,316,165**	3,316,165
Income tax payable	**1,232,235**	703,489
Dividends payable	**7,211,254**	-
Total Current Liabilities	**79,723,783**	73,067,285
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease	**46,181,763**	45,909,089
Long-term debts	**178,195,644**	168,364,717
Long-term obligation on PDS	**192,927**	186,071
Trade payables	**498,513**	880,943
Derivative liability - net of current portion		
Customers' deposits	**6,332,725**	6,269,383
Asset retirement obligation	**3,016,153**	2,959,060
Deferred income tax liabilities	**1,632,109**	1,623,915
Net pension liability	**409,695**	400,306
Total Noncurrent Liabilities	**236,459,529**	226,593,483
Total Liabilities	**316,183,312**	299,660,769
Equity Attributable to Equity Holders of the Parent		
Capital stock	**5,694,600**	5,694,600
Additional paid-in capital	**13,013,197**	13,013,197
Other equity reserves:		
Gain on dilution	**5,043,152**	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary	**469,540**	469,540
Acquisition of non-controlling interests	**(1,577,073)**	(1,577,073)
Accumulated other comprehensive income:		
Net unrealized mark-to-market gains on AFS investments	**13,372**	17,279
Cumulative translation adjustments	**720,160**	189,465
Actuarial losses on defined benefit plans	**(657,864)**	(657,754)
Share in actuarial losses on defined benefit plans of associates and joint ventures	**(572,016)**	(537,099)
Share in cumulative translation adjustments of associates and joint ventures	**235,567**	(107,913)
Share in net unrealized mark-to-market losses on AFS investments of an associate	**(3,169,114)**	(3,237,987)
Retained earnings		
Appropriated	**4,200,000**	1,622,000
Unappropriated	**130,637,328**	135,600,929
Treasury stock at cost	**(521,132)**	(521,132)
	153,529,716	155,011,203
Non-controlling Interests	**35,579,744**	37,572,509
Total Equity	**189,109,460**	192,583,712
TOTAL LIABILITIES AND EQUITY	**505,292,772**	492,244,481

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the three months ended March 31, 2018 and March 31, 2017
(Amounts in thousands, except earnings per share amounts)
(Unaudited)

	For the three months ended March 31	
	2018	**2017**
OPERATING REVENUES	**37,176,285**	33,822,206
OPERATING EXPENSES	**28,763,384**	26,129,598
FINANCIAL INCOME (EXPENSES)		
Interest income	**351,712**	479,046
Interest expense	**(3,389,332)**	(3,348,198)
	(3,037,620)	(2,869,152)
OTHER INCOME - NET		
Share in net earnings of associates and joint ventures	**2,312,977**	2,520,098
Other charges	**(110,269)**	(123,985)
	2,202,708	2,396,113
INCOME BEFORE INCOME TAX	**7,577,989**	7,219,568
PROVISION FOR INCOME TAX	**1,171,707**	1,130,740
NET INCOME	**6,406,282**	6,088,828
ATTRIBUTABLE TO:		
Equity holders of the parent	**4,825,653**	4,673,477
Non-controlling interests	**1,580,629**	1,415,350
	6,406,282	6,088,828
EARNINGS PER COMMON SHARE		
Basic and diluted, for income for the year attributable to ordinary equity holders of the parent	**0.857**	0.830

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

(Unaudited)

	For the three months ended March 31	
	2018	**2017**
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**4,825,653**	4,673,477
Non-controlling interests	**1,580,629**	1,415,350
	6,406,282	6,088,828
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified to consolidated statements of income:		
Movement in cumulative translation adjustments	**669,186**	34,849
Share in movement in cumulative translation adjustments of associates and joint ventures	**446,756**	-
Share in movement in net unrealized mark-to-market gains on AFS investments of associates	**68,874**	1,864,776
Movement in net unrealized mark-to-market gains (losses) on AFS investments	**(4,133)**	942
	1,180,682	1,900,567
Items that will not be reclassified to consolidated statements of income:		
Movement in actuarial losses on defined benefit plans, net of tax	**(110)**	(10,110)
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**(34,849)**	(49,788)
	(34,959)	(59,898)
TOTAL COMPREHENSIVE INCOME	**7,552,005**	7,929,497
ATTRIBUTABLE TO:		
Equity holders of the parent	**5,729,768**	6,510,682
Non-controlling interests	**1,822,237**	1,418,815
	7,552,005	7,929,497

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED MARCH 31, 2018, and DECEMBER 31, 2017

	Attributable to owners of the parent																
	Capital Stock Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-market Gains (losses) on AFS Investments	Cumulative Translation Adjustments	Actuarial Losses on Defined Benefit Plans	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark-to-market Gains (Losses) on AFS Investments & Underwriting Accounts of Associates	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total	Non-controlling Interests	Total
Balances at January 1, 2018	5,694,600	13,013,197	5,043,152	469,540	(1,577,073)	17,279	189,466	(657,754)	(537,099)	(107,913)	(3,237,987)	1,622,000	135,600,929	(521,132)	155,011,202	38,152,297	193,163,500
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	4,825,653	-	4,825,653	1,580,629	6,406,282
Other comprehensive income																	
Movement of net unrealized mark-to-market losses on AFS investments	-	-	-	-	-	(3,906)	-	-	-	-	-	-	-	-	(3,906)	(227)	(4,133)
Movement in cumulative translation adjustments	-	-	-	-	-	-	530,696	-	-	-	-	-	-	-	530,696	138,490	669,186
Actuarial losses on defined benefit plans, net of tax	-	-	-	-	-	-	-	(110)	-	-	-	-	-	-	(110)	-	(110)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	-	(34,917)	-	-	-	-	-	(34,917)	68	(34,849)
Share in cumulative translation adjustment of associates	-	-	-	-	-	-	-	-	-	343,480	-	-	-	-	343,480	103,276	446,756
Share in movement in unrealized mark-to-market gains on AFS investments of associates	-	-	-	-	-	-	-	-	-	-	68,874	-	-	-	68,874	-	68,874
Total comprehensive income (loss) for the year	-	-	-	-	-	(3,906)	530,696	(110)	(34,917)	343,480	68,874	-	4,825,653	-	5,729,768	1,822,237	7,552,005
Appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	2,578,000	(2,578,000)	-	-	-	-
Cash dividends - P1.28 per share	-	-	-	-	-	-	-	-	-	-	-	-	(7,211,254)	-	(7,211,254)	-	(7,211,254)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-		-	-	(1,109,291)	(1,109,291)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-		-	-	(3,285,499)	(3,285,499)
Balances at March 31, 2018	5,694,600	13,013,197	5,043,152	469,540	(1,577,073)	13,372	720,161	(657,864)	(572,016)	235,566	(3,169,113)	4,200,000	130,637,327	(521,132)	153,529,716	35,579,744	189,109,460

	Attributable to owners of the parent																
	Capital Stock Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-market Gains on AFS Investments	Cumulative Translation Adjustments	Actuarial Losses on Defined Benefit Plans	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark-to-market Gains (Losses) on AFS Investments & Underwriting Accounts of Associates	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total	Non-controlling Interests	Total
Balances at January 1, 2017	5,694,600	13,013,197	5,376,176	469,540	(1,577,073)	9,106	34,262	(783,891)	(513,132)	(95,378)	(3,938,424)	2,717,000	120,390,178	(521,132)	140,275,029	33,120,592	173,395,620
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	4,673,477	-	4,673,477	1,415,350	6,088,828
Other comprehensive income																	
Movement of net unrealized mark-to-market gains on AFS investments	-	-	-	-	-	1,112	-	-	-	-	-	-	-	-	1,112	(170)	942
Movement in cumulative translation adjustments	-	-	-	-	-	-	31,214	-	-	-	-	-	-	-	31,214	3,635	34,849
Actuarial losses on defined benefit plans, net of tax	-	-	-	-	-	-	-	(10,110)	-	-	-	-	-	-	(10,110)	-	(10,110)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	-	(49,788)	-	-	-	-	-	(49,788)	-	(49,788)
Share in movement in unrealized mark-to-market gains on AFS investments of associates	-	-	-	-	-	-	-	-	-	-	1,864,776	-	-	-	1,864,776	-	1,864,776
Total comprehensive income (loss) for the year	-	-	-	-	-	1,112	31,214	(10,110)	(49,788)	-	1,864,776	-	4,673,477	-	6,510,682	1,418,815	7,929,497
Appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	(1,095,000)	1,095,000	-	-	-	-
Cash dividends - P1.33 per share	-	-	-	-	-	-	-	-	-	-	-	-	(7,492,944)	-	(7,492,944)	-	(7,492,944)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(454,721)	(454,721)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(47,875)	(47,875)
Balances at March 31, 2017	5,694,600	13,013,197	5,376,176	469,540	(1,577,073)	10,218	65,477	(794,001)	(562,920)	(95,378)	(2,073,648)	1,622,000	118,665,711	(521,132)	139,292,766	34,036,810	173,329,576

	Attributable to owners of the parent																
	Capital Stock Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-market Gains Losses on AFS Investments	Cumulative Translation Adjustments	Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark-to-market Gains (Losses) on AFS Investments & Underwriting Accounts of Associates	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total	Non-controlling Interests	Total
Balances at January 1, 2017	5,694,600	13,013,197	5,376,176	469,540	(1,577,073)	9,106	34,262	(783,891)	(513,132)	(95,378)	(3,938,424)	2,717,000	120,390,178	(521,132)	140,275,029	33,700,380	173,975,409
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	21,608,695	-	21,608,695	7,670,326	29,279,021
Other comprehensive income																	
Movement of net unrealized mark-to-market gains on AFS investments	-	-	-	-	-	8,172	-	-	-	-	-	-	-	-	8,172	(10,586)	(2,413)
Movement in cumulative translation adjustments	-	-	-	-	-	-	155,203	-	-	-	-	-	-	-	155,203	44,354	199,557
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	-	126,137	-	-	-	-	-	-	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	(22,788)
Share in cumulative translation adjustment of associates	-	-	-	-	-	-	-	-	-	(12,535)	-	-	-	-	(12,535)	(3,770)	(16,305)
Share in movement in unrealized mark-to-market gains on AFS investments of associates	-	-	-	-	-	-	-	-	-	-	700,437	-	-	-	700,437	2,127	702,564
Total comprehensive income (loss) for the year	-	-	-	-	-	8,172	155,203	126,137	(23,967)	(12,535)	700,437	-	21,608,695	-	22,562,143	7,703,629	30,265,772
Gain on dilution	-	-	(333,025)	-	-	-	-	-	-	-	-	-	-	-	(333,025)	-	(333,025)
Cash dividends - P1.33 per share	-	-	-	-	-	-	-	-	-	-	-	-	(7,492,944)	-	(7,492,944)	-	(7,492,944)
Appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	(1,095,000)	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	(1,577,073)	17,279	189,466	(657,754)	(537,099)	(107,913)	(3,237,987)	1,622,000	135,600,929	(521,132)	155,011,202	37,572,509	192,583,712

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	For the three months ended March 31	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	**7,577,989**	7,219,568
Adjustments for:		
Interest expense	**3,389,332**	3,348,198
Depreciation and amortization	**2,167,123**	1,983,339
Net unrealized foreign exchange loss	**1,184,639**	532,104
Write-off of project costs and others		
Unrealized fair valuation losses on derivatives	**119,673**	171,095
Amortization of computer softwares and other intangibles	**44,092**	36,036
Loss (Gain) on sale of property, plant & equipment	**104,935**	(1,243)
Dividend income	**(3,209)**	(450)
Gain on sale of available for sale investments	**-**	(2,217)
Interest income	**(351,712)**	(479,046)
Share in net earnings of associates	**(2,312,977)**	(2,520,097)
Operating income before working capital changes	**11,919,884**	10,287,287
Increase in operating assets	**(4,960,816)**	(1,755,502)
Decrease in operating liabilities	**(222,989)**	(1,161,696)
Net cash generated from operations	**6,736,079**	7,370,089
Income and final taxes paid	**(375,239)**	(352,287)
Net cash flows from operating activities	**6,360,840**	7,017,803
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash dividends received	**1,122,952**	1,763,564
Interest received	**321,023**	442,866
Disposals of (additions to):		
AFS investments	**(267,083)**	(20,392)
Land and improvements	**(11,032)**	37,142
Investments in associates	**(513,925)**	(250,093)
Property, plant and equipment and investment properties- net	**(3,577,795)**	(4,674,189)
Increase in intangible assets	**(30,604)**	(10,921)
Decrease (increase) in other assets / (decrease) increase in other liabilities	**682,540**	293,437
Net cash flows used in investing activities	**(2,273,924)**	(2,418,586)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from (settlements of) bank loans	**(1,704,224)**	4,792,377
Cash dividends paid (capital infusion collected from) and other changes to non-controlling interests	**(1,109,291)**	(450,583)
Net proceeds from (settlements of) long-term debt	**9,227,266**	(1,379,052)
Interest paid	**(2,087,494)**	(2,016,549)
Payments of finance lease obligation	**(2,246,663)**	(2,146,679)
Net cash flows from (used in) financing activities	**2,079,594**	(1,200,486)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,166,510**	3,398,730
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	**527,925**	(288,682)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**64,870,214**	63,857,528
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	**71,564,649**	66,967,576

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS SCHEDULES AND DISCLOSURES

(Amounts in Thousands, Except Earnings per Share and Exchange Rate Data and When Otherwise Indicated)

A. Components of Revenues, Costs & Expenses, and Other Comprehensive Income

1. Revenues

	For the three months ended March 31	
	2018	2017
Sale of:		
Power and electricity	**28,753,008**	26,753,400
Goods	**6,505,605**	5,405,061
Real estate	**739,872**	640,373
Fair value of swine	**626,668**	518,867
Service fees	**511,131**	440,403
Others	**40,001**	64,102
	37,176,285	33,822,206

2. Costs & Expenses

	For the three months ended March 31	
	2018	2017
Cost of generated and purchased power	**15,464,506**	14,877,381
Cost of goods sold	**5,987,538**	4,787,672
Operating expenses	**6,826,513**	6,071,461
Cost of real estate sales	**447,518**	356,215
Overhead expenses	**37,309**	36,869
	28,763,384	26,129,598

3. Other Comprehensive Income

	For the three months ended March 31			
		2018		**2017**
Available-for-sale financial assets:				
Net unrealized valuation gains (losses) arising during the period	**(4,133)**		942	
Less: Reclassification adjustments for gains (losses) included in profit or loss	**-**	**(4,133)**	-	942
Share in movement in net unrealized mark-to-market gains on AFS investments of associates		**68,874**		1,864,776
Movement in actuarial losses on defined benefit plans		**(157)**		(14,443)
Exchange differences in translating foreign currency-denominated transactions		**669,186**		34,849
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures		**(49,784)**		(71,126)
Share in movement in cumulative translation adjustments of associates and joint ventures		**446,756**		-
		1,130,741		1,814,998
Income tax relating to components of other comprehensive income		**14,982**		25,671
Other comprehensive income for the period		**1,145,723**		1,840,669

B. Tax Effects Relating to Each Component of Other Comprehensive Income

	For the three months ended March 31, 2018		
	Before-Tax Amount	Tax Benefit	Net-of-Tax Amount
Available-for-sale financial assets:			
Net unrealized valuation losses arising during the period	**(4,133)**	**-**	**(4,133)**
Share in movement in net unrealized mark-to-market gains on AFS investments of associates	**68,874**	**-**	**68,874**
Movement in actuarial losses on defined benefit plans, net of tax	**(157)**	**47**	**(110)**
Exchange differences in translating foreign currency-denominated transactions	**669,186**	**-**	**669,186**
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**(49,784)**	**14,935**	**(34,849)**
Share in movement in cumulative translation adjustments of associates and joint ventures	**446,756**	**-**	**446,756**
Other comprehensive income for the period	**1,130,741**	**14,982**	**1,145,723**

	For the three months ended March 31, 2017		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Available-for-sale financial assets:			
Net unrealized valuation gains arising during the period	942	-	942
Share in movement in net unrealized mark-to-market gains on AFS investments of associates	1,864,776	-	1,864,776
Movement in actuarial losses on defined benefit plans, net of tax	(14,443)	4,333	(10,110)
Exchange differences in translating foreign currency-denominated transactions	34,849	-	34,849
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	(71,126)	21,338	(49,788)
Other comprehensive income for the period	1,814,998	25,671	1,840,669

C. Investments and Advances

	March 31, 2018	December 31, 2017
Acquisition cost:		
Balance at beginning of period	**63,458,834**	62,563,115
Additions during the period	**513,925**	895,719
Balance at end of period	**63,972,759**	63,458,834
Accumulated equity in net earnings:		
Balance at beginning of period	**32,020,150**	28,599,980
Share in net earnings for the period	**2,312,977**	9,053,733
Step-acquisition of subsidiary	**-**	528,698
Cash dividends received and receivable	**(2,055,835)**	(6,162,261)
Balance at end of period	**32,277,293**	32,020,150
Gain on dilution	**1,014,136**	1,014,136
Share in net unrealized mark-to-market losses on AFS investment of associates	**(3,131,999)**	(3,200,873)
Share in cumulative translation adjustments of associates and joint ventures	**302,247**	(144,508)
Share in actuarial losses on retirement benefit plans of associates and joint ventures	**(604,096)**	(569,247)
	93,830,340	92,578,492
Advances to associates	**24,616**	24,616
Investments in associates at equity	**93,854,956**	92,603,108
Less allowance for impairment loss	**680,731**	680,731
	93,174,224	91,922,377

Investees and the corresponding equity ownership of Aboitiz Equity Ventures, Inc. (AEV) and its subsidiaries (the Group) are as follows:

		% Ownership	
	Nature of Business	**March 31, 2018**	December 31, 2017
Manila-Oslo Renewable Enterprise, Inc. (MORE) *	Holding company	**83.33**	83.33
AEV CRH Holdings, Inc. (AEV CRH)	Holding company	**60.00**	60.00
Balibago Water Systems, Inc	Water distribution	**11.14**	11.14
Cebu District Property Enterprise, Inc. (CDPEI) *	Real estate	**50.00**	50.00
Union Bank of the Philippines (UBP)	Banking	**49.12**	48.83
Hijos de F. Escaño, Inc. (Hijos)	Holding company	**46.73**	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding company	**45.00**	45.00
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	**42.84**	42.84
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00
STEAG State Power, Inc. (STEAG)	Power generation	**34.00**	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40
Redondo Peninsula Energy, Inc. (RP Energy)**	Power generation	**25.00**	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	**20.00**	20.00
Western Mindanao Power Corporation (WMPC)	Power generation	**20.00**	20.00
GNPower Dinginin Ltd. Co.	Power generation	**50.00**	50.00

* *Joint venture*
** *No commercial operations.*

D. Trade and Other Payables

	March 31, 2018	December 31, 2017
Trade	**12,065,566**	11,803,900
Others	**12,456,085**	12,732,684
	24,521,651	24,536,584

Trade payables are non-interest bearing and are usually on 30-90 days' terms.

Others include nontrade payables, insurance liabilities, accrued taxes and fees, withholding taxes and other accrued expenses, and are generally payable within 12 months from the balance sheet date.

E. Bank Loans

	March 31, 2018		December 31, 2017	
	Interest Rate	**Amount**	Interest Rate	Amount
Financial institutions - unsecured:				
Peso loans	**2.80% - 4.00%**	**21,304,400**	2.80% - 4.00%	23,112,700
US dollar loans	**2.81% - 2.90%**	**344,256**	2.00%	124,825
Vietnamese Dong loans	**2.4% - 2.8%**	**348,260**	2.3% - 7%	463,615
		21,996,916		23,701,140

F. Long-term Debts

	March 31, 2018		December 31, 2017	
	Interest Rate	**Amount**	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:				
Aboitiz Power Corporation (AP)				
Financial and non-financial institutions - unsecured	**5.21% - 6.10%**	**13,000,000**	5.21% - 6.10%	13,000,000
TPI Parent				
Financial institution - unsecured	**LIBOR + 1.10%**	**13,222,560**	LIBOR + 1.10%	15,153,755
Therma Visayas, Inc.				
Financial institution - secured	**5.55% to 6.91%**	**29,890,000**	5.55% to 6.91%	29,890,000
GMCP				
Financial institutions - secured	**LIBOR + 1.7% - 4.00%**	**42,854,656**	LIBOR + 1.7% - 4.00%	31,946,661
Therma South, Inc. (TSI)				
Financial institution - secured	**4.51%-5.15%**	**22,660,043**	4.51%-5.15%	22,660,043
AP Renewables, Inc.				
Financial institution - secured	**4.53% to 5.20%**	**9,999,520**	4.53% to 5.20%	10,624,640
Hedcor Bukidnon, Inc.				
Financial institutions - secured	**4.75% to 6.78%**	**9,327,700**	4.75% to 6.78%	9,327,700
Hedcor Sibulan, Inc.				
Financial institutions - secured	**4.11% to 5.32%**	**4,000,200**	4.11% to 5.32%	4,097,000
Aseagas Corporation				
Financial institution - secured				
Visayan Electric Company, Inc.				
Financial institutions- unsecured	**4.49% to 4.81%**	**1,176,000**	4.49% to 4.81%	1,176,000
Luzon Hydro Corporation				
Financial institution - secured	**2% to 2.75%**	**1,155,344**	2% to 2.75%	1,105,950
Davao Light & Power Co., Inc.				
Financial institutions - unsecured	**4.49% to 4.81%**	**882,000**	4.49% to 4.81%	882,000
Hedcor, Inc.				
Financial institution - secured	**5.25%**	**513,000**	5.25%	540,000
Subic Enerzone Corporation				
Financial institutions - unsecured	**5.00%**	**226,000**	5.00%	226,000
Cotabato Light & Power Co., Inc.				
Financial institution - unsecured	**4.49% to 4.81%**	**176,400**	4.49% to 4.81%	176,400
Pilmico Foods Corporation				
Financial institutions - secured	**4.5% - 4.75%**	**2,830,000**	4.5% - 4.75%	2,830,000
Pilmico Animal Nutrition Corporation				
Financial institution - secured	**4.5% - 4.75%**	**2,690,000**	4.5% - 4.75%	2,690,000
AEV International				
Financial institutions			10.50%	18,560
Joint Operation				
Pagbilao Energy Corporation				
Financial institution - secured	**4.70% to 6.68%**	**14,951,499**	4.70% to 6.68%	14,066,500
Total		**201,554,922**		192,411,209
Add embedded derivative				
Less deferred financing costs		**1,954,116**		3,324,162
		199,600,806		189,087,047
Less current portion		**21,405,162**		20,722,330
		178,195,644		168,364,717

G. Debt Securities

As of March 31, 2018 and December 31, 2016, AEV and Aboitiz Power Corporation (AP) registered and issued peso-denominated fixed-rate retail bonds totalling P45 billion under the following terms:

Maturity	Issuer	Interest Rate	Amount
7-year bonds to mature on November 21, 2020	AEV	4.4125% p.a.	6,200,000
10-year bonds to mature on November 21, 2023	AEV	4.6188% p.a.	1,800,000
5-year bonds to mature on August 6, 2020	AEV	4.4722% p.a.	10,461,620
7-year bonds to mature on August 6, 2022	AEV	5.0056% p.a.	8,467,030
12-year bonds to mature on August 6, 2027	AEV	6.0169% p.a.	5,071,350
10-year bonds to mature on September 10, 2021	AP	5.21%/p.a.	6,634,370
12-year bonds to mature on September 10, 2026	AP	6.10%/p.a.	3,365,630
10-year bonds to mature on July 03, 2027	AP	5.34%/p.a	3,000,000

H. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	Jan-Mar 2018	**Jan-Mar 2017**
a. Net income attributable to equity holders of the parent	**4,825,653**	4,673,477
b. Weighted average number of common shares issued and outstanding	**5,633,793**	5,633,793
Earnings per share (a/b)	**0.857**	0.830

I. 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 Philippine Financial Reporting Standards (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. 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. 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:

	January - March 31, 2018							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	28,839,527	160,777	7,132,273	739,872	21,089.74	282,746	-	37,176,285
Inter-segment	28,788	-	-	-	-	62,500	(91,288)	-
Total revenue	28,868,315	160,777.00	7,132,273	739,872	21,090	345,246	(91,288)	37,176,285
RESULTS								
Segment results	8,164,463	(9,163)	192,624	90,147	(5,599)	(19,571)	-	8,412,901
Unallocated corporate income (expenses)	(930,333)	8,886	222,401	10,183	195	578,399	-	(110,269)
INCOME FROM OPERATIONS								8,302,632
Interest Expense	(2,863,104)	(1,663)	(130,869)	(17,712)	-	(380,826)	4,842	(3,389,332)
Interest Income	189,325	368	56,784	3,313	855	106,471	(5,405)	351,712
Share in net earnings of associates	1,047,149	1,439,518	-	(3,280)	(171,424)	3,393,428	(3,392,413)	2,312,977
Provision for Income tax	(976,855)	(3,305)	(79,252)	(11,001)	(257)	(101,037)	-	(1,171,707)
NET INCOME								6,406,282
OTHER INFORMATION - as of March 31, 2018								
Segment assets	82,642,070	1,403,743	16,221,373	6,745,638	226,664	18,911,148	-	126,150,637
Investments and advances	31,819,495	34,745,230	-	1,472,772	25,292,448	104,282,550	(104,438,270)	93,174,224
Unallocated corporate assets	261,087,150	203,035	8,417,101	10,233,247	274,005	5,649,509	103,865	285,967,911
Consolidated total assets								505,292,772
Segment liabilities	257,506,971	592,647	19,163,889	6,613,957	24,784	31,765,741	(2,758,716)	312,909,273
Unallocated corporate liabilities	2,435,550	596,468	91,654	624,997	2,959	(477,589)	-	3,274,039
Consolidated total liabilities								316,183,312
	January - March 31, 2018							
Capital expenditures								(3,577,795)
Depreciation and amortization	1,970,177	9,212	179,575	16,025	1,680	34,546	-	2,211,215

	January - March 31, 2017							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	26,791,590	174,826	5,923,928	640,373	-	291,489	-	33,822,206
Inter-segment	0	-	-	-	-	62,500	(62,500)	-
Total revenue	26,791,590	174,826	5,923,928	640,373	-	353,989	(62,500)	33,822,206
RESULTS								
Segment results	7,255,565	5,669	315,948	86,122	(15,553)	44,856	-	7,692,607
Unallocated corporate income	(338,065)	4,372	172,919	10,193	-	26,597	-	(123,985)
INCOME FROM OPERATIONS								7,568,622
Interest Expense	(2,885,113)	(1,522)	(79,156)	(2,652)	-	(379,755)	-	(3,348,198)
Interest Income	368,539	375	7,278	119	263	102,472	-	479,046
Share in net earnings of associates	1,342,004	1,085,920	-	(1,745)	94,347	3,769,952	(3,770,382)	2,520,098
Provision for Income tax	(982,481)	(242)	(123,718)	(8,291)	(53)	(15,955)	-	(1,130,740)
NET INCOME								6,088,828
OTHER INFORMATION - as of December 31, 2017								
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	(108,332,206)	91,922,377
Unallocated corporate assets	262,266,809	184,640	8,205,912	9,636,511	260,661	5,476,212	103,866	286,134,610
Consolidated total assets								492,244,481
Segment liabilities	235,578,591	363,199	22,592,698	6,395,724	29,590	32,645,630	(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
	January - March 31, 2017							
Capital expenditures								(4,674,189)
Depreciation and amortization	1,808,348	8,651	149,899	16,508	230	35,739	-	2,019,375

J. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, AFS investments, bank loans, long-term debt, 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.

<u>Risk Management Structure</u>
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 debt; 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.

<u>Market Risk</u>
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 March 31, 2018, 15.07% of the Group's long-term debt had floating interest rates ranging from 2.00% to 3.88%, and 84.93% are with fixed rates ranging from 4.0% to 7.38%. As of December 31, 2017, 16.50% of the Group's long-term debt had floating interest rates ranging from 2.00% to 10.5%, and 83.50% are with fixed rates ranging from 4.0% to 6.91%.

The following tables set out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

As of March 31, 2018

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	**15,305,739**	**10,833,013**	**3,950,878**	**30,089,629**
	15,305,739	**10,833,013**	**3,950,878**	**30,089,629**

As of 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
	15,376,379	4,836,681	10,993,807	31,206,867

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.

Interest expense and other finance charges recognized according to source during the comparative periods are as follows:

	January-March 2018	January-March 2017
Finance lease obligation	**1,403,205**	1,394,279
Long term debt	**1,846,834**	1,897,861
Bank loans	**131,017**	47,965
Customers' deposits	**753**	886
Long-term obligation on PDS and others	**7,523**	7,206
	3,389,332	3,348,198

The following table demonstrates the sensitivity to a reasonably 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) for the periods ended March 31, 2018 and 2017:

	Increase (decrease) in basis points	Effect on income before tax
March 31, 2018	**200**	**(148,387)**
	(100)	**74,194**
March 31, 2017	200	(194,904)
	(100)	97,452

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant during the first three months of 2018 and 2017 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 March 31, 2018 and December 31, 2017, foreign currency denominated borrowings account for 31.00% and 27.84%, respectively, of total consolidated borrowings.

		March 31, 2018			December 31, 2017	
		US Dollar	**Philippine Peso equivalent[1]**		US Dollar	Philippine Peso equivalent[2]
Loans and receivables:						
Cash and cash equivalents	**$**	**666,800**	**34,780,312**	$	572,576	28,588,732
Trade and other receivables		**44,505**	**2,321,365**		49,715	2,482,289
AFS investments		**13,404**	**699,153**		5,863	292,740
Derivative assets						
Total financial assets		**724,709**	**37,800,830**		628,155	31,363,760
Other financial liabilities:						
Bank loans[3]		**13,277**	**692,516**		11,785	588,440
Trade and other payables		**14,956**	**780,101**		62,033	3,097,290
Long-term debt		**253,500**	**13,222,560**		303,872	15,172,315
Finance lease obligation		**509,774**	**26,589,812**		519,370	25,932,144
Total financial liabilities		**791,507**	**41,284,989**		897,060	44,790,189
Total net financial liabilities	**$**	**(66,798)**	**(3,484,159)**	$	(268,905)	(13,426,429)

[1]USD1 = P52.16
[2]USD1 = P49.93
[3]The original currency of these loans is Vietnamese Dong.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of March 31, 2018 and December 31, 2017.

	Increase/ (decrease) in US Dollar	Effect on income before tax
March 31, 2018		
US Dollar denominated accounts	**US Dollar strengthens by 5%**	**(174,208)**
US Dollar denominated accounts	**US Dollar weakens by 5%**	**174,208**
December 31, 2017		
US Dollar denominated accounts	US Dollar strengthens by 5%	(671,321)
US Dollar denominated accounts	US Dollar weakens by 5%	671,321

The increase in US dollar rate represents the depreciation of the Philippine peso while the decrease in US dollar rate represents appreciation of the Philippine peso.

There is no other impact on the Group's equity other than those already affecting the consolidated statement of comprehensive income.

Equity price risk
Equity price risk is the risk that the fair value of traded equity instruments decrease as the result of the changes in the levels of equity indices and the value of the individual stocks.

As of March 31, 2018 and December 31, 2017, the Group's exposure to equity price risk is minimal.

Credit risk

For its cash investments, AFS investments 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 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 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.

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 March 31, 2018 and December 31, 2017, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 9.68% and 9.83%, 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 P71.6 billion and P26.6 billion as of March 31, 2018 and P64.9 billion and P24.2 billion as of December 31, 2017, respectively. These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyses 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.

March 31, 2018

	Total Carrying Value	Contractual undiscounted payments				
		Total	**On demand**	**> 1 year**	**1 to 5 years**	**> 5 years**
Trade and other payables*	**10,721,890**	**10,721,890**	**1,934,133**	**8,593,577**	**194,180**	**-**
Customers' deposits	**6,332,725**	**6,332,725**	**-**	**24,396**	**94,130**	**6,214,199**
Bank loans	**21,996,916**	**21,996,916**	**-**	**21,996,916**	**-**	**-**
Long-term debt	**199,600,806**	**209,428,587**	**-**	**22,945,988**	**108,166,615**	**78,315,984**
Finance lease obligation	**49,497,928**	**72,916,480**	**-**	**6,760,800**	**50,630,880**	**15,524,800**
Long-term obligation on power distribution system	**232,927**	**400,000**	**-**	**40,000**	**200,000**	**160,000**
Dividends payable	**7,211,254**	**7,211,254**		**7,211,254**		
Derivative liability	**400**	**400**	**-**	**400**	**-**	**-**
Total	**295,594,846**	**329,008,252**	**1,934,133**	**67,573,331**	**159,285,805**	**100,214,983**

*Excludes statutory liabilities

December 31, 2017

	Total Carrying Value	Contractual undiscounted payments				
		Total	On demand	> 1 year	1 to 5 years	> 5 years
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
Bank loans	23,711,309	23,711,309	-	23,711,309	-	-
Long-term debt	240,997,376	240,997,376	-	26,867,224	117,503,925	96,626,227
Finance lease obligation	73,496,465	73,496,465	-	8,813,700	38,927,175	25,755,590
Long-term obligation on power distribution system	440,000	440,000	-	40,000	200,000	200,000
Derivative liability	47,577	47,577	-	47,577	-	-
Total	366,598,613	366,598,613	1,573,803	78,946,174	157,317,739	128,760,897

*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. The Group is not subject to any externally imposed capital requirements.

No changes were made in the objectives, policies or processes during the periods ended March 31, 2018 and December 31, 2017.

Certain entities within the Group that are registered with the Board of Investments are required to raise minimum amount of capital in order to avail of their registration incentives. As of March 31, 2018 and December 31, 2017, these entities have complied with this requirement as applicable.

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 debt, obligations under finance lease, redeemable preferred shares and payable to preferred shareholders of a subsidiary) less cash and short-term deposits and temporary advances to related parties.

Gearing ratios of the Group as ofMarch 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018	December 31, 2017
Bank Loans	**21,996,916**	23,701,140
Long-term obligations	**249,098,734**	238,312,301
Cash and cash equivalents	**(75,192,621)**	(67,512,541)
Net Debt (a)	**195,903,030**	194,500,900
Equity	**189,109,460**	192,583,712
Equity and Net Debt (b)	**385,012,490**	387,084,611
Gearing Ratio (a/b)	**50.88%**	50.25%

K. Financial Instruments

Fair Value of Financial Instruments

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. 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 maket 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 an inactive 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.

	March 31, 2018		December 31, 2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities				
Finance lease obligation	**49,497,928**	**43,225,428**	49,225,254	43,462,850
Long-term debt - fixed rate	**169,511,177**	**167,664,814**	157,880,180	151,225,731
Long-term obligation on PDS	**232,927**	**326,655**	226,071	326,655
Total	**219,242,032**	**211,216,897**	207,331,505	195,015,236

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, bank loans and trade and other payables
The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair value 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 applicable interest rates. 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. The disclosed fair value is determined using Level 3 inputs.

Floating-rate borrowings. Since repricing of the variable-rate interest bearing loan is done on a quarterly basis, the carrying value approximates the fair value.

Long-term obligation on PDS. The fair value of long term obligation on power distribution system is calculated by discounting expected future cash flows at prevailing market rates. The disclosed fair value is determined using Level 3 inputs.

Customers' deposits. The fair value of bill deposits approximates the 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.

Redeemable preferred shares. The fair values of the redeemable preferred shares are based on the discounted value of future cash flows using the applicable rates for similar types of borrowings.

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 financial instruments

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 disclosed fair value is determined using Level 2 inputs.

The Group enters into non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities and purchases.

The Group also enters 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.

As of March 31, 2018 and December 31, 2017, the Group recognized net derivative assets relating to these contracts amounting to P477 million and P294 million, respectively.

The movements in fair value changes of all derivative instruments for the year ended March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018	December 31, 2017
At beginning of period	**294,364**	(69,016)
Net changes in fair value of derivatives designated as accounting hedges	**223,726**	105,483
Net changes in fair value of derivatives not designated as accounting hedges	**(112,891)**	5,339
Derecognition recognized in cumulative translation adjustments	**-**	240,960
Fair value of settled instruments	**71,681**	11,598
At end of period	**476,880**	294,364

The losses from the net fair value changes of derivatives not designated as accounting hedges are included as "Net foreign exchange losses" under "Other income - net". The changes in the fair value of derivatives designated as accounting hedges are deferred in equity under "Cumulative translation adjustments."

Fair Value Hierarchy

The Group uses the following hierarchy for determining 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 March 31, 2018 and December 31, 2017, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

March 31, 2018

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
AFS investments	**1,025,763**	**1,025,763**	**-**	**-**
Derivative asset	**477,280**	**-**	**477,280**	**-**
Derivative liability	**400**	**-**	**400**	**-**
Disclosed at fair value:				
Obligations under finance lease	**43,225,428**	**-**	**-**	**43,225,428**
Long-term debt - fixed rate	**167,664,814**	**-**	**-**	**167,664,814**
Long-term obligation on PDS	**326,655**	**-**	**-**	**326,655**

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

During the periods ended March 31, 2018 and December 31, 2017, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

L. Disclosures

1. Company 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.

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. 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.

2. Basis of Financial Statement Preparation and Changes in Accounting Policies

Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries collectively referred to as "Group".

The unaudited condensed consolidated financial statements are prepared in compliance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2017 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2017.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRSs) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited condensed consolidated financial statements are presented in Philippine peso, the Group's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

On April 30, 2018, the Audit Committee of the Board of Directors of the Company approved and authorized the release of the accompanying unaudited condensed consolidated financial statements of the Group.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Except as otherwise indicated, adoption of the following new and amended standards and interpretations did not have any significant impact on the Group's consolidated financial statements:

- Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment
  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 are not 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 do 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 fixed escalation will be recognized on a straight-line basis over the contract period.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full restrospective application or a modified retrospective application is required. The Group is adopting this new standard 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. The Group is currently quantifying the impact of this new standard.

  Based on its initial assessment, the requirements of PFRS 15 on the following 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 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. 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 is adopting the new standard without restating 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 opts 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 has not retrospectively applied 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 does not have a significant impact on the Group's consolidated financial statements.

The Group has determined the impact of PFRS 9 adoption 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 currently 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)
  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.

  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, these amendments do not have any impact on its consolidated financial statements.

- 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, this interpretation does not have any effect on its consolidated financial statements.

3. <u>Basis of Consolidation</u>

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table.

		MARCH 31, 2018		DECEMBER 31, 2017	
	Nature of Business	Direct	Indirect	Direct	Indirect
Abotiz Power Corporation (AP) and Subsidiaries	Power	76.88%	–	76.88%	–
Aboitiz Energy Solutions, Inc. (AESI)	Power	–	100%	–	100%
Balamban Enerzone Corporation (BEZ)	Power	–	100	–	100
Lima Enerzone Corporation (LEZ)	Power	–	100	–	100
Mactan Enerzone Corporation (MEZ)	Power	–	100	–	100
East Asia Utilities Corporation (EAUC)	Power	–	100	–	100
Subic Enerzone Corporation (SEZ)	Power	–	100	–	100
Cotabato Light & Power Co., Inc. (CLP)	Power	–	99.94	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	–	100	–	100
Davao Light & Power Co., Inc. (DLP)	Power	–	99.93	–	99.93
Visayan Electric Company (VECO)	Power	–	55.26	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	–	100	–	100
AP Renewables, Inc. (APRI)	Power	–	100	–	100
Hedcor, Inc. (HI)	Power	–	100	–	100
Hedcor Mt. Province, Inc. *	Power	–	100	–	100
Hedcor Benguet, Inc. (BHI) *	Power	–	100	–	100
Hedcor Bukidnon, Inc. *	Power	–	100	–	100
Hedcor Kabayan, Inc. *	Power	–	100	–	100
Hedcor Ifugao, Inc. *	Power	–	100	–	100
Hedcor Kalinga, Inc. *	Power	–	100	–	100
Hedcor Itogon, Inc. *	Power	–	100	–	100
Hedcor Manolo Fortich, Inc. *	Power	–	100	–	100
Hedcor Sabangan, Inc. *	Power	–	100	–	100
Hedcor Sibulan, Inc. (HSI)	Power	–	100	–	100
Hedcor Tamugan, Inc. (HTI) *	Power	–	100	–	100
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	–	100	–	100
Aboitiz Power Distributed Renewables, Inc. (formerly Kookaburra Equity Ventures, Inc.) *	Power	–	100	–	100
Aboitiz Power Distributed Energy Inc. *	Power	–	100	–	100
Mt. Apo Geopower, Inc. *	Power	–	100	–	100
Cleanergy, Inc. (CI) *	Power	–	100	–	100
Hydro Electric Development Corporation	Power	–	99.97	–	99.97
Luzon Hydro Corporation (LHC)	Power	–	100	–	100
Bakun Power Line Corporation *	Power	–	100	–	100
AP Solar Tiwi, Inc. *	Power	–	100	–	100
Aseagas Corporation (Aseagas)*	Power	–	100	–	100
Cordillera Hydro Corporation (CHC) *	Power	–	100	–	100
Negron Cuadrado Geopower, Inc. (NCGI) *	Power	–	100	–	100
Tagoloan Hydro Corporation *	Power	–	100	–	100
Luzon Hydro Company Limited*	Power	–	100	–	100
Therma Power, Inc. (TPI) and Subsidiaries	Power	–	100	–	100
Abovant Holdings, Inc. (AHI)	Power	–	60	–	60
Therma Power - Visayas, Inc. (TPVI) *	Power	–	100	–	100
Therma Luzon, Inc. (TLI)	Power	–	100	–	100
Therma Marine, Inc. (Therma Marine)	Power	–	100	–	100
Therma Mobile, Inc.(Therma Mobile)	Power	–	100	–	100
Therma South, Inc. (TSI) *	Power	–	100	–	100
Therma Central Visayas, Inc. (TCVI) *	Power	–	100	–	100
Mindanao Sustainable Solutions, Inc. *	Services	–	100	–	100
Therma Subic, Inc. (Therma Subic) *	Power	–	100	–	100
Therma Mariveles Holdings L.P.	Holding	–	100	–	100
Therma Mariveles, LLC	Holding	–	100	–	100
Therma Mariveles Consulting Services, LLC	Holding	–	100	–	100
Therma Mariveles Holding Cooperatief U.A.	Holding	–	100	–	100
Therma Mariveles Camaya B.V.	Holding	–	100	–	100
Therma Mariveles Holdings, Inc.	Holding	–	100	–	100
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power	–	100	–	100
Therma Dinginin L.P.	Holding	–	100	–	100
Therma Dinginin, LLC	Holding	–	100	–	100
Therma Dinginin Offshore Services Inc.	Holding	–	100	–	100
Therma Dinginin Holding Cooperatief U.A.	Holding	–	100	–	100
Therma Dinginin B.V.	Holding	–	100	–	100
Therma Dinginin Holdings, Inc.	Holding	–	100	–	100
Therma Visayas, Inc. (TVI) *	Power	–	80	–	80
AboitizPower International Pte. Ltd.	Holding	100	–	100	–
Adventenergy, Inc. (AI)	Power	–	100	–	100
Cebu Private Power Corporation (CPPC)	Power	–	60	–	60
Prism Energy, Inc. (PEI) *	Power	–	60	–	60
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	100	–	100	–
Fil-Agri Holdings, Inc.	Holding company	–	100	–	100
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	–	100	–	100
Fil-Agri, Inc.	Food manufacturing	–	100	–	100
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	100	–	100	–
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	–	60	–	60
Misamis Oriental Land Development, Inc. (MOLDC)	Real estate	–	60	–	60
Propriedad del Norte, Inc. (PDNI)	Real estate	–	100	–	100
Lima Land, Inc (LLI) and Subsidiaries	Real estate	–	100	–	100
AEV International Pte. Ltd (AEV International) and Subsidiaries	Holding company	100	–	100	–
Pilmico International Pte. Ltd (Pilmico International) and Subsidiary	Holding company	–	100	–	100

Pilmico Vietnam Feeds Joint Stock Company (Pilmico Feeds)	Food manufacturing	**–**	**100**	–	100
Pilmico Viet Nam Trading Company, Ltd.	Trading	**–**	**100**	–	100
Pilmico Animal Nutrition Joint Stock Company (PAN JSC)	Food manufacturing	**–**	**70**	–	70
PT PILMICO Foods Indonesia	Trading	**–**	**67**	–	67
Archipelago Insurance Pte Ltd (AIPL)	Insurance	**100**	**–**	100	–
Aseagas Corporation (Aseagas) *	Biogas Manufacturing	**-**	**–**	-	–
AEV Aviation, Inc. (AEV Aviation)	Service	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc. *	Real estate	**100**	**–**	100	–
Cebu Praedia Development Corporation (CPDC)	Real estate	**100**	**–**	100	–
PETNET, Inc. (PETNET)	Financial services	**51**	**–**	51	–
Aboitiz Infracapital, Inc. (AIC)	Holding company	**100**	**–**	100	–
Lima Water Corporation (LWC)	Water	**–**	**100**	–	100
Apo Agua Infrastructura, Inc. *	Supply of treated bulk water	**21.76%**	**48.24%**	22.22%	47.78%

** No commercial operations as of March 31, 2018 and December 31, 2017.*

4. Seasonality of Interim Operations

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This provides continuous water flow and thus makes it favorable to all 'run-of-river' hydropower plants' operations.

Any unexpected change in the seasonal aspects will have no material effect on the Group's financial condition or results of operations. During and as of the end of the current interim period, no seasonal aspect had any material effect on the Group's results of operations or financial condition.

5. Property, Plant and Equipment, Land and Improvements and Investment Properties

During the first three months of 2018, additions to property, plant and equipment (PPE) totalled P3.58 billion. A significant portion of the Group's PPE relates to various projects under "Construction in progress" as of March 31, 2018 and December 31, 2017, as shown below:

Project Company	Estimated costs to complete (in millions)	% of completion	Estimated costs to complete (in millions)	% of completion
	March 31, 2018	December 31, 2017	**March 31, 2018**	December 31, 2017
TVI	9,051	10,375	77%	73%
Hedcor Bukidnon	2,531	2,858	78%	75%
PEC	0	2,294	100%	87%

For the current period, construction costs for the various projects reached P1.78 billion, which includes capitalized borrowing costs amounting to P735.1 million.

Additions to land and improvements amounted to P11.0 million, representing AboitizLand's purchase of various lots for future development.

6. Material Events and Changes

a. AEV Dividend Declaration and Retained Earnings Appropriation

To comply with the requirements of Section 43 of the Corporation Code, on March 8, 2018, the BOD of the Company approved the following:

i.) 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.

ii.) 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 Infrastructura, 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 Infrastructura, Inc.	Plant Construction	January, 2018	2nd quarter 2018	1st quarter 2021	4,200,000
Total					**4,200,000**

iii.) 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 Infrastructura, Inc.

b. Disposition of PETNET Shares

On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET Inc. (PETNET) to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. for a cash consideration of Php 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.

c. Purchase of UBP Shares

On March 12, 2018, the Company bought 3,113,385 common shares of Union Bank of the Philippines (UBP) at a price of ₱90.75 per share. This brought up AEV's ownership in UBP from 48.83% to 49.12%.

Except for the above developments and as disclosed in some other portions of this report, no other significant events occurred that would have a material impact on the registrant and its subsidiaries, and no other known trend, event or uncertainty came about that had or were reasonably expected to have a material favorable or unfavorable impact on revenues or income from continuing operations, since the end of the most recently completed fiscal year. There were also no significant elements of income or loss that did not arise from the continuing operations of the registrant and its subsidiaries. Likewise, during and as of the end of the current interim period, there were no other unusual items (due to their nature, size or incidents) that affected liabilities, assets, equity, net income, or cash flows.

Other than those disclosed above, no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons were created during the interim period. There were also no events that would trigger substantial direct or contingent financial obligations or cause any default or acceleration of an existing obligation.

Likewise, there were no other material changes made in such items as: accounting principles and practices, estimates inherent in the preparation of financial statements, status of long-term contracts, changes in the composition of the issuer, and reporting entity resulting from business combinations or dispositions.

Lastly, there were no changes in estimates of amounts reported in prior interim period and financial year that would have a material effect in the current interim period.

7. Events After the Reporting Period

There are no significant events to disclose.

8. Material Adjustments

There were no material, non-recurring adjustments made during the period that would require appropriate disclosures. All other adjustments are of a normal recurring nature.

9. 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 subsidiaries and associates in connection with loans and credit accommodations.

M. SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	March 31, 2018	December 31, 2017
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	**1.58**	1.56
Acid test ratio	Cash + Marketable Securities + Accounts Receivable+ Other Liquid Assets / Current liabilities	**1.26**	1.25
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	**1.67**	1.56
Asset to equity ratio	Total assets / Total equity	**2.67**	2.56
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	**1.04**	1.01
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	**50.88%**	50.25%
Interest coverage ratio	EBIT / Interest expense	**3.85**	4.28
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	**22.6%**	24.32%
Return on Equity*	Net income after tax / Total equity	**n.a.**	16.01%

*Ratio marked * is deemed Not Applicable for the interim reporting period since this will not be comparable to the ratio reported in the previous period.*

"FOR PSE REQUIREMENT"

ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES

AGING OF RECEIVABLES

AS OF : MARCH 31, 2018

(amts in P000's)

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Power	9,840,388	2,730,945	214,158	2,950,757	15,736,248
Food Manufacturing	2,045,862	192,170	79,764	171,641	2,489,437
Real Estate	657,788	114,292	152,303	2,754,923	3,679,306
Financial Services	30,518	874	2,153	23,939	57,484
Infrastructure	7,295	1,510	0	0	8,805
Holding and Others	448,451	88,596	20,214	127,823	685,084
	13,030,302	**3,128,387**	**468,592**	**6,029,083**	**22,656,364**
Others	**6,147,106**	**19,411**	**33,666**	**343,535**	**6,543,718**
	19,177,408	**3,147,798**	**502,258**	**6,372,618**	**29,200,082**
Less Allowance for Doubtful Accounts					**1,961,186**
					27,238,896

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AS OF : DECEMBER 31, 2017

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Power	12,036,106	1,038,459	233,285	3,030,772	16,338,622
Food Manufacturing	1,933,945	173,282	91,793	145,287	2,344,307
Real Estate	1,449,467	182,714	151,595	1,870,523	3,654,299
Financial Services	261,822	0	0	4,490	266,312
Infrastructure	7,162	1,510	0	0	8,672
Holding and Others	468,258	41,315	2,730	125,393	637,696
	16,156,760	**1,437,280**	**479,403**	**5,176,465**	**23,249,908**
Others	**3,103,801**	**45,064**	**104,058**	**227,053**	**3,479,976**
	19,260,561	**1,482,344**	**583,461**	**5,403,518**	**26,729,884**
Less Allowance for Doubtful Accounts					**1,956,174**
					24,773,710

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ACCOUNTS RECEIVABLE DESCRIPTION

Type of Receivable	Nature / Description	Collection
Trade	uncollected billings to customers for sale of power, goods and services	30 - 60 days
Non-Trade	claims, operating cash advances and advances to suppliers & employees	30 - 120 days

NORMAL OPERATING CYCLE

Power Subsidiaries
- Distribution - 60 days
- Generation - 65 days

Food Subsidiary - 90 days

Financial Services Subsidiary - 60 days

Real Estate Subsidiary - 30 days